RTE EDF Transport S.A.

Euro 6,000,000,000
Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme described in this Base Prospectus (the "**Programme**"), RTE EDF Transport S.A. (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed Euro 6,000,000,000 (or the equivalent in other currencies at the date of issue of any Notes).

This Base Prospectus supersedes and replaces the Base Prospectus dated 30 April 2009.

Application has been made to the *Autorité des marchés financiers* (the "**AMF**") for approval of this Base Prospectus in its capacity as competent authority under the Directive 2003/71/EC of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "**Prospectus Directive**"). Application may be made (i) to Euronext Paris during the period of 12 months from the date of this Base Prospectus for Notes issued under the Programme to be admitted to trading and/or (ii) to the competent authority of any other Member State of the European Economic Area ("**EEA**") for Notes issued under the Programme to be admitted to trading on a Regulated Market (as defined below) in such Member State. Euronext Paris is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EEC (a "**Regulated Market**"). However, Notes may be issued pursuant to the Programme which are not admitted to trading on any Regulated Market. The relevant final terms (the "**Final Terms**") (a form of which is contained herein) in respect of the issue of any Notes will specify whether or not such Notes will be admitted to trading, and, if so, the relevant Regulated Market.

In the case of any Notes which are to be admitted to trading on a Regulated Market within the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes).

Notes may be issued either in dematerialised form ("**Dematerialised Notes**") or in materialised form ("**Materialised Notes**") as more fully described herein.

Dematerialised Notes will at all times be in book entry form in compliance with Articles L.211-3 and R.211-1 of the French *Code monétaire et financier*. No physical documents of title will be issued in respect of the Dematerialised Notes.

Dematerialised Notes may, at the option of the Issuer, be in bearer dematerialised form (*au porteur*) inscribed as from the issue date in the books of Euroclear France ("**Euroclear France**") (acting as central depositary) which shall credit the accounts of Account Holders (as defined in "Terms and Conditions of the Notes — Form, Denomination(s)", "Title and Redenomination") including Euroclear Bank S.A./N.V. ("**Euroclear**") and the depositary bank for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or in registered dematerialised form (*au nominatif*) and, in such latter case, at the option of the relevant Noteholder (as defined in "Terms and Conditions of the Notes — Form, Denomination(s), Title and Redenomination"), in either fully registered form (*au nominatif pur*), in which case they will be inscribed either with the Issuer or with the registration agent (designated in the relevant Final Terms) for the Issuer, or in administered registered form (*au nominatif administré*) in which case they will be inscribed in the accounts of the Account Holders designated by the relevant Noteholders.

Materialised Notes will be in bearer materialised form only and may only be issued outside France. A temporary global certificate in bearer form without interest coupons attached (a "**Temporary Global Certificate**") will initially be issued in connection with Materialised Notes. Such Temporary Global Certificate will be exchanged for Definitive Materialised Notes in bearer form with, where applicable, coupons for interest attached, on or after a date expected to be on or about the 40th day after the issue date of the Notes (subject to postponement as described in "Temporary Global Certificates issued in respect of Materialised Bearer Notes") upon certification as to non U.S. beneficial ownership as more fully described herein.

Temporary Global Certificates will (a) in the case of a Tranche (as defined in "General Description of the Programme") intended to be cleared through Euroclear and/or Clearstream, Luxembourg, be deposited on the issue date with a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg and (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and/or Clearstream, Luxembourg or delivered outside a clearing system, be deposited as agreed between the Issuer and the relevant Dealer (as defined below).

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Base Prospectus.

Arrangers

Barclays Capital **Société Générale Corporate & Investment Banking**

Dealers

Barclays Capital
Citi
Deutsche Bank
ING Wholesale Banking
Mitsubishi UFJ Securities International plc
Société Générale Corporate & Investment Banking

BNP PARIBAS
Crédit Agricole CIB
HSBC
J.P. Morgan
Natixis
The Royal Bank of Scotland

UniCredit Bank

The date of this Base Prospectus is 4 May 2010

This Base Prospectus (together with any supplements to this Base Prospectus published from time to time, each a "Supplement" and together the "Supplements") comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and its respective consolidated subsidiaries taken as a whole (together with the Issuer, the "Group" or the "RTE Group") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus should be read and construed in conjunction with any Supplement thereto which shall form part of this Base Prospectus and, in relation to any Series (as defined in "General Description of the Programme") of Notes, should be read and construed together with the relevant Final Term(s), the Base Prospectus and the Final Terms being together, the "Prospectus".

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arrangers (each as defined in "General Description of the Programme"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of any Notes which are to be admitted to trading on a Regulated Market within the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €50,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Materialised Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or, in the case of Materialised Notes in bearer form, delivered within the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S"), or, in the case of Materialised Notes in bearer form, the U.S. Internal Revenue Code of 1986, as amended (the "U.S Internal Revenue Code" and the regulations thereunder). For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see "Subscription and Sale".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers or the Arrangers to subscribe for, or purchase, any Notes.

The Arrangers and the Dealers have not separately verified the information contained in this Base Prospectus. None of the Dealers or the Arrangers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Base Prospectus or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and any purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arrangers.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the Final Terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "€", "Euro", "EUR" or "euro" are to the single currency of the participating member states of the European Economic and Monetary Union which was introduced on 1 January 1999, references to "£", "pounds sterling", "GBP" and "Sterling" are to the lawful currency of the United Kingdom, references to "$", "USD" and "U.S. Dollars" are to the lawful currency of the United States of America.

In this Base Prospectus, any discrepancies in any table between totals and the sums of the amounts listed in such table are due to rounding.

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RISK FACTORS

I. RISK FACTORS RELATING TO THE NOTES

The following paragraphs describe some risk factors that are material to the Notes to be admitted to trading in order to assess the market risk associated with these Notes. The Issuer is not in the position to ascertain that all the Risk Factors listed below are exhaustive. Prospective investors should consult their own financial and legal advisers about risks associated with investment in a particular Series of Notes and the suitability of investing in the Notes in light of their particular circumstances. Terms defined herein shall have the same meaning as in the Terms and Conditions of the Notes.

1. General risks relating to the Notes

1.1 Independent review and advice

Each prospective investor of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

A prospective investor may not rely on the Issuer or the Dealer(s) or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

1.2 Potential conflicts of interest

Each of the Issuer, the Dealer(s) or any of their respective affiliates may deal with and engage generally in any kind of commercial or investment banking or other business with any issuer of the securities taken up in an index, their respective affiliates or any guarantor or any other person or entities having obligations relating to any issuer of the securities taken up in an index or their respective affiliates or any guarantor in the same manner as if any index-linked Notes issued under the Programme did not exist, regardless of whether any such action might have an adverse effect on an issuer of the securities taken up in the index, any of their respective affiliates or any guarantor.

The Issuer may from time to time be engaged in transactions involving an index or related derivatives which may affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Potential conflicts of interest may arise between the Calculation Agent, if any, for a Tranche of Notes and the Noteholders, including with respect to certain discretionary determinations and judgements that such Calculation Agent may make pursuant to the Terms and Conditions that may influence the amount receivable upon redemption of the Notes. The Calculation Agent shall act as an independent expert and not as agent of the Issuer in the performance of its duties.

1.3 Legality of purchase

Neither of the Issuer, the Dealer(s) nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective investor of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

1.4 Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling General Meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant General Meeting and Noteholders who voted in a manner contrary to the majority.

1.5 Regulatory restrictions

Investors whose investment activities are subject to investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities. Investors should review and consider such restrictions prior to investing in the Notes.

1.6 Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for innovative financial Notes such as the Notes. Potential investors are advised not to rely upon the tax summary contained in this Base Prospectus and/or in the Final Terms but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Base Prospectus and the additional tax sections, if any, contained in the relevant Final Terms.

1.7 EU Savings Directive

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a directive 2003/48/EC regarding the taxation of savings income in the form of interest payments (the "**Directive**"). The Directive requires Member States, subject to a number of conditions being met, to provide to the tax authorities of other Member States details of payments of interest and other similar income made by a paying agent located within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Luxembourg and Austria will instead withhold an amount on interest payments unless the relevant beneficial owner of such payment elects otherwise and authorises the paying agent to disclose the above information (see "Taxation - EU Taxation").

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

The European Commission has proposed a number of changes to the Directive which have been adopted by the European Parliament. The European Parliament adopted an amended version of this proposal on 24 April 2009. If any of these proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

1.8 French insolvency law

Under French insolvency law as amended by ordinance n°2008-1345 dated 18 December 2008 which came into force on 15 February 2009, holders of debt securities are automatically grouped into a single assembly of holders (the "**Assembly**") in case of the opening in France of a preservation (*procédure de sauvegarde*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) of the Issuer, in order to defend their common interests.

The Assembly comprises holders of all debt securities issued by the Issuer (including the Notes), whether or not under a debt issuance programme (EMTN) and regardless of their governing law.

The Assembly deliberates on the draft safeguard (*projet de plan de sauvegarde*) or judicial reorganisation plan (*projet de plan de redressement*) applicable to the Issuer and may further agree to:

- increase the liabilities (*charges*) of holders of debt securities (including the Noteholders) by rescheduling and/or writing-off debts;
- establish an unequal treatment between holders of debt securities (including the Noteholders) as appropriate under the circumstances; and/or
- decide to convert debt securities (including the Notes) into shares.

Decisions of the Assembly will be taken by a two-third majority (calculated as a proportion of the debt securities held by the holders attending such Assembly or represented thereat). No quorum is required on convocation of the Assembly.

For the avoidance of doubt, the provisions relating to the Representation of the Noteholders described in this Base Prospectus will not be applicable in these circumstances.

1.9 Change of law

The Terms and Conditions of the Notes are based on French law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in French law or the official application or interpretation of French law after the date of this Base Prospectus.

1.10 No active secondary/trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there may be no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although in relation to Notes to be admitted to trading on Euronext Paris and/or any other Regulated Market in the European Economic Area, the Final Terms of the Notes will be filed with the *Autorité des marchés financiers* and/or with the competent authority of the Regulated Market of the European Economic Area where the Notes will be admitted to trading, which, in the case of Notes to be admitted to trading on Euronext Paris shall be the *Autorité des marchés financiers*, there is no assurance that such filings will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

In addition, certain Notes may be designed for specific investment objectives or strategies and therefore may have a more limited secondary market and experience more price volatility than conventional debt securities.

Investors may not be able to sell Notes readily or at prices that will enable investors to realise their anticipated yield. No investor should purchase Notes unless the investor understands and is able to bear the risk that certain Notes may not be readily sellable, that the value of Notes may fluctuate over time and that such fluctuations may be significant.

Furthermore, the secondary market for securities is currently experiencing significantly reduced liquidity, which could limit investors' ability to resell Notes and adversely affect the price of Notes.

1.11 Currency risk

Prospective investors of the Notes should be aware that an investment in the Notes may involve exchange rate risks. The reference assets or the Notes may be denominated in a currency other than the currency of the purchaser's home jurisdiction; and/or the reference assets or the Notes may be denominated in a currency other than the currency in which a purchaser wishes to receive funds. Exchange rates between currencies are determined by factors of supply and demand in the international currency markets which are influenced by macro economic factors, speculation and central bank and government intervention (including the imposition of currency controls and restrictions). Fluctuations in exchange rates may affect the value of the Notes or the reference assets.

1.12 Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

1.13 Market value of the Notes

The market value of the Notes will be affected by the creditworthiness of the Issuer and a number of additional factors, including the value of the reference assets or an index, including, but not limited to, the volatility of the reference assets or an index, or the dividend on the securities taken up in the index, market interest and yield rates and the time remaining to the maturity date.

The value of the Notes, the reference assets or the index depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Notes, the reference assets, the securities taken up in the index, or the index are traded. The price at which a Noteholder will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser. The historical market prices of the reference assets or an index should not be taken as an indication of the reference assets' or an index's future performance during the term of any Note.

2 Risks related to the structure of a particular issue of Notes

The Programme allows for different types of Notes to be issued. Accordingly, each Tranche of Notes may carry varying risks for potential investors depending on the specific features of such Notes such as, *inter alia*, the provisions for computation of periodic interest payments, if any, redemption and issue price.

2.1 Notes subject to optional redemption by the Issuer

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the country of domicile (or residence for tax purposes) by the Issuer, or on behalf of France, or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. During a period when the Issuer may elect, or has elected, to redeem Notes, such Notes may feature a market value not substantially above the price at which they can be redeemed. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

2.2 Fixed Rate Notes

Investment in Notes which bear interest at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the value of the relevant Tranche of Notes.

2.3 Floating Rate Notes

Investment in Notes which bear interest at a floating rate comprise (i) a reference rate and (ii) a margin to be added or subtracted, as the case may be, from such base rate. Typically, the relevant margin will not change throughout the life of the Notes but there will be a periodic adjustment (as specified in the relevant Final Terms) of the reference rate (e.g., every three months or six months) which itself will change in accordance with general market conditions. Accordingly, the market value of floating rate Notes may be volatile if changes, particularly short term changes, to market interest rates evidenced by the relevant reference rate can only be reflected in the interest rate of these Notes upon the next periodic adjustment of the relevant reference rate.

2.4 Inverse Floating Rate Notes

Inverse floating rate Notes have an interest rate equal to a fixed base rate minus a rate based upon a reference rate. The market value of such Notes typically is more volatile than the market value of floating rate Notes based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

2.5 Fixed to Floating Rate Notes

Fixed to floating rate Notes initially bear interest at a fixed rate; conversion from a fixed rate to a floating rate then takes place either automatically or at the option of the Issuer if certain predetermined conditions are met. The conversion (whether it be automatic or optional) of the interest rate will affect the secondary market and the market value of the Notes since the conversion may lead to a lower overall cost of borrowing. If a fixed rate is converted to a floating rate, the spread on the fixed to floating rate Notes may be less favourable than then prevailing spreads on

comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes.

2.6 Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

2.7 Index-Linked Notes

Index-linked Notes are debt securities which do not provide for predetermined redemption amounts and/or interest payments but amounts due in respect of principal and/or interest will be dependent upon the performance of an index, which itself may contain substantial credit, interest rate or other risks. The amount of principal and/or interest, if any, payable by the Issuer might be substantially less than the issue price or, as the case may be, the purchase price invested by the Noteholder and may even be zero in which case the Noteholder may lose his entire investment.

Index-linked Notes are not in any way sponsored, endorsed, sold or promoted by the index sponsor or the respective licensor of the index and such index sponsor or licensor makes no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the index and/or the figure at which the index stands at any particular time. Each index is determined, composed and calculated by its respective index sponsor or licensor, without regard to the Issuer or the Notes. None of the index sponsors or licensors is responsible for or has participated in the determination of the timing of, prices at, or quantities of the Notes to be issued or in determination or calculation of the equation by which the Notes settle into cash. None of the index sponsors or licensors has any obligation or liability in connection with the administration, marketing or trading of the Notes. The index sponsor or licensor of an index has no responsibility for any calculation agency adjustment made for the index.

None of the Issuer, the Dealer(s) or any of their respective affiliates makes any representation as to an index. Any of such persons may have acquired, or during the term of the Notes may acquire, non-public information with respect to an index that is or may be material in the context of index-linked Notes. The issue of index-linked Notes will not create any obligation on the part of any such persons to disclose to the Noteholders or any other party such information (whether or not confidential).

2.8 Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

2.9 Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features, their market values may be even more volatile than those for securities that do not include those features.

2.10 Structured Notes

An investment in Notes, the premium and/or the interest on or principal of which is determined by reference to one or more values of currencies, commodities, interest rates or other indices or formulae, either directly or inversely, may entail significant risks not associated with similar investments in a conventional debt security, including the risks that the resulting interest rate will be less than that payable on a conventional debt security at the same time and/or that an investor may lose the value of its entire investment or part of it, as the case may be. Neither the current nor the historical value of the relevant currencies, commodities, interest rates or other indices or formulae should be taken as an indication of future performance of such currencies, commodities, interest rates or other indices or formulae during the term of any Note.

II. RISK FACTORS RELATING TO THE ISSUER AND ITS OPERATIONS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. The risks described below are not the only risks the Issuer or the RTE Group (as defined below) faces. References in this section to the Issuer shall, where appropriate, be deemed to include the RTE Group. Additional risks and uncertainties not currently known to the Issuer or that it currently believes to be immaterial could also have a material impact on its business operations. However, pursuant to Articles 1 and 2 of the French law of 10 February 2000, the Issuer is responsible for certain commitments relating to public service which are managed in accordance with the principles of equality, continuity and adaptability, and in the best conditions of safety, quality, costs, price and economic, social and energy efficiency. In this respect, the Issuer is protected by law in relation to these public service missions, which are also explained below.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. In particular, investors should make their own assessment as to the risks associated with the Notes prior to investing in Notes issued under the Programme.

Risks associated with the Issuer's activities

The Issuer operates facilities that may cause significant harm to the natural or human environment or for which accidents or external attacks may have serious consequences

Regarding electricity transmission facilities, persons working in or near this type of facility may be exposed, in the event of an accident, error or negligence, to the risk of electrocution. The Issuer implements accident prevention and safety measures. However, the Issuer cannot guarantee that these measures will prove sufficient.

The Issuer implements measures both for accident prevention and repairs with respect to industrial accidents and harm to the environment caused by the facilities that it operates. Similarly, connection agreements for electricity production facilities (*conventions de raccordement des installations de production d'électricité*) oblige their owners and the operators to provide financial guarantees in the event of physical damage. However, the Issuer cannot guarantee that these measures will prove effective. The civil liability and damage insurance coverage taken out by the Issuer may be in some cases insufficient to avoid negative financial consequences.

Any one of these events may have material, negative consequences on the Issuer's activities, profits and financial situation.

The Issuer's revenue is generated from activities subject to regulated tariffs, the level of which may have an impact on the Issuer's results

Pursuant to Article 4 III of Law no. 2000-108 dated 10 February 2000, as amended by Law no. 2005-781 dated 13 July 2005, the *Commission de Régulation de l'Energie* ("**CRE**") made a proposal on 26 February 2009 in relation to tariffs (the *Tarif d'Utilisation des Réseaux Publics de transport et de distribution d'électricité* ("**TURPE**")) for the (August) 2009 to (July) 2013 period to the Ministers of Economy and of Energy.

Such proposal was approved on 5 June 2009 and became effective on 1 August 2009. In accordance with Article 4 II of Law no. 2000-108, tariffs for using the public transmission network are calculated in a non-discriminatory manner. Such calculation covers the total cost borne by the Issuer and includes those costs stemming from putting into practice its objectives and public service contracts which in turn guarantees the Issuer's solvency.

However, the Issuer cannot guarantee that the transmission tariffs will always be set or revised at a level which would allow it to improve or maintain its profitability margins and its rates of return on investments. This "regulation risk" could have a material negative impact on the Issuer's activities, profits and financial results.

Risk related to incentive mechanisms

The TURPE applicable for the 2009 - 2013 period has introduced three incentive-based mechanisms concerning control of operating costs, supply quality and the performance of purchases to compensate for losses. These incentive mechanisms take the form of a sharing of gains on operating costs (compared with reference costs as set out in the TURPE) and financial bonuses / penalty systems (*système de bonus/malus*) for supply quality and performance of purchases to compensate for losses.

Although the Issuer has put in place an efficient risk management policy, these incentive mechanisms may have a negative impact on the Issuer's financial results.

The Issuer's activities require various administrative authorisations that may be difficult to obtain or whose grant may be subject to conditions that may become significantly more stringent

The development of the Issuer's industrial activities — transmission — requires various administrative authorisations, at local and national levels, both in France and abroad. The procedures for obtaining and renewing these authorisations can be drawn out and complex. The Issuer may accordingly be required to pay significant amounts to comply with the requirements associated with obtaining or renewing these authorisations (for example, the costs of preparing the application for the authorisations or investments associated with installing equipment required before the authorisation can be issued). However, these costs ought to be covered by the transmission tariff according to Article 4 II of Law no. 2000-108.

The Issuer operates its transmission activities within the context of concessions governed by public law

The Issuer is the public transmission system operator according to standard concession specifications (*cahier des charges de la concession du réseau public de transport*) which are currently being developed in accordance with a concession agreement (*contrat de concession du réseau public de transport*) between the French State and RTE EDF Transport dated 30 October 2008. The Issuer cannot guarantee that these concession specifications will not change in the future to contain obligations that are more restrictive for the Issuer, in particular, obligations of a financial nature, than the obligations that are currently applicable. The Issuer cannot guarantee that such more restrictive obligations will always be covered by the transmission tariff, without any impact on its financial situation. However, these costs ought to be covered by the transmission tariff according to Article 4 II of Law no. 2000-108.

The Issuer's failure to comply with any applicable environmental, health and safety laws and regulations may cause the Issuer to incur liability or other damages that it might be required to compensate

The Issuer must comply with increasingly restrictive environmental and public health regulations that are the sources of costs.

The Issuer's activities are subject to regulations for the protection of the environment and public health, which are increasingly numerous and restrictive. The Issuer has made and will continue to make significant capital and other expenditures to comply with applicable environmental, health and safety regulations. The Issuer is continuously required to incur expenditures to ensure that the installations that it operates comply with applicable legal, regulatory and administrative requirements. These expenditures, which are evidenced in the Public Service Contract (see "Description of the Issuer"), mainly relate to the protection of the land and biodiversity, to the strengthening of cooperation with local authorities, the promotion of research and development activities and towards the ISO 14001 environmental certification which the Issuer obtained in 2002. Any of the Issuer's operations, moreover, may, in the future, become subject to stricter laws and regulations, and correspondingly greater compliance expenditures.

Such regulations could lead to potential liabilities if the related costs were not covered by the transmission tariff in spite of the principles resulting from Article 4 of Law no. 2000-108. Other current and future regulations in the environmental and health areas may also have a material financial impact on the Issuer.

Widespread blackouts in France if they are attributable to the Issuer may have consequences for its activities and profits

Italy, Great Britain, Denmark, Sweden and a large part of the United States and Canada experienced significant blackouts in 2003. The causes of these blackouts vary: local or regional imbalance between electricity generation and consumption, accidental interruption to the power supply, cascaded interruptions (more difficult to overcome in a market with cross-border exchanges), interconnection problems at borders, lack of investment and difficulty in coordinating operators on an open market.

On 4 November 2006, following an incident in the German network, a significant breakdown in the electricity supply involved several European countries. Nevertheless, an European "blackout" was avoided and the electricity supply breakdown lasted less than one hour in France. Prior to this, the most recent event of this kind last occurred in France in 1978 where half of France suffered a power outage for approximately four hours. Several incidents have occurred in the south-east area in the last two years where the Issuer had difficulties to obtain authorisations to build new lines, e.g. 3 November 2008 (power outage for 1.2 million

consumers due to a thunderstorm), 31 July 2009 (power outage for 1.2 million consumers due to a forest fire), 21 December 2009 (power cut for 2 million consumers due to a technical incident).

The Issuer may be, or may be found to be, responsible for a blackout.

These blackouts would first have an impact on the Issuer's income and may also result in repair costs incurred by disrupted customers. The Issuer is insured against such damages up to € 1 billion.

Nevertheless, in some cases such blackouts may be recognised as being a consequence of a force majeure event which would limit the Issuer's responsibility.

Natural disasters or major climatic unforeseen events could have a material negative impact on the Issuer's industrial and commercial activities

In addition to climatic disasters, other natural disasters, such as floods, landslides and earthquakes can affect the Issuer's activities.

The Issuer has implemented measures, which allow it to limit the consequences should such events re-occurs. For example, following the storms of December 1999, a programme to secure the transmission network was implemented and will be achieved in 2017. Initially, following the heat wave in the summer of 2003, an "Unforeseen Climatic Events" plan was drawn up in order to anticipate and prevent the consequences of such events. Such measures can lead to costs in addition to those related to the cost of repairing the damage caused by the natural disaster and the loss of earnings corresponding to the interruption to supply.

The Issuer cannot guarantee that the occurrence of a natural disaster or a significant climatic unforeseen event that is difficult to predict will not have consequences as serious or even more material than the events described above on its activities and its financial situation. However, the Issuer is protected by law in relation to its contractual arrangements with the users of the transport network. By way of an example, the Transport Network Access Contract (*Contrat d'Accès au Réseau de Transport*), contains a *force majeure* clause which excludes the liability of the Issuer in the event of several situations as set out in the contract (natural catastrophes that fall within Law no. 82-600 dated 13 July 1982, atmospheric phenomena that are unstoppable owing to their cause and their magnitude to which electricity networks, and especially aerials, are particularly vulnerable, where at least 100,000 customers supplied by the public transport network and/or by the distribution networks are without electricity on the same day because of the same phenomenon). This *force majeure* clause, originally from the specifications of the public transport network concession, thus allowed the Issuer to exclude civil liability in the case of the storms of December 1999.

Furthermore, in the case of a long power outage, the Issuer must offer its customers a standard deduction of 2 per cent. of the fixed part of the tariff for every block of 6 hours of power outage in accordance with the Transport Network Access Contract.

Certain assets of the Issuer do not have the benefit of any insurance against damage

The Issuer does not have the benefit of any insurance against damage for the overhead transmission networks of which it is the owner. Any damage to these overhead networks could have a negative impact on the Issuer's financial situation. The other assets of the Issuer (cables, substation, transformers and business premises) are covered by an insurance against damage.

Risks associated with climatic conditions

Electricity consumption, and thus the volume of electricity transported by the Issuer, depends to some extent on climatic conditions. Accordingly, mild winters (where less heating is required) or cool summers (where there is reduced demand for air conditioning) result in decreased demand for electricity. The Issuer's annual results may therefore be temporarily affected by significant climatic variations. The Issuer's operating profits also reflect the seasonal character of demand for electricity, which is typically higher during the coldest months and when the nights are longer. However, any loss of earnings resulting from the difference between forecast and actual transmitted electricity volumes will be reflected in the "account to regulate costs and revenues" (*Compte de Régulation des Charges et des Produits*, or "**CRCP**") aimed at offsetting the impact of external factors on the network operators' costs and revenues that cannot be fully controlled by the network operators. Depending on whether or not the balance is positive or negative, it will be offset by decreases or increases in the costs to be recovered by the TURPE over the following years.

The Issuer's activities fluctuate in accordance with economic cycles and general economic conditions

The Issuer's activities fluctuate in accordance with the economic cycles and general economic conditions of the geographical regions in which it operates, particularly in France. Any economic slowdown in these regions would lead to a reduction in energy consumption, and, consequently, would have a negative impact on the demand for electricity which in turn could have a temporary adverse effect on the Issuer's activities, profits and prospects. However, the Issuer believes that it is in a relatively

favourable position compared to other economic players, particularly due to the need for, and in certain cases, the difficulty in finding, a viable alternative to electricity and due to its role as a publicly owned utility governed by law that guarantees the continuity of its activities at all times. However, any loss of earnings resulting from the difference between forecast and actual transmitted electricity volumes will be reflected in the CRCP. Depending on whether or not the balance is positive or negative, it will be offset by decreases or increases in the costs to be recovered by the TURPE over the following years.

The occurrence of work-related illnesses and accidents cannot be excluded

Although the Issuer considers that it is substantially compliant with the laws and regulations concerning health and safety in the different countries in which it operates, and has taken measures intended to ensure the health and safety of its employees and those of its subcontractors, the risk of work-related illnesses and accidents cannot be excluded. The occurrence of work-related illnesses or accidents may lead to lawsuits against the Issuer and the payment of damages, which may prove material.

The Issuer is exposed to financial risks

In the course of its activities, the Issuer is potentially exposed to financial risks:

(a) interest rate risk in relation to its financial activities and to the value of its assets;

(b) risk of change (even if this risk does not exist at present);

(c) risk relating to securities which has been significantly heightened since the 2008 financial crisis led to a decline and a higher volatility in stock markets;

(d) risk to liquidity which is limited by the Issuer's existing financing agreements; and

(e) counterparty risk, inherent in commercial relations; the monitoring and reporting procedures applied by the Issuer in connection with its exposure to counterparty risk were strengthened in 2008 following, in particular the bankruptcy of Lehman Brothers, which had however no impact on the Issuer.

The Issuer cannot guarantee total protection, including in the event of significant movements in exchange rates and in interest rates. However, the interest rate risk is mitigated by the high proportion of fixed rate bonds in its debt liability portfolio.

Risks associated with the opening up of the European energy markets

The revenues of the Issuer that arise from the auction of rights of use of interconnection capacities are likely to be affected by changes in the electricity market. The cost of electricity, bought by the Issuer to compensate for technical losses on the transmission network, depends on its market price. Finally, the Issuer contributes to a mechanism providing for financial compensation for managers of the European transmission system operators, who aim to cover the cost of the European transmission networks required by transborder transits of electricity. Variations in these revenues or expenses of the Issuer may affect, temporarily, its financial situation, although the fluctuations of the cost of losses and of interconnection revenues are compensated by the TURPE, via the regulated account mechanism for charges and for products, when these expenses of revenues or expenses deviate from the initial projections which served to set the price). The TURPE is also intended to cover the charges that the Issuer bears in relation to the mechanism of financial compensation between European transmission system operators.

Risks relating to the structure and changes within the Issuer

The Issuer cannot guarantee that it will remain a wholly-owned subsidiary of EDF (Electricité de France). However, legislation requires that the Issuer must be wholly-owned by EDF, the French State and/or any other body or company belonging to the public sector.

Risks relating to information systems

The Issuer operates multiple and highly complex information systems (such as servers, networks, applications and databases) which are essential for the everyday operations of its commercial and industrial business. A problem with one of these systems may have material, negative consequences for the Issuer.

Finally, as a general matter, the Issuer cannot guarantee that the policy of reinforcing information back-up systems will not meet with technical difficulties and/or delays in implementation, which could, in the event of a serious incident, have a material, negative impact on the activity, and even, in some cases, on the financial results and the financial position of the Issuer.

The Issuer will also be required to renew much of its workforce and transfer experience and skills to new employees

A large number of the Issuer's employees will soon be of retirement age. The renewal of this workforce brings with some difficulties:

- for some types of jobs, skills could be hard to find on the labour market, and training resources must be redeveloped for electricity transmission graduates and professionals; and
- the experience gained forms an important part of the skills which will need to be transferred.

The Issuer cannot guarantee that it will be able to renew these staff and skills in time or under satisfactory conditions, which may have an impact on its transmission capacity, quality of service and productivity.

The Issuer may be required to satisfy significant obligations related to pensions and other employee benefits

In France, the financing of the pension system for the electricity and gas industries was reformed by French law no. 2004-803 dated 9 August 2004 (the "**Law dated 9 August 2004**").

- The transmission tariff takes into account the reform of the financing of the IEG (*Industries Electriques et Gazières*) pension system. For regulated activities (electricity transmission and distribution), the part of the pension expenses related to the past specific right (rights under the special IEG pension system not covered by the general system and gained before 31 December 2004) which was, formerly covered by the TURPE, is now financed by a delivery tariff contribution that is distinct from the actual tariff (see "Description of the Issuer")
- Under this reform, the Issuer remains responsible for the financing of future specific rights (*i.e.*, accrued since 1 January 2005) relating to the Issuer's employees.

Furthermore, the Law dated 9 August 2004 imposed joint and several liability among the companies in the IEG branch with regard to financing the specific rights for which they are responsible. In the event that one company in the IEG branch fails to pay, the Issuer may be forced to finance a portion of the obligations of such company. This may also have a negative impact on the financial situation and the financial results of the Issuer.

Finally, the reform of the special retirement programme, including those of IEG, seeking notably to extend the contribution period, came into force on 1 July 2008. This reform is supported by specific measures regarding wages, changes in the social welfare, career planning. Sectoral agreements were signed in 2008 regarding the social protection system (pension, provident schemes).

SUPPLEMENT TO THE BASE PROSPECTUS

If at any time the Issuer shall be required to prepare a Supplement to the Base Prospectus pursuant to the provisions of Article 16 of the Prospectus Directive 2003/71/EC and Article 212-25 of the General Regulations (*Réglement général*) of the *Autorité des marchés financiers*, the Issuer will prepare and make available an appropriate Supplement to this Base Prospectus or a restated Base Prospectus, which in respect of any subsequent issue of Notes to be admitted to trading on Euronext Paris or on a Regulated Market of a Member State of the European Economic Area, shall constitute a Supplement to the Base Prospectus for the purpose of the relevant provisions of the Prospectus Directive 2003/71/EC.

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer shall prepare a Supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

GENERAL DESCRIPTION OF THE PROGRAMME

The following general description of the Programme is qualified in its entirety by the remainder of this Base Prospectus. The Notes will be issued on such terms as shall be agreed between the Issuer and the relevant Dealer(s) and, unless specified to the contrary in the relevant Final Terms, will be subject to the Terms and Conditions of the Notes below.

Issuer	RTE EDF Transport S.A.
Risk factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under the heading "Risk Factors relating to the Issuer" in the section headed "Risk Factors" in this Base Prospectus. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under the heading "Risk Factors relating to the Notes" in the section headed "Risk Factors" in this Base Prospectus.
Description	Euro Medium Term Note Programme for the continuous offer of Notes (the "**Programme**").
Arrangers	Barclays Bank PLC and Société Générale
Dealers	Barclays Bank PLC BNP PARIBAS Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Deutsche Bank AG, London Branch HSBC France ING Belgium SA/NV J.P. Morgan Securities Ltd. Mitsubishi UFJ Securities International plc Natixis Société Générale The Royal Bank of Scotland plc UniCredit Bank AG The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Programme Limit	Up to Euro 6,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. Any increase to this Programme limit will require the publication of a Supplement to the Base Prospectus.
Fiscal Agent, Principal Paying Agent and Paris Paying Agent	BNP Paribas Securities Services
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being

	intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "**Final Terms**").
Maturities	Subject to compliance with all applicable relevant laws, regulations and directives, any maturity from one month from the date of original issue.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Specified Denomination(s)	The Notes will be issued in such denomination(s) as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note admitted to trading on a regulated market in a Member State (a "**Regulated Market**") of the European Economic Area ("**EEA**") in circumstances which require the publication of a Base Prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency at the issue date) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. Dematerialised Notes will be issued in one denomination only.
Status of the Notes	Notes will constitute direct, general, unconditional, unsecured and (subject to the provisions of Condition 4) unsubordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves and (subject to such exceptions as are from time to time mandatory under French law) equally and rateably with all other present or future unsecured and unsubordinated obligations of the Issuer.
Negative Pledge	There will be a negative pledge as set out in Condition 4 — see "Terms and Conditions of the Notes — Negative Pledge".
Events of Default (including cross default)	There will be events of default and a cross-default as set out in Condition 9 — see "Terms and Conditions of the Notes — Events of Default".

Redemption Amount

The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) having a maturity of less than one year from the date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Optional Redemption

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders and if so the terms applicable to such redemption.

Redemption by Instalments

The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

Early Redemption

Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See Condition 6 "Terms and Conditions of the Notes — Redemption, Purchase and Options".

Taxation

Unless otherwise specified in the relevant Final Terms, all payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Notes issued on or after 1 March 2010 (except Notes that are issued on or after 1 March 2010 and which are to be assimilated (*assimilables*) with Notes issued before 1 March 2010 having the benefit of Article 131 *quater* of the *Code général des impôts* fall under the new French withholding tax regime pursuant to the French *loi de finances rectificative pour 2009* no.3 (n°2009-1674 dated 30 December 2009), applicable as from 1 March 2010 (the "**Law**"). Payments of interest and other revenues made by the Issuer on such Notes will not be subject to the withholding tax set out under Article 125 A III of the French *Code général des impôts* unless such payments are made outside France in a non cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French *Code général des impôts* (a "**Non-Cooperative State**"). If such payments under the Notes are made in a Non-Cooperative State, a 50 per cent. withholding tax will be applicable (subject to certain exceptions described below and the more favourable provisions of any applicable double tax treaty) by virtue of Article 125 A III of the French *Code général des impôts*.

Furthermore, interest and other revenues on such Notes will no longer be deductible from the Issuer's taxable income, as from the fiscal years starting on or after 1 January 2011, if they are paid or accrued to persons established in a Non-Cooperative State or paid in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Article 109 of the French *Code général des*

impôts, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 bis of the French *Code général des impôts*, at a rate of 25 per cent. or 50 per cent..

Notwithstanding the foregoing, the Law provides that neither the 50 per cent. withholding tax nor the non-deductibility will apply in respect of a particular issue of Notes if the Issuer can prove that the principal purpose and effect of such issue of Notes was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "**Exception**").

Pursuant to the ruling (*rescrit*) no2010/11 (FP and FE) of the *Direction générale des impôts* published on 22 February 2010, an issue of Notes will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of such issue of Notes, if such Notes are:

(i) offered by means of a public offer within the meaning of Article L.411-1 of the French *Code monétaire et financier* or pursuant to an equivalent offer in a State other than a Non-Cooperative State (as mentioned in the relevant Ruling). For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or

(ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

(iii) admitted, at the time of their issue, to the operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositaries or operators provided that such depositary or operator is not located in a Non- Cooperative State.

Interest and other revenues on Notes issued (or deemed issued) outside France as provided under Article 131 *quater* of the French *Code général des impôts*, prior to 1 March 2010 (or Notes that are issued after 1 March 2010 and which are to be assimilated (*assimilables*) and form a single series with such Notes) will continue to be exempt from the withholding tax set out under Article 125 A III of the French *Code général des impôts*.

In addition, interest and other revenues paid by the Issuer on Notes issued before 1 March 2010 (or Notes issued after 1 March 2010 and which are to be assimilated (*assimilables*) and form a single series with such Notes) will not be subject to the withholding tax set out in Article 119 bis of the French *Code général des impôts* solely on account of their being paid in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

See "Terms and Conditions of the Notes — Taxation".

Interest Periods and Interest Rates

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or

be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Fixed Rate Notes

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes

Floating Rate Notes will bear interest determined separately for each Series as follows:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency pursuant to the 2007 *Fédération Bancaire Française* ("**FBF**") Master Agreement relating to transactions on forward financial instruments, unless otherwise specified in the Final Terms; or

(ii) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the Final Terms; or

(iii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms), in each case as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms.

Zero Coupon Notes

Zero Coupon Notes (as defined in "Terms and Conditions of the Notes") may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in "Terms and Conditions of the Notes") will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.

Index-Linked Notes

Payments of principal or interest in respect of Index-Linked Notes (as defined in "Terms and Conditions of the Notes") will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.

Other Notes

Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes and any other type of Notes that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.

Redenomination

Notes issued in the currency of any Member State of the EU which will participate in the single currency of the European Economic and Monetary Union may be redenominated into Euro, all as more fully provided in "Terms and Conditions of the Notes — Form, Denomination, Title and Redenomination" below.

Consolidation

Notes of one Series may be consolidated with Notes of another Series as more fully provided in "Terms and Conditions of the Notes — Further Issues and Consolidation".

Form of Notes

Notes may be issued in either dematerialised form ("**Dematerialised**

Notes") or in materialised form ("**Materialised Notes**").

Dematerialised Notes may, at the option of the Issuer, be issued in bearer dematerialised form (*au porteur*) or in registered dematerialised form (*au nominatif*) and, in such latter case, at the option of the relevant Noteholder, in either fully registered form (*au nominatif pur*) or administered registered form (*au nominatif administré*). No physical documents of title will be issued in respect of Dematerialised Notes. See Condition 1 "Terms and Conditions" of the "Notes — Form, Denomination, Title and Redenomination".

Materialised Notes will be in bearer materialised form ("**Materialised Bearer Notes**") only. A Temporary Global Certificate will be issued initially in respect of each Tranche of Materialised Bearer Notes. Materialised Notes may only be issued outside France.

Governing Law

French.

Clearing Systems

Euroclear France as central depositary in relation to Dematerialised Notes and, in relation to Materialised Notes, Clearstream, Luxembourg and Euroclear or any other clearing system that may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.

Initial Delivery of Dematerialised Notes

One Paris business day before the issue date of each Tranche of Dematerialised Notes, the *lettre comptable* relating to such Tranche shall be deposited with Euroclear France as central depositary.

Initial Delivery of Materialised Notes

On or before the issue date for each Tranche of Materialised Bearer Notes, the Temporary Global Certificate issued in respect of such Tranche shall be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer.

Issue Price

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Listing and Admission to trading

Euronext Paris or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may or may not be admitted to trading.

Offer to the Public

The Notes shall not be offered to the public in France and/or in any Member State of the EEA.

Selling Restrictions

There are restrictions on the sale of Notes and the distribution of offering material in various jurisdictions. See "Subscription and Sale". In connection with the offering and sale of a particular Tranche, additional selling restrictions may be imposed which will be set out in the relevant Final Terms.

The Notes constitute Category 2 securities for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

Materialised Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms states that such Materialised Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) such Materialised Notes are issued other than in compliance with the D

Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

The TEFRA rules do not apply to any Dematerialised Notes.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and as supplemented in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes. In the case of Dematerialised Notes, the text of the terms and conditions will not be endorsed on physical documents of title but will be constituted by the following text as completed by Part A of the relevant Final Terms. In the case of Materialised Notes, either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed or supplemented (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed or attached on Definitive Materialised Bearer Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued by RTE EDF Transport S.A. (the "**Issuer**") with the benefit of an amended and restated agency agreement dated 4 May 2010 between the Issuer, BNP Paribas Securities Services as fiscal agent and the other agents named in it (as amended or supplemented from time to time, the "**Amended and Restated Agency Agreement**"). The fiscal agent, the paying agents, the redenomination agent, the consolidation agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Redenomination Agent**", the "**Consolidation Agent**" and the "**Calculation Agent(s)**". References below to "Conditions" are, unless the context requires otherwise, to the numbered paragraphs below.

Copy of the Amended and Restated Agency Agreement is available for inspection during normal business hours at the specified offices of each of the Paying Agents.

For the purpose of these Terms and Conditions, "**Regulated Market**" means any regulated market situated in a Member State of the European Economic Area ("**EEA**") as defined in the Markets in Financial Instruments Directive 2004/39/EEC.

1 Form, Denomination(s), Title, Redenomination

(a) **Form**: Notes may be issued either in dematerialised form ("**Dematerialised Notes**") or in materialised form ("**Materialised Notes**").

(i) Title to Dematerialised Notes will be evidenced in accordance with Articles L.211-3 and R.211-1 of the French *Code monétaire et financier* by book entries (*inscriptions en compte-titres*). No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Dematerialised Notes.

Dematerialised Notes are issued, at the option of the Issuer and as specified in the relevant final terms ("**Final Terms**"), in either bearer dematerialised form (*au porteur*), which will be inscribed in the books of Euroclear France ("**Euroclear France**") (acting as central depositary) which shall credit the accounts of Account Holders, or in registered dematerialised form (*au nominatif*) and, in such latter case, at the option of the relevant Noteholder in either administered registered form (*au nominatif administré*) inscribed in the books of an Account Holder or in fully registered form (*au nominatif pur*) inscribed in an account in the books of Euroclear France maintained by the Issuer or the registration agent (designated in the relevant Final Terms) acting on behalf of the Issuer (the "**Registration Agent**").

For the purpose of these Conditions, "**Account Holder**" means any financial intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V. ("**Euroclear**") and the depositary bank for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

(ii) Materialised Notes are issued in bearer form ("**Materialised Bearer Notes**"). Materialised Bearer Notes are serially numbered and are issued with coupons (each, a "**Coupon**") and, where appropriate, a talon (a "**Talon**") attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more receipts attached (the "**Receipt**").

In accordance with Articles L.211-3 and R.211-1 of the French Code monétaire et financier*, securities (such as Notes) which are governed by French law and are in materialised form must be issued outside the French territory.*

(b) **Denomination(s)**: Notes shall be issued in the specified denomination(s) as set out in the relevant Final Terms (the "**Specified Denomination(s)**") save that the minimum denomination of each Note admitted to trading on a Regulated Market in circumstances which require the publication of a Base Prospectus under the Directive 2003/71/EC (the "**Prospectus Directive**") will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency at the issue date) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency). Dematerialised Notes shall be issued in one Specified Denomination only.

(c) **Title**:

(i) Title to Dematerialised Notes in bearer dematerialised form (*au porteur*) and in administered registered form (*au nominatif administré*) shall pass upon, and transfer of such Notes may only be effected through, registration of the transfer in the accounts of Account Holders. Title to Dematerialised Notes in fully registered form (*au nominatif pur*) shall pass upon, and transfer of such Notes may only be effected through, registration of the transfer in the accounts of the Issuer or the Registration Agent.

(ii) Title to Materialised Bearer Notes in definitive form having, where appropriate, Coupons, Receipt(s) and/or a Talon attached thereto on issue ("**Definitive Materialised Bearer Notes**"), shall pass by delivery.

(iii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note (as defined below), Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

(iv) In these Conditions, "**holder of Notes**" or "**holder of any Note**", or "**Noteholder**" means (i) in the case of Dematerialised Notes, the person whose name appears in the account of the relevant Account Holder or the Issuer or the Registration Agent (as the case may be) as being entitled to such Notes and (ii) in the case of Materialised Notes, the bearer of any Definitive Materialised Bearer Note and the Receipts, Coupons ("**Receiptholder**" and "**Couponholder**" being construed accordingly), or Talon relating to it, and capitalised terms have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

(d) **Redenomination**

(i) The Issuer may (if so specified in the relevant Final Terms), on any Interest Payment Date, without the consent of the holder of any Note, Receipt, Coupon or Talon, by giving at least 30 days' notice in accordance with Condition 15 and on or after the date on which the European Member State in whose national currency the Notes are denominated has become a participating Member State in the single currency of the European Economic and Monetary Union (as provided in the Treaty establishing the European Community (the "**EC**"), as amended from time to time (the "**Treaty**")), or events have occurred which have substantially the same effects (in either case, "**EMU**"), redenominate all, but not some only, of the Notes of any Series into Euro and adjust the aggregate principal amount and the Specified Denomination(s) set out in the relevant Final Terms accordingly, as described below. The date on which such redenomination becomes effective shall be referred to in these Conditions as the "**Redenomination Date**".

(ii) Unless otherwise specified in the relevant Final Terms, the redenomination of the Notes pursuant to Condition 1(d)(i) shall be made by converting the principal amount of each Note from the relevant national currency into Euro using the fixed relevant national currency Euro conversion rate established by the Council of the European Union pursuant to applicable regulations of the Treaty and rounding the resultant figure to the nearest Euro 0.01 (with Euro 0.005 being rounded upwards). If the Issuer so elects, the figure resulting from conversion of the principal amount of each Note using the fixed relevant national currency Euro conversion rate shall be rounded down to the nearest Euro. The Euro denominations of the Notes so determined shall be notified to Noteholders in accordance with Condition 15. Any balance remaining from the redenomination with a denomination higher than Euro 0.01 shall be paid by way of cash adjustment rounded to the nearest Euro 0.01 (with Euro 0.005 being rounded upwards). Such cash adjustment will be

payable in Euro on the Redenomination Date in the manner notified to Noteholders by the Issuer. For the avoidance of doubt, the minimum denomination of each redenominated Note shall not be less than €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency at the issue date).

(iii) Upon redenomination of the Notes, any reference in the relevant Final Terms to the relevant national currency shall be construed as a reference to Euro.

(iv) Unless otherwise specified in the relevant Final Terms, the Issuer may, with the prior approval of the Redenomination Agent and the Consolidation Agent, in connection with any redenomination pursuant to this Condition or any consolidation pursuant to Condition 14, without the consent of the holder of any Note, Receipt, Coupon or Talon, make any changes or additions to these Conditions or Condition 14 (including, without limitation, any change to any applicable business day definition, business day convention, principal financial centre of the country of the Specified Currency, interest accrual basis or benchmark), taking into account market practice in respect of redenominated euromarket debt obligations and which it believes are not prejudicial to the interests of such holders. Any such changes or additions shall, in the absence of manifest error, be binding on the holders of Notes, Receipts, Coupons and Talons and shall be notified to Noteholders in accordance with Condition 15 as soon as practicable thereafter.

(v) Neither the Issuer nor any Paying Agent shall be liable to the holder of any Note, Receipt, Coupon or Talon or other person for any commissions, costs, losses or expenses in relation to or resulting from the credit or transfer of Euro or any currency conversion or rounding effected in connection therewith.

2 Conversion and Exchanges of Notes

(a) Dematerialised Notes

(i) Dematerialised Notes issued in bearer dematerialised form (*au porteur*) may not be converted into Dematerialised Notes in registered dematerialised form, whether in fully registered form (*au nominatif pur*) or in administered registered form (*au nominatif administré*).

(ii) Dematerialised Notes issued in registered dematerialised form (*au nominatif*) may not be converted into Dematerialised Notes in bearer dematerialised form (*au porteur*).

(iii) Dematerialised Notes issued in fully registered form (*au nominatif pur*) may, at the option of the Noteholder, be converted into Notes in administered registered form (*au nominatif administré*), and *vice versa*. The exercise of any such option by such Noteholder shall be made in accordance with Article R.211-4 of the French *Code monétaire et financier*. Any such conversion shall be effected at the cost of such Noteholder.

(b) Materialised Notes

Materialised Bearer Notes of one Specified Denomination may not be exchanged for Materialised Bearer Notes of another Specified Denomination.

3 Status of the Notes

The Notes and, where applicable, any relative Receipts and Coupons are direct, general, unconditional, unsecured (subject to the provisions of Condition 4) and unsubordinated obligations of the Issuer and rank and will rank *pari passu* and without any preference among themselves and (subject to such exceptions as are from time to time mandatory under French law) equally and rateably with all other present or future unsecured and unsubordinated obligations of the Issuer.

4 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will not create or have outstanding any mortgage, charge, pledge or other security interest upon the whole or any part of its undertaking, revenues or assets, present or future, in order to secure any Indebtedness, or any guarantee or indemnity in respect of any Indebtedness, without at the same time according to the Notes the same security.

For the purposes of this Condition 4, "**Indebtedness**" means any monies borrowed and any indebtedness of the Issuer which, in each case, is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market).

5 Interest and other Calculations

(a) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below. Certain defined terms contained in the 2007 FBF Master Agreement relating to transactions on forward financial instruments as supplemented by the Technical Schedules published by the *Fédération Bancaire Française* ("**FBF**") (together the "**FBF Master Agreement**") and in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), have either been used or reproduced in this Condition 5.

"**Business Day**" means:

(i) in the case of Euro, a day on which TARGET2 (as defined below) is operating (a "**TARGET Business Day**"); and/or

(ii) in the case of a specified currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency; and/or

(iii) in the case of a specified currency and/or one or more Business Centre(s) specified in the relevant Final Terms (the "**Business Centre(s)**"), a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres so specified.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Accrual Period or Interest Period, the "**Calculation Period**"):

(i) if "**Actual/365 — FBF**" is specified in the relevant Final Terms, the fraction whose numerator is the actual number of days elapsed during the Calculation Period and whose denominator is 365. If part of that Calculation Period falls in a leap year, Actual /365 — FBF shall mean the sum of (i) the fraction whose numerator is the actual number of days elapsed during the non-leap year and whose denominator is 365 and (ii) the fraction whose numerator is the number of actual days elapsed during the leap year and whose denominator is 366;

(ii) if "**Actual/Actual**" or "**Actual/Actual — ISDA**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/Actual-ICMA**" is specified in the relevant Final Terms:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;

in each case where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date specified in the relevant Final Terms or, if none is so specified, the Interest Payment Date;

(iv) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;

(v) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;

(vi) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

(vii) if "**30E/360**" or "**Eurobond Basis**" is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30.

(viii) if "**30E/360 (ISDA)**" is specified in the Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

"**Euro-zone**" means the region comprised of member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**FBF Definitions**" means the definitions set out in the FBF Master Agreement, (a copy of which may be obtained at the registered office of the Issuer during usual business hours), unless otherwise specified in the relevant Final Terms.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount as specified in the relevant Final Terms, as the case may be.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the relevant Final Terms.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro or (ii) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (iii) the day falling two Business Days in the city specified in the Final Terms for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro.

"**Interest Payment Date**" means the date(s) specified in the relevant Final Terms.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

"**ISDA Definitions**" means the 2006 ISDA Definitions (a copy of which may be obtained at the registered office of the Issuer during usual business hours), as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Final Terms.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions in the relevant Final Terms.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the relevant Final Terms.

"**Reference Rate**" means the rate specified as such in the relevant Final Terms.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Final Terms.

"**Specified Currency**" means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Notes are denominated.

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer system which utilises a single shared platform and which was launched on 19 November 2007, or any successor thereto.

(b) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date except as otherwise provided in the relevant Final Terms. The amount of interest payable shall be determined in accordance with Condition 5 (i).

If a Fixed Coupon Amount or a Broken Amount is specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Final Terms.

(c) **Interest on Floating Rate Notes and Index Linked Interest Notes**

(i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear (except as otherwise provided in the relevant Final Terms) on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5 (i). Such Interest Payment Date(s) is/are either shown in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:

(A) the "**Floating Rate Business Day Convention**", such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment;

(B) the "**Following Business Day Convention**", such date shall be postponed to the next day that is a Business Day;

(C) the "**Modified Following Business Day Convention**", such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or

(D) the "**Preceding Business Day Convention**", such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and, unless otherwise specified in the relevant Final Terms, the provisions below relating to either FBF Determination or ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Final Terms.

(E) FBF Determination for Floating Rate Notes

Where FBF Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant FBF Rate. For the purposes of this sub-paragraph (A), "**FBF Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Transaction under the terms of an agreement incorporating the FBF Definitions and under which:

(a) the Floating Rate is as specified in the relevant Final Terms; and

(b) the relevant Floating Rate Determination Date (*Date de Détermination du Taux Variable*) is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (A), "**Floating Rate**" (*Taux Variable*), "**Calculation Agent**" (*Agent*), "**Floating Rate Determination Date**" (*Date de Détermination du Taux Variable*) and "**Transaction**" (*Transaction*) have the meanings given to those terms in the FBF Definitions, provided that "Euribor" means the rate calculated for deposits in euro which appears on Reuters Page EURIBOR 01, as more fully described in the relevant Final Terms.

(F) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (B), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(a) the Floating Rate Option is as specified in the relevant Final Terms;

(b) the Designated Maturity is a period specified in the relevant Final Terms; and

(c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (B), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(G) **Screen Rate Determination for Floating Rate Notes**

(a) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either (as specified in the relevant Final Terms):

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the relevant Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the relevant Final Terms.

(b) if the Relevant Screen Page is not available or, if sub-paragraph (C)(a)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (C)(a)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(c) if paragraph (b) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and interest will accrue by reference to an Index or Formula as specified in the relevant Final Terms.

(d) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon and is repayable prior to the Maturity Date is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(e)(i)).

(e) **Dual Currency Notes**: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

(f) **Partly Paid Notes**: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the relevant Final Terms.

(g) **Accrual of interest**: Interest shall cease to accrue on each Note on the due date for redemption unless (i) in the case of Dematerialised Notes, on such due date or (ii) in the case of Materialised Notes, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(h) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**

(i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (c) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.

(i) **Calculations**: The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(j) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Optional Redemption Amounts, Early Redemption Amounts and Instalment Amounts**: The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest

Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Optional Redemption Amount, Early Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Optional Redemption Amount, Early Redemption Amount or any Instalment Amount to be notified to the Issuer, the Fiscal Agent, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are admitted to trading on a Regulated Market and the rules of, or applicable to, such Regulated Market so require, such Regulated Market as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such Regulated Market of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(c)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(k) **Calculation Agent**: The Issuer shall use its best efforts to procure that there shall at all times one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Note is outstanding (as defined below). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal Paris office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. So long as the Notes are admitted to trading on a Regulated Market and the rules of, or applicable to, that Regulated Market so require, notice of any change of Calculation Agent shall be given in accordance with Condition 15.

For the purpose of this Condition:

"**outstanding**" means, in relation to the Notes of any Series, all the Notes issued other than (a) those that have been redeemed in accordance with these Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable after such date) have been duly paid (i) in the case of Dematerialised Notes in bearer form and in administered registered form, to the relevant Account Holders on behalf of the Noteholder as provided in Condition 7 (a), (ii) in the case of Dematerialised Notes in fully registered form, to the account of the Noteholder as provided in Condition 7 (a) and (iii) in the case of Materialised Notes, to the relevant account with, or, by check drawn on, a Bank as provided in Condition 7(b) and remain available for payment against presentation and surrender of Bearer Materialised Notes, Receipts and/or Coupons, as the case may be, (c) those which have become void or in respect of which claims have become prescribed, (d) those which have been purchased and cancelled as provided in these Conditions, (e) in the case of Materialised Notes (i) those mutilated or defaced Bearer Materialised Notes that have been surrendered in exchange for replacement Bearer Materialised Notes, (ii) (for the purpose only of determining how many such Bearer Materialised Notes are outstanding and without prejudice to their status for any other purpose) those Bearer Materialised Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Bearer Materialised Notes have been issued and (iii) any Temporary Global Certificate to the extent that it shall have been exchanged for one or more Definitive Bearer Materialised Notes, pursuant to its provisions.

6 Redemption, Purchase and Options

(a) **Final Redemption**: Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the relevant Final Terms at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within Condition 6(b) below, its final Instalment Amount.

(b) **Redemption by Instalments**: Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the relevant Final Terms. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(c) **Redemption at the Option of the Issuer and Partial Redemption**: If a Call Option is specified in the relevant Final Terms, the Issuer may, subject to compliance by the Issuer with all relevant laws, regulations and directives and on giving not less than 15 nor more than 30 days' irrevocable notice in accordance with Condition 15 to the Noteholders (or such other notice period as may be specified in the relevant Final Terms), redeem all, or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the relevant Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the relevant Final Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption in respect of Materialised Notes, the notice to holders of such Materialised Notes shall also contain the number of the Definitive Materialised Bearer Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and Regulated Market requirements.

In the case of a partial redemption in respect of Dematerialised Notes, the redemption may be effected, at the option of the Issuer, either (i) by reducing the nominal amount of all such Dematerialised Notes in a Series in proportion to the aggregate nominal amount redeemed or (ii) by redeeming in full some only of such Dematerialised Notes and, in such latter case, the choice between those Dematerialised Notes that will be fully redeemed and those Dematerialised Notes of any Series that will not be redeemed shall be made in accordance with Article R.213-16 of the French *Code monétaire et financier* and the provisions of the relevant Final Terms, subject to compliance with any other applicable laws and Regulated Market requirements.

So long as the Notes are admitted to trading on a Regulated Market and the rules of, or applicable to, such Regulated Market require, the Issuer shall, each time there has been a partial redemption of the Notes, cause to be published in accordance with Articles 221-3 and 221-4 of the General Regulations (*Règlement Général*) of the *Autorité des marchés financiers* and on the website of any other competent authority and/or Regulated Market of the EEA Member State where the Notes are admitted to trading, a notice specifying the aggregate nominal amount of Notes outstanding and, in the case of Materialised Notes, a list of any Definitive Materialised Bearer Notes drawn for redemption but not surrendered.

(d) **Redemption at the Option of Noteholders**: If a Put Option is specified in the relevant Final Terms the Issuer shall, at the option of the Noteholder, upon the Noteholder giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the Noteholder must deposit with any Paying Agent at its specified office during usual business hours a duly completed option exercise notice (the "**Exercise Notice**") in the form obtainable during usual business hours from any Paying Agent or the Registration Agent, as the case may be, within the notice period.

Such notice shall, in the case of Materialised Bearer Notes, have attached to it such Note (together with all unmatured Receipts and Coupons and unexchanged Talons). In the case of Dematerialised Notes, the Noteholder shall transfer, or cause to be transferred, the Dematerialised Notes to be redeemed to the account of the Paris Paying Agent specified in the Exercise Notice. No option so exercised and, where applicable, no Note so deposited or transferred may be withdrawn without the prior consent of the Issuer.

(e) **Early Redemption**:

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Nominal Amount (calculated as provided below) of such Note unless otherwise specified in the relevant Final Terms.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Nominal Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the relevant Final Terms, shall be such rate as would produce an Amortised Nominal Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Nominal Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Amortised Nominal Amount becomes due and payable were the Relevant Date. The calculation of the Amortised Nominal Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(d).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the relevant Final Terms.

(ii) **Other Notes**:

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(f), or upon it becoming due and payable as provided in Condition 9 shall be the Final Redemption Amount together with interest accrued to the date fixed for redemption unless otherwise provided in the relevant Final Terms.

(f) **Redemption for Taxation Reasons**:

(i) If, by reason of any change in French law, or any change in the official application or interpretation of such law, becoming effective after the date on which agreement is reached to issue the first Tranche of the Notes, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified under Condition 8(b) below, the Issuer may, at its option, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index-Linked Note) or, at any time (if this Note is neither a Floating Rate Note nor an Index-Linked Note), subject to having given not more than 60 nor less than 30 days' notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 15, redeem all, but not some only, of the Notes at their Early Redemption Amount together with any interest accrued to the date set for redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes.

(ii) If the Issuer would on the next payment of principal or interest in respect of the Notes be prevented by French law from making payment to the Noteholders or, if applicable, Couponholders of the full amounts then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 8(b) below, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven days' prior notice to the Noteholders in accordance with Condition 15, redeem all, but not some only, of the Notes then outstanding at their Redemption Amount together with any interest accrued to the date set for redemption on (A) the latest practicable Interest Payment Date on which the Issuer could make payment of the full amount then due and payable in respect of the Notes, provided that if such notice would expire after such Interest Payment Date the date for redemption pursuant to such notice of Noteholders shall be the later of (i) the latest practicable date on which the Issuer could make payment of the full amount then due and payable in respect of the Notes and (ii) 14 days after giving notice to the Fiscal Agent as aforesaid or (B) if so specified in the relevant Final Terms, at any time, provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date at which the Issuer could make payment of the full amount payable in respect of the Notes, or, if applicable, Receipts or Coupons or, if that date is passed, as soon as practicable thereafter.

(g) **Partly Paid Notes**: Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified in the relevant Final Terms.

(h) **Purchases**: The Issuer shall have the right at all times to purchase Notes (provided that, in the case of Materialised Notes, all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price, subject to the applicable laws and/or regulations.

(i) **Cancellation**: All Notes purchased by or on behalf of the Issuer must be cancelled, in the case of Dematerialised Notes, by transfer to an account in accordance with the rules and procedures of Euroclear France and, in the case of Materialised Bearer Notes, by surrendering to the Fiscal Agent the Temporary Global Certificate and the Definitive Materialised Bearer Notes in question together with all unmatured Receipts and Coupons and all unexchanged Talons and, in each case, if so transferred or surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with, in the case of Dematerialised Notes, all rights relating to payment of interest and other amounts relating to such Dematerialised Notes and, in the case of Materialised Notes, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so cancelled or, where applicable, transferred or surrendered for cancellation may not be re-issued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(j) **Illegality**: If, by reason of any change in French law, or any change in the official application of such law, becoming effective after the date on which agreement is reached to issue the first Tranche of the Notes, it will become unlawful for the Issuer to perform or comply with one or more of its obligations under the Notes, the Issuer will, subject to having given not more than 45 nor less than 30 days' notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 15, redeem all, but not some only, of the Notes at their Early Redemption Amount together with any interest accrued to the date set for redemption.

7 Payments and Talons

(a) **Dematerialised Notes**: Payments of principal and interest in respect of Dematerialised Notes shall (in the case of Dematerialised Notes in bearer dematerialised form or administered registered form) be made by transfer to the account denominated in the relevant currency of the relevant Account Holders for the benefit of the Noteholders and, (in the case of Dematerialised Notes in fully registered form), to an account denominated in the relevant currency with a Bank (as defined below) designated by the Noteholders. All payments validly made to such Account Holders will be an effective discharge of the Issuer in respect of such payments.

(b) **Materialised Bearer Notes**: Payments of principal and interest in respect of Materialised Bearer Notes shall, subject as mentioned below, be made against presentation and surrender during usual business hours of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Materialised Bearer Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office

of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the Noteholder, by transfer to an account denominated in such currency with, a Bank.

"**Bank**" means a bank in the principal financial centre for such currency or, in the case of Euro, in a city in which banks have access to TARGET2.

(c) **Payments in the United States**: Notwithstanding the foregoing, if any Materialised Bearer Notes are denominated in U.S. Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**: The Fiscal Agent, the Paying Agents, the Calculation Agent, the Redenomination Agent and the Consolidation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Redenomination Agent, the Consolidation Agent and the Registration Agent act solely as agents of the Issuer and the Calculation Agent(s) act(s) as independent experts(s) and, in each case such, do not assume any obligation or relationship of agency for any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Redenomination Agent, the Consolidation Agent and the Registration Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain:

(i) a Fiscal Agent;

(ii) one or more Calculation Agent(s) where the Conditions so require;

(iii) a Redenomination Agent and a Consolidation Agent where the Conditions so require;

(iv) Paying Agents having specified offices in at least two major European cities (including Paris so long as Notes are admitted to trading on Euronext Paris and, in either case, so long as the rules of, or applicable to, the relevant Regulated Market so require) ;

(v) in the case of Materialised Notes, a Paying Agent with a specified office in a European Union Member State (which may be any of the Paying Agents referred to in (iv) above) that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments, or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income;

(vi) in the case of Dematerialised Notes, in fully registered form, a Registration Agent; and

(vii) such other agents as may be required by any other Regulated Market on which the Notes may be admitted to trading.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Materialised Bearer Notes denominated in U.S. Dollars in the circumstances described in paragraph (c) above.

On a redenomination of the Notes of any Series pursuant to Condition 1(d) with a view to consolidating such Notes with one or more other Series of Notes, in accordance with Condition 14, the Issuer shall ensure that the same entity shall be appointed as both Redenomination Agent and Consolidation Agent in respect of both such Notes and such other Series of Notes to be so consolidated with such Notes.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders in accordance with Condition 15.

(f) **Unmatured Coupons and Receipts and unexchanged Talons**

(i) Upon the due date for redemption, Materialised Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index-Linked Notes), they should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Amortised Nominal Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10).

(ii) Upon the due date for redemption of any such Materialised Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index-Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Materialised Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Materialised Bearer Note that is redeemable in instalments, all Receipts relating to such Materialised Bearer Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Materialised Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Materialised Bearer Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Definitive Materialised Bearer Note. Interest accrued on a Materialised Bearer Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Materialised Bearer Notes.

(g) **Talons**: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Materialised Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10), provided that, in respect of Notes listed and admitted to trading on Euronext Paris, such exchange shall always take place at the specified office of the Fiscal Agent or of the Paying Agent, as a case may be, in Paris.

(h) **Non-Business Days**: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the Noteholder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) (A) (i) in the case of Dematerialised Notes, on which Euroclear France is open for business or (ii) in the case of Materialised Notes, on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" in the relevant Final Terms and (B) (i) (in the case of a payment in a currency other than Euro), where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) (in the case of a payment in Euro), which is a TARGET Business Day.

8 Taxation

(a) **Taxation**: Unless otherwise specified in the Final Terms, all payments of principal, interest and other revenues by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

(b) **Additional Amounts**: If French law should require that payments of principal or interest in respect of any Note, Receipt or Coupon be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as shall result in receipt by the Noteholders or, if applicable, the Receiptholders and the Couponholders, as the case may be, of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon, as the case may be:

(i) **Other connection**: to, or to a third party on behalf of, a Noteholder or, if applicable, a Receiptholder or Couponholder, as the case may be, who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the Republic of France other than the mere holding of the Note, Receipt or Coupon; or

(ii) **Presentation more than 30 days after the Relevant Date**: in the case of Materialised Notes, more than 30 days after the Relevant Date except to the extent that the Noteholder or, if applicable, a Receiptholder or Couponholder, as the case may be, would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

(iii) **Payment to individuals**: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC of 3 June 2003 or any EU Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) **Payment by another paying agent**: in respect of Definitive Materialised Notes in bearer form, presented for payment by or on behalf of a holder of any Note, Receipt or Coupon, as the case may be, who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another paying agent in a Member State of the EU.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or, in the case of Materialised Notes (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Nominal Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

(c) **Supply of Information**: Each Noteholder shall be responsible for supplying to the relevant Paying Agent, in a reasonable and timely manner, any information as may be required in a reasonable and timely manner in order to comply with the identification and reporting obligations imposed on it by the European Council Directive 2003/48/EC or any European Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive.

9 Events of Default

The Representative (as defined in Condition 11), upon request of any Noteholder, may, upon written notice to the Fiscal Agent given before all defaults shall have been cured, cause all the Notes (but not some only) held by such Noteholder to become immediately due and payable at their principal amount, together with any accrued interest thereon, as of the date on which such notice for payment is received by the Fiscal Agent without further formality, if any of the following events (each an "**Event of Defaul**t") shall occur:

(i) the Issuer fails to pay any amount of principal in respect of the Notes of the relevant Series or any of them on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes of the relevant Series or any of them within 15 days of the due date for payment thereof; or

(ii) the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes of the relevant Series and (except in any case where such default is incapable of remedy when no such continuation or notice, as is hereinafter mentioned, will be required) such default remains unremedied for 30 days after written notice requiring such default to be remedied has been received by the Issuer at the specified office of the Fiscal Agent by the Holder of any such Note; or

(iii) (a) any Indebtedness (as defined below) of the Issuer (being Indebtedness having an outstanding aggregate principal amount in excess of €50,000,000 or its equivalent in any other currency) is not paid when due or (as the case may be) within any original applicable grace period, (b) any Indebtedness (being Indebtedness having an outstanding aggregate principal amount in excess of €50,000,000 or its equivalent in any other currency) becomes due and payable prior to its stated maturity as a result of a default thereunder which is not remedied within the relevant grace period or (c) the Issuer fails to pay when due any amount payable by it under any guarantee of Indebtedness (being Indebtedness having an outstanding aggregate principal amount in excess of €50,000,000 or its equivalent in any other currency) unless, in each case, the Issuer is contesting in good faith its obligations to make payment or repayment of such amount ; or

(iv) the Issuer enters into a conciliation (*procédure de conciliation* in accordance with Articles L. 611-4 to L. 611-15 of the French Code de commerce) with creditors or a judgment is issued for judicial liquidation (*liquidation judiciaire*) or for a transfer of the whole of its business (*cession totale de l'entreprise à la suite d'un plan de cession*), or the Issuer is subject to proceedings to the same effect, or in the absence of legal proceedings the Issuer makes a conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors.

For the purposes of this Condition 9, "**Indebtedness**" means (i) any monies borrowed and any indebtedness of the Issuer which, in each case, is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and (ii) any indebtedness of the Issuer which is in the form of or represented by any bank loan.

10 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Representation of Noteholders

Except as otherwise provided by the relevant Final Terms, Noteholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *masse* (in each case, the "**Masse**").

The Masse will be governed by the provisions of the French *Code de commerce* with the exception of Articles L.228-48, L.228-59, the second sentence of Article L.228-65 II, R.228-63, R.228-67 and R.228-69, subject to the following provisions:

(a) **Legal Personality**

The Masse will be a separate legal entity and will act in part through a representative (the "**Representative**") and in part through a general meeting of the Noteholders (the "**General Meeting**").

The Masse alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the Notes.

(b) **Representative**

The office of Representative may be conferred on a person of any nationality who agrees to perform such function. However, the following persons may not be chosen as Representatives:

(i) the Issuer, the members of its Executive Board (*Directoire*), the members of its Supervisory Board (*Conseil de surveillance*), its general managers (*directeurs généraux*), its statutory auditors, or its employees as well as their ascendants, descendants and spouse; or

(ii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers (*directeurs généraux*), members of their Board of Directors (*Conseil d'administration*), Executive Board (*Directoire*), or Supervisory Board (*Conseil de surveillance*), their statutory auditors, or employees as well as their ascendants, descendants and spouse; or

(iii) companies holding 10 per cent. or more of the share capital of the Issuer or companies having 10 per cent. or more of their share capital held by the Issuer; or

(iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing an enterprise in whatever capacity.

The names and addresses of the initial Representative of the Masse and its alternate will be set out in the relevant Final Terms. The Representative appointed in respect of the first Tranche of any Series of Notes will be the Representative of the single Masse of all Tranches in such Series.

The Representative will be entitled to such remuneration in connection with its functions or duties as set out in the relevant Final Terms.

In the event of death, retirement or revocation of appointment of the Representative, such Representative will be replaced by another Representative. In the event of the death, retirement or revocation of appointment of the alternate Representative, an alternate will be elected by the General Meeting.

All interested parties will at all times have the right to obtain the names and addresses of the initial Representative and the alternate Representative at the head office of the Issuer and the specified offices of any of the Paying Agents.

(c) **Powers of Representative**

The Representative shall (in the absence of any decision to the contrary of the General Meeting) have the power to take all acts of management necessary in order to defend the common interests of the Noteholders.

All legal proceedings against the Noteholders or initiated by them, must be brought by or against the Representative.

The Representative may not be involved in the management of the affairs of the Issuer.

(d) **General Meeting**

A General Meeting may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth of the principal amount of the Notes outstanding, may address to the Issuer and the Representative a demand for convocation of the General Meeting. If such General Meeting has not been convened within two months after such demand, the Noteholders may commission one of their members to petition a competent court in Paris to appoint an agent (*mandataire*) who will call the General Meeting.

Notice of the date, time, place and agenda of any General Meeting will be published as provided under Condition 15.

Each Noteholder has the right to participate in a General Meeting in person, by proxy, by correspondence, or if the *statuts* of the Issuer so specify, by videoconference or by any other means of telecommunications allowing the identification of participating Noteholders[1]. Each Note carries the right to one vote or, in the case of Notes issued with more than one Specified Denomination, one vote in respect of each multiple of the lowest Specified Denomination comprised in the principal amount of the Specified Denomination of such Note.

(e) **Powers of the General Meetings**

The General Meeting is empowered to deliberate on the dismissal and replacement of the Representative and the alternate Representative and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorising the Representative to act at law as plaintiff or defendant.

The General Meeting may further deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that the General Meeting may not increase liabilities (*charges*) to Noteholders, nor establish any unequal treatment between the Noteholders, nor decide to convert Notes into shares.

General Meetings may deliberate validly on first convocation only if Noteholders present or represented hold at least one fifth of the principal amount of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a simple majority of votes cast by Noteholders attending such General Meetings or represented thereat.

In accordance with Article R. 228-71 of the French *Code de commerce*, the rights of each Noteholder to participate in the General Meetings must be evidenced by entries in the books of the relevant Account Holder of the name of such Noteholder on the third business day in Paris preceding the date set for the relevant General Meeting at 0.00, Paris time.

Decisions of General Meetings must be published in accordance with the provisions set forth in Condition 15.

(f) **Information to Noteholders**

Each Noteholder or Representative thereof will have the right, during the 15-day period preceding the holding of each General Meeting, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the General Meeting, all of which will be available for inspection by the relevant Noteholders at the registered office of the Issuer, at the specified offices of any of the Paying Agents during usual business hours and at any other place specified in the notice of the General Meeting.

(g) **Expenses**

The Issuer will pay all expenses relating to the operation of the Masse, including expenses relating to the calling and holding of General Meetings and, more generally, all administrative expenses resolved upon by the General Meeting, it being expressly stipulated that no expenses may be imputed against interest payable under the Notes.

(h) **Single Masse**

[1] At the date of this Base Prospectus, the *statuts* of the Issuer do not contemplate the right for a Noteholder to participate in a General Meeting by videoconference or any other means of telecommunication allowing the identification of the participating Noteholders.

The holders of Notes of the same Series, and the holders of Notes of any other Series which have been assimilated with the Notes of such first mentioned Series in accordance with Condition 14, shall, for the defence of their respective common interests, be grouped in a single Masse. The Representative appointed in respect of the first Tranche of any Series of Notes will be the Representative of the single Masse of all such Series.

12 Modifications

These Conditions may be completed in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

13 Replacement of definitive Notes, Receipts, Coupons and Talons

If, in the case of any Materialised Bearer Notes, a Definitive Materialised Bearer Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and Regulated Market regulations, at the specified office of the Fiscal Agent or such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Definitive Materialised Bearer Note, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Materialised Bearer Notes, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Materialised Bearer Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14 Further Issues and Consolidation

(a) **Further Issues**: Unless otherwise specified in the relevant Final Terms, the Issuer may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further notes to be assimilated (*assimilables*) and form a single series with the Notes provided such Notes and the further notes carry rights identical in all respects (or in all respects save for the principal amount thereof and the first payment of interest in the relevant Final Terms) and that the terms of such further notes provide for such assimilation and references in these Conditions to "**Notes**" shall be construed accordingly.

(b) **Consolidation**: The Issuer may, with the prior approval (which shall not be unreasonably withheld) of the Redenomination and Consolidation Agent, from time to time on any Interest Payment Date occurring on or after the Redenomination Date on giving not less than 30 days' prior notice to the Noteholders in accordance with Condition 15, without the consent of the Noteholders, Receiptholders or Couponholders, consolidate the Notes of one Series with the Notes of one or more other Series issued by it, whether or not originally issued in one of the European national currencies or in Euro, provided such other Notes have been redenominated in Euro (if not originally denominated in Euro) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Notes.

15 Notices

(a) Notices to the holders of Dematerialised Notes in registered form (*au nominatif*) shall be valid if either, (i) they are mailed to them at their respective addresses, in which case they will be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the mailing, or (ii) at the option of the Issuer, they are published (a) so long as such Notes are listed and admitted to trading on Euronext Paris, in a leading daily newspaper of general circulation in France (which is expected to be *La Tribune* or *Les Echos*), or (b) they are published in a leading daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*) or (c) they are published in accordance with Articles 221-3 and 221-4 of the General Regulations (*Règlement Général*) of the *Autorité des marchés financiers* and so long as such Notes are listed and admitted to trading on any Regulated Market in a leading daily newspaper with general circulation in the city where the Regulated Market on which such Notes are listed and admitted to trading is located and/or on the website of any other competent authority or Regulated Market of the EEA Member State where the Notes are listed and admitted to trading.

(b) Notices to the holders of Materialised Bearer Notes and Dematerialised Notes in bearer form shall be valid if published (a) so long as such Notes are listed and admitted to trading on Euronext Paris, in a leading daily

newspaper of general circulation in France (which is expected to be *La Tribune* or *Les Echos*), or (b) they are published in a leading daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*) or (c) they are published in accordance with Articles 221-3 and 221-4 of the General Regulations (*Règlement Général*) of the *Autorité des marchés financiers* and so long as such Notes are listed and admitted to trading on any Regulated Market in a leading daily newspaper with general circulation in the city where the Regulated Market on which such Notes are listed and admitted to trading is located and/or on the website of any other competent authority or Regulated Market of the EEA Member State where the Notes are listed and admitted to trading.

(c) If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Materialised Bearer Notes in accordance with this Condition.

(d) Notices required to be given to the holders of Dematerialised Notes (whether in registered or in bearer form) pursuant to these Conditions may be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream, Luxembourg and any other clearing system through which the Notes are for the time being cleared in substitution for the mailing and publication as required by Conditions 15 (a), (b) and (c) above; except that notices relating to the convocation and decision(s) of the General Meetings pursuant to Condition 11 shall also be published in a leading daily newspaper of general circulation in Europe.

16 Governing Law and Jurisdiction

(a) **Governing Law**: The Notes (and, where applicable, the Receipts, the Coupons and the Talons) and any non-contractual obligations arising out of or in connection with the Notes (and, where applicable, the Receipts, the Coupons and the Talons) are governed by, and shall be construed in accordance with, French law.

(b) **Jurisdiction**: Any claim against the Issuer in connection with any Notes, Receipts, Coupons or Talons and any non-contractual obligations arising out of or in connection with the Notes (and where applicable, the Receipts, the Coupons and the Talons) may be brought before any competent court of the jurisdiction of the Paris Court of Appeal.

TEMPORARY GLOBAL CERTIFICATES ISSUED IN RESPECT OF MATERIALISED BEARER NOTES

Temporary Global Certificates

A Temporary Global Certificate, without interest Coupons, will initially be issued in connection with Materialised Bearer Notes. Upon the initial deposit of such Temporary Global Certificate with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"), Euroclear or Clearstream, Luxembourg will credit the accounts of each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

The Common Depositary may also credit with a nominal amount of Notes the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, a nominal amount of Notes that is initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Exchange

Each Temporary Global Certificate issued in respect of Notes will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below):

(i) if the relevant Final Terms indicates that such Temporary Global Certificate is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "General Description of the Programme — Selling Restrictions"), in whole, but not in part, for the Definitive Materialised Bearer Notes; and

(ii) otherwise, in whole but not in part upon certification as to non-U.S. beneficial ownership (a form of which shall be available at the specified offices of any of the Paying Agents) for Definitive Materialised Bearer Notes.

Delivery of Definitive Materialised Bearer Notes

On or after its Exchange Date, the holder of a Temporary Global Certificate may surrender such Temporary Global Certificate to or to the order of the Fiscal Agent. In exchange for any Temporary Global Certificate, the Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Materialised Bearer Notes. In this Base Prospectus, "**Definitive Materialised Bearer Notes**" means, in relation to any Temporary Global Certificate, the Definitive Materialised Bearer Notes for which such Temporary Global Certificate may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Temporary Global Certificate and a Talon). Definitive Materialised Bearer Notes will be security printed in accordance with any applicable legal and Regulated Market requirements. Forms of such Definitive Bearer Materialised Notes shall be available at the specified offices of any of the Paying Agent(s).

Exchange Date

"**Exchange Date**" means, in relation to a Temporary Global Certificate, the day falling after the expiry of 40 days after its issue date, provided that, in the event any further Materialised Notes are issued prior to such day pursuant to Condition 14(a), the Exchange Date for such Temporary Global Certificate shall be postponed to the day falling after the expiry of 40 days after the issue of such further Materialised Notes.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be applied by the Issuer for general corporate purposes. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

INFORMATION ABOUT THE ISSUER

1 General Information about RTE EDF Transport

The legal and commercial name of RTE EDF Transport is "RTE EDF Transport". RTE EDF Transport is also commercially known as "Réseau de Transport d'Electricité" and "RTE".

RTE EDF Transport has been registered at the Trade and Companies Registry of Nanterre (*Registre du Commerce et des Sociétés de Nanterre*) under reference number 444 619 258 RCS Nanterre for a term of 99 years beginning on 21 June 2005.

RTE EDF Transport is a limited liability company (*société anonyme*) with an Executive Board (*directoire*) and a Supervisory Board (*conseil de surveillance*) governed by the laws and regulations applicable to commercial companies in France, in particular, the French *Code de commerce*, unless these are not applicable because of more specific laws, such as French law no. 83-675 dated 26 July 1983, French law no. 2000-108 of 10 February 2000, French law no. 2004-803 dated 9 August 2004 (the "**Law dated 9 August 2004**") and by the Issuer's by-laws (*statuts*) approved by Decree no. 2005-1069 dated 30 August 2005 (as amended in the RTE EDF Transport shareholders' meetings of 28 June 2006, 11 June 2008 and 25 January 2010). The registered office of RTE EDF Transport is Tour Initiale, 1 Terrasse Bellini TSA 41000, 92919 Paris, La Défense Cedex. RTE EDF Transport's telephone number is +33 (0)1 41 02 19 29 and its website is www.rte-france.com.

1.1 History and development of RTE EDF Transport

(a) Definitions and purposes of the various entities involved in the history and development of RTE EDF Transport

C5

C5 was a limited liability company (*société anonyme*) registered at the Trade and Companies Registry of Bobigny (*Registre du Commerce et des Sociétés de Bobigny*) under the reference number 444 619 258 for a term of 99 years beginning on 23 December 2002. C5 had for its purpose, in France and abroad, the direct or indirect taking of holdings in all forms of companies and other corporate entities by way of acquisition or subscription, and more generally all operations of a commercial, financial, real estate or personal property nature either directly or indirectly related to its primary purpose or to the activities of the EDF group or otherwise contributing to or facilitating its development.

C5 was the legal entity used by EDF for the transfer of the electricity transmission network operation business to a separate legal entity as required by the Law dated 9 August 2004.

C5 was renamed RTE EDF Transport on 1 September 2005 following the completion of the partial contribution of assets (*apport partiel d'actifs*) from EDF to C5 of public electricity transmission network equipment and assets of any kind which belonged to EDF and were related to the activity of electricity transmission.

RTE

Réseau de Transport d'Electricité ("**RTE**") was an internal division of EDF created on 1 July 2000 following the enforcement of French law no. 2000-108 dated 10 February 2000 which required the unbundling of the accounts and separation of management between EDF and its electricity transmission network operation business.

RTE's activity was transferred from EDF to C5 (which was renamed RTE EDF Transport) on 1 September 2005 following the completion of the partial contribution of assets from EDF to C5.

RTE EDF Transport

RTE EDF Transport is a limited liability company (*société anonyme*) previously named C5. RTE EDF Transport has been re-registered at the Trade and Companies Registry of Nanterre (*Registre du Commerce et des Sociétés de Nanterre*) under reference number 444 619 258 RCS Nanterre for a term of 99 years beginning on 21 June 2005 (following the transfer of its head office from St Denis to La Défense).

Since 1 September 2005 (date of the completion of the partial contribution of assets from EDF to

C5), RTE EDF Transport is the owner of public electricity transmission network equipment and assets of any kind which belonged to EDF and were related to the activity of electricity transmission.

RTE EDF Transport is a wholly owned subsidiary of EDF.

EDF Electricité de France ("**EDF**") is a limited liability company (*société anonyme*) registered at the Trade and Companies Registry of Paris (*Registre du Commerce et des Sociétés de Paris*) under reference number 552 081 317 for a period of 99 years from 20 November 2004.

EDF managed directly the French high and extra high voltage transmission system from 1946 to 2000. On 1 July 2000, EDF created RTE, an independent internal entity responsible for managing the high and very high voltage public electricity network, which became RTE EDF Transport (an independent legal entity) on 1 September 2005.

(b) EDF and the creation of RTE

Until 1 July 2000, the French high and extra high voltage transmission system was managed as an internal part of EDF, which simultaneously generated the electricity, distributed it and sold it to all its customers. EDF was created in 1946 as a public industrial and commercial company ("**EPIC**") and transformed into a French *société anonyme* (a form of limited liability company) pursuant to Law dated 9 August 2004 and Decree no. 2004-1224 dated 17 November 2004. Today, EDF is an integrated energy company operating in a wide range of related businesses: generation, transmission, distribution, supply and trading of energy. EDF is the main operator in the French electricity market and one of the leading electricity groups in Europe.

The creation of RTE (*Gestionnaire du Réseau de Transport d'Electricité*), on 1 July 2000, is a direct consequence of Law no. 2000-108 dated 10 February 2000 relating to the French electricity market. This regulation resulted from European market legislation aimed at establishing common rules in the European Economic Community (EEC) concerning generation, transmission, distribution and supply of electricity, and to set forth procedures for the organisation and operation of the electricity sector, rules for access to the market, criteria and procedures applicable to network operations and the distribution and granting of licences.

In particular, European directive 96/92/EC of the European Parliament and the European Council dated 19 December 1996, relating to common rules for the domestic electricity market stated that:

(1) where the transmission system operator is part of a "vertically integrated undertaking" (an entity performing two or more of the functions of generation, transmission and distribution of electricity), the management of the transmission system shall be independent at least in terms of its business plan, from other activities not related to transmission; and

(2) electricity undertakings shall, in their internal accounting, keep separate accounts for each of their transmission and distribution activities as they would be required to do if the activities in question were carried out by separate undertakings, with a view to avoiding discrimination, cross subsidisation and distortion of competition.

Law no. 2000-108 dated 10 February 2000 on the modernisation and development of the public electricity service, which implemented European directive 96/92/EC, provides for the opening of the French electricity market and the independence the transmission system operator within EDF.

RTE was set up on 1 July 2000 as a division of EDF, with independent accounts, management and finances, and has operated as such since that date.

(c) Transformation of RTE into a subsidiary of EDF

In accordance with the European directive of 26 June 2003 (relating to common rules for the internal market in electricity and repealing Directive 96/92/EC), Law dated 9 August 2004 on the public service of

gas and electricity and gas and electricity companies, provides that RTE had to be transformed into a limited liability company and that it must be wholly-owned by EDF, the French State and/or any other body or company belonging to the public sector.

Pursuant to this law and in accordance with French spin-off laws (*régime des scissions*), EDF entered into an agreement on 30 June 2005 for the partial contribution of assets (*apport partiel d'actifs*) to its wholly-owned non-operating subsidiary, a company known as C5 (which was later renamed RTE EDF Transport by Decree no. 2005-1069 on 30 August 2005). C5 was a limited liability company (*société anonyme*) registered at the Trade and Companies Registry of Bobigny (*Registre du Commerce et des Sociétés de Bobigny*) under the reference number 444 619 258 for a term of 99 years beginning on 23 December 2002.

In accordance with Law dated 9 August 2004, this agreement provides for EDF's contribution to C5 of public electricity transmission network equipment and assets of any kind which belonged to EDF and were related to the activity of electricity transmission, as well as EDF's rights, authorisations and obligations and any contracts entered into by it, regardless of their nature, so long as they were related to the activity of managing a public electricity transmission network, as such equipment, goods, rights, authorisations, obligations and contracts existed on the date of the contribution.

Pursuant to Law dated 9 August 2004, this transfer did not result in any modification of contracts or their provisions, and did not result in the payment of any debt that may have resulted or been required as a consequence.

The partial contribution of assets from EDF to C5 and the capital increase of C5 became effective on 1 September 2005 following:

1. the by-laws of RTE EDF Transport, a French *société anonyme* with an Executive Board and Supervisory Board, being approved by Decree no. 2005-1069 on 30 August 2005;

2. the EDF extraordinary shareholders' meeting of 31 August 2005 approving the contribution of EDF assets to C5; and

3. the C5 extraordinary shareholders' meeting held on 1 September 2005 also approving this contribution.

   In accordance with Article L. 236-16 of the French *Code de commerce*, the findings of the appraisers (*commissaires à la scission*) who were appointed in the context of this contribution were as follows:

   (i) the value of the contributions, amounting to €4,029,920,372, was not overvalued and, as a result, the net assets contributed were at least equal to the amount of the transferee company's capital increase, increased by a contribution premium; and

   (ii) the payment proposed for the contribution, resulting in the issuance of 213,224,869 C5 shares, was fair.

Then, the by-laws of RTE EDF Transport came into force, and the denomination "**RTE EDF Transport**" replaced the former denomination "**C5**". The contribution of EDF's electricity transmission activity by partial asset contribution to RTE EDF Transport resulted in the removal of the assets and liabilities transferred to RTE EDF Transport from the balance sheet of EDF's statutory accounts, retroactive as at 1 January 2005. These contributions, evaluated at their net book value of approximately €4 billion, were reflected in EDF's balance sheet as shareholdings for an equivalent value. However, because the financing of the public electricity transmission system operator was carried out by a portion of EDF's numerous credit lines, none of which was specifically dedicated to the financing of this activity, such portion of EDF's liabilities were not transferred to RTE EDF Transport. Instead, in accordance with Article 9 of Law no. 2004-803 of 9 August 2004, RTE EDF Transport recorded a single financial liability vis-à-vis EDF of approximately €7 billion in its balance sheet, corresponding to the financial debt reflected in RTE's most recent independent financial statements.

RTE EDF Transport's intention has been to refinance its financial debt vis-à-vis EDF with external financing, and thus, on 29 May 2006, it entered into a €2.5 billion revolving credit facility with a syndicate

of banks. The facility comprises two tranches: a €1.5 billion 364 day facility and a €1 billion seven year facility, including a €300 million swingline facility. This EMTN Programme forms part of RTE EDF Transport's external financing programme. In 2007, RTE EDF Transport also established a French commercial paper programme (*billets de trésorerie*) for a maximum amount of €1,000,000,000 (or the equivalent in other currencies). The French commercial paper programme has been rated "A-1+" by Standard & Poor's.

For the period 2010-2013, RTE EDF Transport's programme of investments is expected to total approximately €5 billion and will contribute significantly to the economic growth of public investments.

(d) The RTE Group

RTE EDF Transport is the parent company of the following five subsidiaries which together comprise the RTE Group:

- @RTERIA, a company which markets fibre optics that are built and maintained by RTE EDF Transport, sells long-term usage rights and "Elevated Points" (independent radio transmission towers and electricity towers carrying power lines) with basic fittings that hold the mobile telephone equipment of mobile telephone operators in order to provide low-cost broadband access, extending fibre optic connections all the way to the end-customer;

- RTE International, a company which provides engineering and consultancy services in all areas of business covered by an electricity transmission system operator;

- HGRT ("*Holding des Gestionnaires de Réseau de Transport*" - electricity transmission system operators' holding company), a company which has been established to subscribe, acquire, sell, hold and manage stock and other transferable securities issued by Powernext SA (a French incorporated company which manages several gas and electricity markets); and

- INELFE: a joint-venture between RTE and REE, incorporated for the development of a new connection between France and Spain.

RTE EDF Transport holds the entire share capital of SAS ARTERIA and SAS RTE International and holds 51 per cent. of the issued share capital of SAS HGRT, 50 per cent. of the issued share capital of INELFE.

References to RTE EDF Transport in this section shall, where applicable, include the RTE Group.

1.2 Corporate purpose of RTE EDF Transport

In accordance with Article 3 of its by-laws, the corporate purpose of RTE EDF Transport is as follows:

(a) the carrying out in France, in accordance with the conditions set out in the responsibility specifications of the public transmission network concession (*cahier des charges de la concession du réseau public de transport*), of the objectives given to it by Law no. 2000-108 dated 10 February 2000, in particular: the development, exploitation, and maintenance of the public electricity transmission network, notably ensuring that users are connected to and have access to the network on a non-discriminatory basis, in addition to interconnection with neighbouring countries;

(b) balancing, at all times, the flow of electricity on the public transmission network, in addition to ensuring the safety, security and efficiency of the network;

(c) the indirect management, via joint ventures or subsidiaries, in France and in other Member States of the European Union or of the European Free Trade Association, of electricity and gas transmission networks;

(d) the development of the networks under its management, via its subsidiaries or joint ventures, subject to the conditions that such development is incidental to network management, does not receive financial support, and that RTE EDF Transport is not able to give security or guarantees of any kind for the benefit of its activity; and

(e) the development of its expertise, notably in the field of engineering, via subsidiaries or joint ventures, subject to the condition that this activity remains incidental to the business of managing transmission networks.

BUSINESS OVERVIEW OF THE ISSUER

1 Business overview and principal activities

1.1 General

RTE EDF Transport is the operator of the French electrical power transmission network which it also owns, maintains and develops. As such, it principally performs the following three functions:

(a) manages power flows: RTE EDF Transport is responsible for the supply/demand balance and makes adjustments, manages electricity flows and manages access rights to international interconnections, in collaboration with neighbouring network operators. It mobilizes reserves and compensates for losses. It makes the necessary accounting adjustments and resolves imbalances;

(b) manages the transmission infrastructure: RTE EDF Transport operates and maintains the public transmission network and is responsible for its development, for minimizing costs for the community and for ensuring the safety of the system, people and property; and

(c) guarantees access to the transmission network: RTE EDF Transport enters into contracts with transmission network users on the basis of network access tariffs and in accordance with rules of non-discrimination.

In addition, Law dated 9 August 2004 (as amended by Law no. 2006-1537 dated 7 December 2006 in respect of the energy sector) authorises RTE EDF Transport to participate in the identification and the analysis of any action proposed to be taken to control electricity supply, to the extent that such action may encourage a balance of supply and / or demand.

1.2 Public service commitments

(a) Legal definition of public service in France

The fundamental principles of public service (*service public*), adaptability, continuity and equality of access, were set forth in Law no. 2000-108 dated 10 February 2000 relating to the modernisation and expansion of the public electricity service, which applies to all operators of such public service.

(b) Public service objectives for electricity

The purpose of the public service is to guarantee electricity supplies across France, in the interest of the general public. In the context of energy policy, public services relating to electricity contribute to the independence and security of the supply, air quality and the effort to reduce the greenhouse effect, optimum management and development of national resources, demand-side management, the competitiveness of the economic business and managing future technological options as to the rational use of energy.

By guaranteeing the right to electricity for all without exclusion, the public service commitments also contribute to social harmony and to the balanced development of the territory, while respecting the environment, to research and technological progress, as well as to defence and public security.

The right to electricity, which is an essential product, is implemented through public services. Public services are managed in accordance with the principles of equality, continuity and adaptability, and in the best conditions of safety, quality, costs, price and economic, social and energy efficiency.

Public services relating to electricity ensure the balanced growth of the electricity supply, the development and operation of the public electricity transmission and distribution networks.

1.3 Responsibility of developing and operating the public transmission network

Developing and operating the public electricity transmission network consists of ensuring reliable and efficient service in continental France, while respecting the environment, and ensuring interconnection with neighbouring countries, together with connection and access, under non-discriminatory conditions, to the public transmission network.

1.4 The public service contract

The purpose of the public service contract entered into on 24 October 2005 between the French State, EDF and RTE EDF Transport was to constitute the framework, for an undetermined length of time (as Law dated 9 August 2004 did not set a fixed term, but rather simply provided that a report be presented to the French Parliament every three years) for the public service missions entrusted to EDF and RTE EDF Transport by the French State. This agreement sets forth the commitments of EDF and RTE EDF Transport initially over the 2005 to 2007 period and specifies the terms of compensation for public service obligations. Beyond this period, modifications made to the contract will take into account the three-year implementation report to be presented to the French Parliament, provided for by Law dated 9 August 2004, and possible changes in the regulatory or legislative framework. The contract also provides that, in the event that difficulties arise with respect to the implementation of the measures relating to the compensation of additional costs incurred by virtue of executing the contract, the French State, EDF and RTE EDF Transport agree to meet as soon as practicable in order to adjust the financial balance of the public service commitments entrusted to EDF and RTE EDF Transport.

The public service contract seeks, in particular, to reaffirm the public service commitments in the electricity sector within the context of EDF's transformation into a French limited liability company (*société anonyme*) and the transformation of RTE into a subsidiary of EDF, in order to clearly define the financing of public service commitments in order to preserve them in the long term. The contract thereby constitutes a guarantee of public service commitments within the context of the opening of the electricity markets in which EDF and RTE EDF Transport operates, particularly in France.

The network operators, Electricité Réseau Distribution France ("**ERDF**") and RTE EDF Transport, have undertaken obligations in the public service contract with respect to the management of the public networks and the safety of the electricity system. These obligations will be financed by the network usage tariff. ERDF is a limited liability company (*société anonyme*) responsible for operating the electricity distribution network in metropolitan France with an Executive Board (*directoire*) and a Supervisory Board (*conseil de surveillance*). In accordance with Title III of Law dated 9 August 2004, ERDF's main activities are notably to define and implement the operating, investment and development policies of the distribution networks.

These commitments relate, in particular, to network safety, the quality of supply, the safety of third parties and the protection of the environment, which are four areas where the expectations of customers and local authorities are particularly high. In particular, RTE EDF Transport will spend about €200 million per year up to 2017 on a network mechanical security programme, aimed at reinforcing the ability to withstand strong windstorms.

1.5 Code of good conduct (*Code de bonne conduite*)

Article 6 III of Law dated 9 August 2004 provides that RTE EDF Transport must set out in a code of conduct the internal organisational measures it has taken against the risks of discriminatory practices against third parties in relation to access to the network.

The implementation of this code forms the object of an annual report, drawn up and made public by RTE EDF Transport, addressed to the Commission for Energy Regulation (*Commission de Régulation de l'Energie* or "**CRE**").

The code of conduct published on 16 July 2008 by RTE EDF Transport is structured around four principles:

(a) guaranteeing non-discrimination in relation to access to the electricity transmission network;

(b) ensuring transparency in relation to the CRE, EDF and users of the network;

(c) maintaining the confidentiality of commercially sensitive information provided by users of the network; and

(d) ensuring its staff obligations and commitments in relation to these obligations.

A report on the implementation of the code of conduct is published annually.

1.6 Public transmission network concession (*cahier des charges de concession du réseau public de transport*)

RTE EDF Transport pursues its objectives within the framework set out in the responsibility specifications of the public transmission networks concession approved by Decree of the *Conseil d'Etat* in accordance with Article 12 of Law no. 2000-108 dated 10 February 2000 relating to the French electricity market, following the recommendation of the CRE.

Decree no. 2006-1731 dated 23 December 2006 approved the public transmission network concession framework. The public transmission network concession was conditional on the signature of a concession agreement (*contrat de concession du réseau public de transport*) between the French State and RTE EDF Transport which was signed on 30 October 2008. The public transmission network concession will expire on 31 December 2051. No later than five years before the concession expiration date, RTE EDF Transport will request from the minister in charge of the energy sector a renewal of its concession.

2 RTE EDF Transport's main source of revenues: Tariffs for Using the Public Electricity Transmission Network (*Tarifs d'Utilisation des Réseaux Publics de Transport d'électricité* or "TURPE")

2.1 Third-party access to the networks

Article 23 of Law no. 2000-108 dated 10 February 2000 provides that network operators must guarantee access to the public transmission and distribution networks in order to:

(a) ensure the public service missions relating to the supply of electricity;

(b) ensure that the supply contracts with eligible customers are performed;

(c) allow a generator to supply its establishments, subsidiaries and parent company, within the limits of its own generation; and

(d) ensure that the electricity export agreements entered into by a generator or by a supplier to purchase electricity for resale in metropolitan France and the overseas departments are performed.

2.2 Electricity delivery tariffs

Electricity delivery tariffs ("TURPE") are invoiced when the public transmission and distribution networks are used. Independent of the electricity supplier, these tariffs are based on the "postage stamp" principle, *i.e.*, the tariffs do not take distance of delivery into account. The tariffs do, however, take into account the connection conditions and the amount of power used, and therefore comply with the principle of tariff equalisation: customers with the same characteristics (same connection voltage and same power used) pay the same tariff, regardless of where they are located and who supplies them.

TURPE is a cost-based system, which covers pre-determined costs and the remuneration of invested capital.

Decree no. 2001-365 dated 26 April 2001 lays down the principles for setting TURPE as follows:

(a) TURPE are to be calculated on the basis of the sum of the costs of the network (notably costs of management and operation of public networks, costs of loss of energy, costs of maintenance, of a network mechanical security programme, of the development and reinforcement of public networks, including reinforcements linked to the connection of new users, repayment of capital investments, costs of research and development).

(b) TURPE include an element that relates to power that has been subscribed for and an element that relates to energy that has been injected or withdrawn.

(c) TURPE are the subject to a fixed rate reduction where a user is subject to an interruption lasting over six hours, and where the relevant interruption is due to a reduction in supply attributable to a fault with the public transmission and supply networks.

Pursuant to Article 4 of French Law no. 2000-108 dated 10 February 2000, as amended by Law no. 2005-781 dated 13 July 2005, the CRE makes a proposal for the TURPE to the Ministers of Economy, Finance and Industry and of Energy and ministerial approval is considered to be given unless one of the ministers raises an objection within two months of receiving the proposal from the CRE. In this respect, the CRE made a proposal on 26 February 2009 in relation to tariffs for the August 2009 to July 2013 period to the Ministers of Economy and of Energy. Such proposal was approved on 5 June 2009 and became effective on 1 August 2009 ("**TURPE 3**").

The main characteristics of TURPE 3 are the following:

- it applies for four years, from 1 August 2009 to 31 July 2013;
- it imposed a first tariff increase in 2009 of 2 per cent. compared with the former TURPE 2 tariff ("**TURPE 2**") level;
- an annual adjustment, of the tariff linked to retail price index (*indice des prix à la consommation harmonisé*), plus 0.4 per cent., and the recovery of the "account to regulate costs and revenues" (*Compte de Régulation des Charges et des Produits* or "**CRCP**") limited between -2 per cent. and 2 per cent.;
- all costs are covered, plus a remuneration of the Regulated Asset Base (RAB) at a weighted cost of capital (WACC) at 7.25 per cent. (nominal before tax);
- an extension of the CRCP, in particular on differences on turnover due to off-take volume difference. The CRCP (that already existed with TURPE 2 tariff) aims at offsetting the impact of external factors on the network operators' costs and revenues (*e.g.*, variations in the price of electricity) that cannot be fully controlled by the network operators (*e.g.*, energy purchases intended to cover losses sustained by the networks, interconnection revenues). The CRCP, by nature, does not appear in the statutory accounts of the network operator. The surplus and the loss of earnings of the network operator will be reflected in this account. Depending on whether or not the balance is positive or negative, it will be offset by decreases or increases in the costs to be recovered by the TURPE over the following years;
- three incentive regulation schemes have been introduced:
  - a bonuses / penalty system (*système de bonus/malus*) on supply quality, limited to 20 M€ a year;
  - a bonuses / penalty system (*système de bonus/malus*) on the performance of purchases to compensate for losses;
  - an equal share of gains on operating costs, compared with reference costs, between RTE EDF Transport and network users.

3 Transmission of electricity: the network operated by RTE EDF Transport

Law dated 9 August 2004 states that the network operator is responsible for maintaining, operating and developing the electricity transmission system, and is the owner of its industrial assets, which include all assets operated at a voltage higher or equal to 50 kilovolt ("**kV**").

With 100,000 km of high and very high voltage circuits and 46 cross-border power lines, the French transmission network is the largest in Europe. RTE EDF Transport's geographic position places it at the heart of the European electricity market. The total energy carried by the RTE EDF Transport network in 2009 reached 505,2 Terawatt hour ("**TWh**") and represented 93,9 per cent. of the total electricity generated in and imported into France.

3.1 Technical characteristics

The table below sets forth the technical characteristics of the RTE EDF Transport network as of 31 December 2009 and takes into account the impact of French Decree no. 2005-172 dated 22 February 2005, which modified the breakdown between (i) the public transmission network (*Réseau Public de Transport*, or "**RPT**") comprised by the public transmission network and facilities operated at a voltage greater than or equal to 50 kV and managed by RTE

EDF Transport and (ii) the public distribution networks (*Réseaux Publics de Distribution*, or "**RPD**") comprised by of the public transmission network and facilities operated at a voltage lower than 50 kV and notably managed by ERDF Electricité Réseau Distribution France.

	400 kV	**225 kV**	**150 kV**	**90 kV**	**63 kV**	**<= 45kV**	**Total**
Tower lines (km)	13,368	21,225	1,037	12,650	29,151	289	77,720
Overhead circuits (1km)	21,279	25,568	1,061	14,963	33,656	435	96,962
Underground circuits (km)	3	970	2	499	2,135	103	3,712
Total circuits	**21 282**	**26 538**	**1 063**	**15 462**	**35 791**	**538**	**100,674**
Substations (1) (number)	142	536	27	516	1 291	6	2 518
Transformers (number)	278	807	35	25	23	1	1 169
Transformer power (Mega-volt-ampere, "MVA")	127,591	85,542	1,406	1,173	709	10	216,431

Note:

(1) Figures for operating substations where RTE owns at least one set of busbars and/or bays.

Several categories of users are connected to this network (as of 31 December 2009):

(a) 628 electricity generation power plants: nuclear power stations, conventional thermal plants, hydroelectric power stations, renewable energy installations, including wind farms;

(b) distributors: ERDF, as distribution network operator, and 26 Local Distribution Companies; and

(c) 525 industrial user sites, with electricity requirements that are such that they need to be supplied directly by the transmission network.

The network is also connected to the transmission networks of neighbouring countries. The table below sets forth the interconnections existing as of 31 December 2009:

	270 kV DC(*))	**400 kV**	**225 kV**	**150 kV**	**90 kV**	**63 kV**
Number of circuits	4	17	13	4	2	6

(*) Direct Current.

3.2 Transmitted volumes

The table below sets forth a simplified evaluation of energy flow on the RTE network over 2006, 2007, 2008 and 2009:

TWh	**2006**	**2007**	**2008**	**2009 (provisional)**
Net energy withdrawn (including energy withdrawn for pumping and losses)	455.9	456.0	467.2	458.3
Physical exports (net balance)	63.6	57.0	48.3	25.9

TWh	2006	2007	2008	2009 (provisional)
Net energy Generated in France	519.5	513.0	515.5	484.2

In 2009, the total net energy withdrawn in the network amounted to 458,3 TWh (-1,9 per cent. compared to 2008). In 2009 the total energy transmitted on the RTE network represented 93,9 per cent. of the total energy generated in and imported to France (the rest related to self-generation and the electricity produced by generators connected directly to the distribution network).

NB : To be consistent with statistical data published by RTE since mid-2009, energy withdrawn has been replaced by net energy withdrawn which is equal to energy withdrawn minus energy injected on RTE's network by distributors; net energy generated in France, i.e. energy generated in France minus energy injected on RTE's network by distributors.

4 Power flow management

4.1 Generation/consumption balance

As electricity cannot be stored in significant quantities, RTE EDF Transport ensures, on a permanent basis, that the electricity network is balanced, which entails the exact match between supply and demand for electricity in real time (see also, "Balancing mechanism" below).

4.2 Balancing mechanism

In accordance with the rules on scheduling, the balancing mechanism and the balance responsible entities established by RTE EDF Transport, the "scheduling responsible entities" (generators, traders, etc.) notify RTE EDF Transport, the day before for the following day, of the quantity of electricity they intend to transmit on the network, its origin (identification of the different generation capabilities and imports, block exchanges), its destination (distributors or industrial groups connected directly to the transmission network, exports, block exchanges) and the times during which the electricity will be on the network. The programme responsible entities can alter these parameters during 24 slots. RTE EDF Transport ensures the operation of the network on the basis of these notifications, but it must be able to compensate for uncertainties that affect this balance (consumption imbalances, generation unit outages, damaged transmission lines, etc.) by immediately increasing or reducing energy reserves. Market operators offer these reserves to RTE EDF Transport in the form of "balancing offers", which incorporate price and usage conditions. Depending on its requirements, RTE EDF Transport uses the available offers on the basis of financial precedence. The mechanism is designed for all parties, whether they are generators, traders or electricity consumers, whose business is characterised by flexibility. They benefit from this flexibility by adjusting their production or by reducing their consumption.

The balancing mechanism accommodates the uncertainties affecting the network. During 2009, 8,1 TWh, which is approximately 1,7 per cent. of French consumption, was used to restore balance. Competition has played a major role, even across borders, as 19 per cent. of upwardly adjusted energy originates from neighbouring countries. The balancing mechanism was conceived, put in place and improved in order to guarantee the security of the electricity network. It constitutes the principal tool available to RTE EDF Transport to manage the hazards likely to affect the balance between generation and consumption. In the event of unforeseeable situations, other tools, such as the contract of mutual assistance between operators of the European transmission networks are also available to restore the balance of the transmission network.

4.3 Imbalance calculation

RTE EDF Transport has tailored its balance responsible system in response to the opening up to competition of the market for non-household customers on 1 July 2004. The imbalances of each balance responsible entity are calculated, first, from real load curves obtained through remote meter readings by RTE EDF Transport and the distributors and, second, by load curves estimated from profiling techniques.

The estimated load curves must then be re-adjusted to correspond, first, to the overall flow withdrawn from the public transmission network by the distribution networks and, second, to readings taken from the meter indexes.

This system is based on strict cooperation between RTE EDF Transport and the distributors who exchange large amounts of information.

4.4 Cost allocation

The costs corresponding to the balancing offers activated by RTE EDF Transport as a result of negative imbalances are passed on to the balance responsible entities (generators, traders, suppliers, etc.) proportionately, based on their imbalance. RTE EDF Transport financially compensates the balance responsible entities for positive imbalances.

4.5 Interconnections

RTE EDF Transport manages access to international interconnections in collaboration with the transmission system operators of neighbouring European countries.

The European electricity transmission networks are interconnected, and ensure that energy can be transmitted from one country to another. These interconnections are used to ensure the operating safety of the electricity transmission networks (e.g., using neighbouring generators and transmitters to compensate for a major generating or transmission unit outage in France) and to develop the European electricity market by enabling an electricity supplier to sell its energy to a customer in another country in the European Union. Moreover, these interconnections, by working on the basis of time differences between peak-loads on different sides of borders, enable generation capabilities to be better shared at a European level.

4.6 Allocation of exchange capacities

Electricity flows across the European network according to the laws of physics rather than according to the relevant underlying sales transactions. Only the balance of one country's electricity flow can be monitored, not bilateral physical exchanges. Thus, a business exchange from France to Germany actually uses the networks of France, Belgium, The Netherlands, Germany, Switzerland and even Italy and Austria. It will use part of the capacity of all interconnection installations between France and its neighbours in continental Europe. The decision to allocate export capacity from France to Germany therefore involves other decisions concerning export or import capacities with other countries, or even between these countries.

In addition to this "spatial interdependence" of capacities between countries, there is the issue of sequencing the decisions needed to implement a sales transaction. The opening up of the markets has led operators to request the implementation of practical methods that would enable them to transfer electrical energy from one country to another in a way that is compatible with wholesale market transactions. The operating method used ensures that the decisions to authorise an exchange (made by the network operators) and the decisions to purchase or sell energy on the markets (made by the generators or retailers) are coordinated.

This method is based on the notion of contractual exchange capacity. Due to the interactions between the different decisions to allocate capacities and the difference between these decisions and the transactions made on the wholesale markets, this notion of contractual capacity can be quite different from the real physical flow of energy on the networks. This problem has led network operators to adopt safety margins in order to guarantee the contractual transmission capacity available to the market. These margins are, in part, managed through redispatching: RTE EDF Transport purchases schedule modifications of generating plants that are needed to resolve network constraints, thereby giving participants the opportunity to export additional volumes by settling the additional costs generated by these schedule modifications.

Capacity, evaluated on the basis of the issues set forth above, must be shared among those requesting it. Since the opening up of the market, the capacity offered is insufficient to satisfy demand. As a result, approximately only one-quarter of the demand to export to Germany has been satisfied.

RTE EDF Transport, whenever possible with the agreement of the transmission system operator of the neighbouring country concerned, must therefore define appropriate allocation methods, within the scope of a consultation with all interested participants and with a view, in particular, to:

(a) satisfying the market operators consulted through the Committee of Electricity Transmission Network Users (*Comité des Utilisateurs du Réseau de Transport d'Electricité*, or "**CURTE**"), which was put in place when RTE was created, as well as through satisfaction surveys or special forums;

(b) defining methods of allocating and using capacities in strict cooperation with the operators of neighbouring networks according to principles and rules defined by the competent authorities; and

(c) obtaining the formal approval of the CRE. It should also be noted that the CRE itself consults market operators regarding the evolution of the exchange capacity allocation systems and must also reach an agreement with the competent regulatory authority of the neighbouring country.

The mechanisms implemented for evaluating and allocating contractual exchange capacities are completely transparent. The methods used by RTE EDF Transport to evaluate these capacities are published on its Internet site (www.rte-france.com), in addition to demand forecasts, the capacities requested, offered and allocated, the effects of network installation outages and the effects of these outages on the balancing mechanism.

RTE EDF Transport promotes the development of interconnection capacities in Europe (particularly France-Belgium, France-Spain and France-Italy).

4.7 System of financial compensation between transmission system operators

In the past, each country applied a network access tariff for imports and exports. On 1 March 2002, the Cross Border Trade mechanism introduced by the European Transportation Systems Organization (ETSO), the European association of transmission networks, came into force. This mechanism eliminated "fees" at the borders and implemented a financial compensation system between the participating transmission system operators. With this financial compensation system, network operators that carry international transmissions on their networks receive compensation from the operators of the networks where the transmission activity begins or finishes. Based on this financial compensation system, RTE EDF Transport recorded a net charge of €53 million in 2009.

For the period from June to December 2007, 27 countries (Austria, Belgium, Switzerland, Luxembourg, Germany, Spain, France, Italy, The Netherlands, Portugal, Slovenia, Greece, Sweden, Denmark, Finland, Norway, Poland, Hungary, Albania, Bulgaria, the former Yugoslavian Republic of Macedonia, Montenegro, Romania, Serbia, Bosnia and Herzegovina, Estonia, Croatia) entered into a new compensation agreement, called Interim "**ITC**" (Inter Transmission System Operator Compensation) clearing and settlement agreement. This agreement was intended to implement the provisions of European Regulation 1228/2003 on conditions for access to the network for cross-border exchanges in electricity.

In October 2007, 33 countries agreed on a new ITC mechanism for the period 2008 and 2009. The TSOs of Czech Republic, Ireland, Latvia, Lithuania, Slovakia and United Kingdom have decided to join the 27 countries who are already signatories of the 2007 agreement.

The European Transmission System Operators for Electricity (ENTSO-E) has reached a voluntary agreement on the inter-TSO compensation (ITC) mechanism, which came into force on 1 January 2010, This will be valid until the European Commission's own guidelines on inter-TSO compensation come into force later next year. Compensation will be either for transmission losses or infrastructure costs. Compensation for the former will be based on the so-called "With and Without Transit model". A framework fund, which has been set at €100 million per annum, will be used for compensation of the latter. The agreement is based on the European Commission's proposal for binding guidelines on inter-TSO compensation.

4.8 Volumes exchanged

In 2009, the volume of blocks of energy exchanged between balance responsible entities on the French market lightly increased. As compared to 2008, block exchange notifications increased by 3 per cent. in volume and increased by 7 per cent. in quantity. The volumes offered averaged 24,3 TWh per month.

Number of contracts in force (as of 31 December 2009):

	2007	2008(*)	2009
Access to international connections			
Number of contracts for adherence to the public network access rules	108	118	117

	2007	2008(*)	2009
Number of import transactions	556	534	677
Number of export transactions	526	546	691
Balance responsible entities			
Number of balance responsible entities	122	145	145
Number of block exchange notifications	1,936	2,115	2,263
Volume of energy exchanged between balance responsible entities (in TWh)	290	282	292

Note:

(*) lower numbers in 2008 are due to new contractual management.

The total volume of imports and exports decreased by 4,5 TWh in 2009 as compared to 2008 because of a decrease of exports not totally balanced by the increase of imports.

	2005	2006	2007	2008	2009
Imports	32.3	28.0	27.5	34.8	43.5
Exports	90.9	89.9	83.0	81.4	68.2
Total	123.2	117.9	110.5	116.2	111.7
Export balance	58.6	61.9	55.5	46.6	24.7

5 Management of the transmission infrastructure

5.1 Maintenance

RTE EDF Transport is responsible for maintaining the transmission network, through everyday maintenance, emergency repairs and the renewal of installations that are at the end of their service lives or that are damaged.

Following the storms of 1999, RTE implemented a "mechanical safety programme", which should cover a period of approximately 15 years. Undertaken with numerous external subcontractors, the programme's objective is to strengthen the mechanical resistance of overhead lines to enable them to withstand wind speeds of up to 150 km/hr and to transform or install 14,000 "anti-cascade" towers in order to prevent a domino effect when faced with higher wind speeds. RTE devoted close to €100 million per annum to roll out the programme. Such amount will be progressively increased to reach approximately €180,000,000 per annum by 2013. From 2013 onwards, this amount should remain stable until the completion of the programme expected to be in 2017.

Network safety also includes protecting vegetation and creating suitably sized forest clearances. In order to achieve the best balance between preserving the woodland surrounding the installations and network safety, RTE EDF Transport is developing a programmed vegetation work management plan (*Gestion Programmée des Interventions sur Ia Végétation*, or "**GPIV**"). This plan, which associates the mapping of installations and their surroundings to the growth models of various trees, permits the forward-looking and predictive management of forest clearances.

Finally, RTE EDF Transport is developing and maintaining an independent telecommunications safety network for transmitting protection and telecontrol information. Thus, in order to improve operating safety, RTE EDF Transport transfers its safety telecommunications over a fiber optic cable network: this is the purpose of the Optical Safety Network programme (*Réseau Optique de Sécurité*, or "**ROSE**"). At the end of 2009, 13 000 km of ROSE optical cable network were installed. The excess capacities of ROSE are sold by @rteria subsidiary.

After being deployed on command-control devices and high voltage equipment in substations, the reliability-based approach for maintenance optimisation was adopted for the overhead lines and monitoring operations were redefined

in 2003, with the dual objective of reducing cost and improving awareness of infrastructures. In-depth behaviour studies also extended the lifespans of certain measurement transformers and circuit breakers. This optimisation policy also involves power control systems, in particular the telecontrol systems, which are essential for controlling the uncertainties faced by the network. RTE EDF Transport reached an important step in 2003, with the completion of the new national power control system and an information exchange gateway. These new tools improve the visibility of RTE EDF Transport dispatchers on the interconnection networks and provide them with modern methods of communicating with the control centers of bordering countries to enable them to better integrate themselves into the operation of the European electricity network in particular with operational data provided to CORESO (Coordination of Electricity System Operators), a company owned by RTE, Elia and National Grid, whose activities started on 16 February 2009.

5.2 Development and renewal of the transmission network

In 2007, RTE EDF Transport significantly altered its investment programme for the forthcoming years in order to address new policy objectives at French and European levels, social changes and the prospect of an increasing number of refurbishment projects from 2020 onwards.

This investment effort principally focuses on the following:

- developing interconnection capacities with neighbouring countries;

- connection of new generation units (EPR, combined gas cycle, wind power) and reinforcement of upstream network;

- increasing the underground cable network where additional costs in comparison to overhead networks are acceptable; and

- implementing network refurbishing programmes.

In 2009, the total amount of investment was €1,020 million which represents an increase of 22 per cent on the previous year.

The amount will increase significantly from 2010 onwards to approximately an average of €1,300,000 per annum between 2010 to 2013.

5.3 New infrastructures 2007/2008/2009

In relation to large-scale transport and networks, the three following major projects: (i) a 76km double circuit 400 kV line running from Chaffard (near Lyon) to Grande Ile (near Chambéry) that improve security of supply in Chambéry and relieve chronic congestion on the network between the Alps region and the Rhone valley, (ii) 138km double circuit 400 kV ligne between Marlenheim (Bas Rhin) and Vigy (Moselle) that improve security of supply of Alsace and Lorraine areas and (iii) the circuit line 225 kV interconnection running from Chooz to Monceau after the installation of a phase shifting transformer in Belgium at the Monceau substation that increase the interconnexion capacity transfert between France and Belgium. In relation to regional networks (225 kV and less), investment has led to create about 1 530 km of circuits lines and 48 new substations establishing relations with new clients (industrial or distributors) or reinforcing the network.

During 2007:

- 13 new substations were connected to the RTE network : one of 400 kV (Montagny les Lanches), six of 225 kV (Suisse, Savigny, Trith-Saint-Leger, Terres Noires, Lagafière), six of 63 kV,

- 477 km of new circuits including :
    - 400 kV: Chaffard – Grande Ile, Saint Avold-Vigy (part of Marlenheim-Vigy) and Creys-Grande Ile,
    - 225 kV: Mambelin – Pussy and Compiègne-Latena,
    - 90 kV et 63 kV: 184 km.

During 2008:

- 21 new substations were connected to the RTE network : one of 400 kV (Yvelines Ouest), eight of 225 kV (Bergholz, Chartres Sud, Espiers, Favary, Le Long Champ, Le Soler, Quartes, Salles Curan), one of 150 kV, five of 90 kV, six of 63 kV,

- 785 km of new or refurbished circuits including:
  - 400 kV: Marlenheim-Vigy, aerial lines Warande - Weppes et Avelin - Warande where conductors have been replaced to reinforce the network,
  - 225 k:
    - underground connection Elancourt - Yvelines Ouest, to increase security of supply to south west of Ile de France area,
    - aerial lines: Bergholz - Marlenheim and Bergholz - St Avold - Sarreguemines in Moselle and in Bas-Rhin, to supply substation Bergholz ; Beautor - Le Long Champ and Beautor - Soissons Notre Dame - Rupreux in Aisne
    - aerial lines Pusy - Rolampont in Haute-Saône and Haute-Marne, Montahut - St Vincent in Hérault and in Aveyron, Jonquières - St Césaire in Gard, Compiègne - Moru in Oise, where conductors have been partially replaced.
  - 90 kV et 63 kV: 239 km.

During 2009:

- 14 new substations were connected to the RTE network : seven of 225 kV (Soullans, Saumaty, La Gracieuse, Bergé, Rogerville, Brailly-Cornehotte, Grandes-Rivières), five of 90 kV, two of 63 kV,

- 951 km of new circuits including :
  - 400 kV: partial replacement of conductors of connections :
    - Warande-Weppes, Avelin-Warande, complement of operations engaged in 2008
    - Cornier-Montagny les Lanches, Albertville-Montagny les Lanches, Venaus(Italy)-Villarodin, Praz Saint-André-Villarodin, to increase the interconnection capacity between France and Italy,
    - Tamareau-Tavel to reinforce transit capacities towards south-east region,
  - 225 kV:
    - underground connection Nanterre-Nourottes, to increase security of supply to the area of Cergy,
    - aerial lines: partial replacement of conductors of connections Etupes-Mambelin in Doubs, Port Jérome-Rougemontier in Eure and Seine-Maritime, et Aubange-Mont Saint Martin, Aubange-Moulaine and Mont Saint Martin – Moulaine to increase the interconnection capacity between France and Belgium,
    - connection of substations to the network: La Gracieuse (aerial), Rogerville (underground), Grandes Rivières (underground)

  - 90 kV et 63 kV: 565 km.

5.4 Tax

The new projects will give rise to recurring taxes each year to be paid by RTE EDF Transport. For the 2009 financial year, RTE EDF Transport paid a tax in respect of the pylons amounting to **€197** million. Moreover, the substations are subject to different taxes, including mainly property tax (**€22** million in 2009) and professional tax (**€162** million in 2009).

5.5 Supply quality

RTE EDF Transport guarantees the continuity and quality of the supply of electricity transmitted on its network.

The main indicators used for measuring electricity supply continuity to RTE EDF Transport customers are the long supply interruption (more than three minutes) frequency, the short supply interruption (between one second and three minutes) frequency and the equivalent supply interruption time.

The supply interruption frequency is equal to the number of long or short supply interruptions recorded at the points where RTE EDF Transport delivers electricity to its industrial and distributor customers in relation to the number of delivery points served. The equivalent supply interruption time is equal to the quantity of electrical energy that is not

distributed to RTE EDF Transport customers due to long supply interruptions on the transmission network, in relation to the average annual power transmitted to customers. Calculating these indicators, excluding exceptional events (floods in the southeast in September 2002, snowfall in the west and in Normandy in February 2004, storms in the north of France in December 2004, consequences of frequency shortfalls following the European blackout of 4 November 2006, storm in Maubeuge area in August 2008, snowfall in Massif central area in December 2008, storms in the south west area in January and February 2009), enables the structural evolution of results over several years to be measured.

The table below sets forth the evolution of these indicators over the last eight years:

	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Long supply interruption frequency (number/year):								
Excluding exceptional events	0.07	0.14	0.08	0.06	0.08	0.08	0.11	0.07
Including exceptional events	0.07	0.14	0.11	0.07	0.09	0.08	0.11	0.10
Short supply interruption frequency (number/year):								
Excluding exceptional events	0.57	0.63	0.66	0.49	0.58	0.46	0.49	0.44
including exceptional events	0.59	0.63	0.68	0.51	0.59	0.46	0.51	0.48
Equivalent supply interruption time:								
Excluding exceptional events	2'24"	4'13"	3'46"	2'27"	1'53"	2'29"	4'22"	6'21"
Including exceptional events	2'56"	4'13"	4'44"	5'47"	5'57"'	2'41"	5'00"	18'40"

'

NB: To be consistent with statistical data published by RTE as from 2009, equivalent supply interruption time includes the load sheddings since 2005; it also takes into account the consequences of strikes in the indicator “excluding exceptional events” for all years. Data have been updated.

The value of 6 minutes 21 seconds for the equivalent supply interruption time in 2009 is high because it takes into account the consequences of two load sheddings in south east area in July and December; excluding these two events, the equivalent supply interruption time is 2 minutes 3 seconds, value lower than the results registered for 2007 and 2008. In 2009, the frequency rate for long outages is 0.07 i.e. an average rate of 7 long outages per 100 customer sites; this value is amongst the best results excluding exceptional events. The frequency of short outages, at 0.44, is the best result ever registered.

RECENT DEVELOPMENTS

- On 29 January 2009, RTE EDF Transport entered into a €400 million financing agreement with the European Investment Bank (the "**EIB**"), of which RTE has drawn €200 million on a floating rate basis due in 2019.

  Across France, the 31 RTE EDF Transport's investment projects financed by the EIB represent the creation of over 150km, and the strengthening of some 700km, of 400,000 volt, 225,000 volt and 90,000 volt power lines. The programme will help to increase network transmission capacities in response to rising electricity demand, improve security of supply - especially in the Provence-Alps- Côte d'Azur region - and further efforts to secure the network. It will also allow new power plants to be connected to the RTE EDF Transport's network, using a variety of technologies to generate electricity, particularly renewable sources.

  For the period 2009-2012, RTE EDF Transport's programme of investments should total some €5 billion and will contribute significantly to the economic growth of public investments.

- On 9 December 2009, Standard & Poor's lowered RTE EDF Transport's rating from AA- to A+.

- A European Court of Justice ruling of 15 December 2009 cancelled the European Commission’s decision of 16 December 2003 which had declared that non-payment by EDF in 1997 of income taxes on the utilised

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 recovered the amount of presumed aid.

In execution of the decision of 15 December 2009, the French State returned to EDF the sum of €1,224 million, 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 Commission for Energy Regulation (*Commission de Régulation de l'Energie* or "**CRE**") in its decision of 26 February 2004. RTE EDF Transport's share is 27.12 per cent. or €331 million[2]. Accordingly, RTE and ERDF both recorded receivables on EDF at 31 December 2009 equivalent to their shares.

For RTE, this receivable comprises financial income of €91 million and tax income of €210 million.

The European Commission appealed against the European Court of Justice's decision in March 2010.

MAJOR SHAREHOLDERS AND ORGANISATIONAL STRUCTURE OF THE ISSUER

RTE EDF Transport is a wholly owned directly subsidiary of EDF. Its share capital is €2,132,285,690 represented by 213,228,569 shares of par value €10 each as at 31 December 2008.

In accordance with Article 7 of the Law dated 9 August 2004 and Article 6 of the Decree no. 2005-1069 of 30 August 2005, RTE EDF Transport must be wholly-owned by EDF, the French State and/or any other body or company belonging to the public sector.

RTE EDF Transport's shareholding may be opened to third party minority shareholders.

The independence of RTE EDF Transport is ensured by the independence of its Executive Board *vis-à-vis* its Supervisory Board (*Conseil de Surveillance*) and by the possible diversification of its shareholders.

TREND INFORMATION IN RESPECT OF THE ISSUER

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements for the year ended 31 December 2009.

ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES OF THE ISSUER

RTE EDF Transport is managed by an Executive Board and is controlled by a Supervisory Board.

Executive Board (*Directoire*)

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[2] 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 Executive Board is comprised of a maximum of five individuals who carry out their responsibilities under the control of the Supervisory Board. Subject to the approval of the Minister of Energy, the Supervisory Board appoints the chairman of the Executive Board as well as, based on the Chairman's recommendations, the other members of the Executive Board.

The following table sets forth the names of the members of RTE EDF Transport's Executive Board, their current functions within RTE EDF Transport and their principal business activities outside RTE EDF Transport as at the date of this Base Prospectus:

	Position	**Duties**	**Other Positions**
Dominique Maillard	Chairman of the Executive Board		Chairman of the Board of Directors, HGRT, Director RFF, Chairman, CORESO
Pierre Bornard	Vice-Chairman of the Executive Board	Managing Director, Power System	Chairman of the Board of Directors, Powernext SA, Director, HGRT, Director, CASC-CWE SA, Director, ENTSO-E (International Association), Member of Supervisory Board, ECC
Hervé Laffaye	Member of the Executive Board	Managing Director, Transmission	
Philippe Dupuis	Member of the Executive Board	Managing Director, Finance	Director, Powernext, SA

The Executive Board is appointed for a period of five years. Members of the Executive Board can only be removed from office after the CRE has presented a statement of the reasons for this decision.

Subject to the powers that the law, regulations and current by-laws expressly attribute solely to shareholders meetings and to the Supervisory Board, the Executive Board has had conferred on it the widest possible powers to act in any circumstance in the name of RTE EDF Transport.

In particular, the Executive Board has, within its sole competence, the power to undertake transactions that are directly related to the operation, maintenance and development of the public electricity transmission network.

The members of the Executive Board, who cannot serve as members of the Supervisory Board, are not permitted to have any direct or indirect responsibility for the management of activities relating to the generation or supply of electricity or gas, in any company whatsoever, in France or abroad, at the time of their appointment and throughout the duration of their term.

Following RTE EDF Transport's transformation into a limited liability company (*société anonyme*), the corporate organisation has been changed accordingly. Three new divisions have been established and placed under the authority of the Chairman of the Executive Board:

- Human Resources (Pascal Magnien, Director);
- Legal Affairs (Alain Fiquet, Director); and
- General Secretariat (Luc Desmoulins, Director).

These are in addition to the three divisions already in place:

- Power System (Pierre Bornard, Managing Director).

The Power System manages power flows on the network, commercial relations, user access to the transmission system and interconnections, power system reliability, plus work as principal contracting authority for network development projects. It is comprised of:

- the National Power Control Centre (CNES), managing flows on 400kV grid, plus real-time nation-wide balance of supply and demand and access to European networks; and
- seven Regional Power Control Units, managing flows on the 225kV, 90kV and 63kV grids, plus grid access for customer sites based in France, and the development of the regional network.

- Transmission (Hervé Laffaye, Managing Director).

The Transmission Division is in charge of the management and operation of system infrastructure, system maintenance and network development engineering. It is comprised of:

- the National Grid Engineering Centre (CNER), in charge of policies and methods for developing, operating and maintaining the network; and
- seven Regional Transmission Units, dealing with the practical maintenance and operation facilities, plus engineering projects for network development.

- Finance (Philippe Dupuis, Managing Director)

The Finance Division sets RTE economic and financial policy. It is also in charge of accounting, management control, procurement and statistics, plus international relations.

- The Executive Committee ("**COMEX**") is composed of:

  - Dominique Maillard;
  - Pierre Bornard;
  - Hervé Laffaye;
  - Philippe Dupuis;
  - Pascal Magnien;
  - Luc Desmoulins;
  - Alain Fiquet;
  - Michel Derdevet; and
  - Patrick Blanc (Head of Staff).

The COMEX is the executive body of RTE. The subjects with which it is concerned can be classified in accordance with the five key themes of RTE's aims:

- to satisfy clients in the long term;
- to run well and to develop RTE EDF Transport's industrial resources;
- to proceed with the refinement of RTE EDF Transport's management and to improve dialogue within the company;
- to manage the company's finances and economic interests; and
- to expand RTE EDF Transport's field of activity.

The COMEX meets once a week. It examines:

- the weekly report of the Management of the Electricity System and Electricity Transport (*Directions Système Electrique et Transport d'Electricité*) on the monitoring and control of the electricity system and the transport of electricity, and on the development of its operations;
- the monthly report of the board showing the elements of the energy balance sheet, financial management, performance, the functioning of the electricity market and other information which has a non-monthly basis;
- issues presented for guidance or decision; and
- issues of current affairs that are relevant to RTE EDF Transport and its interests.

Supervisory Board (*Conseil de Surveillance*)

The Supervisory Board is currently made up of 12 members, each appointed for a five-year term. Of the 12 members, six are representatives of the shareholder EDF, two are representatives of the State and four are representatives of the employees.

The following table gives the names of the members of the RTE EDF Transport's Supervisory Board, their current positions and functions within RTE EDF Transport, and their principal business activities outside RTE EDF Transport:

	Position at RTE	**Role**	**Other functions**
André Merlin	Chairman of the Supervisory Board, Representative of EDF		Chairman of Supervisory Board of **ERDF** Director of CIGRE (**International Council on Large Electric Systems**)
Jocelyne Canetti	Vice-Chairman of the Supervisory Board Representative of EDF	Mediator at **EDF**	Member of the Board of Directors of **EDF Energies 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**
Astrid Milsan	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 N**C (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
Pierre Fontaine	Member of the Supervisory Board Representative of the French	Deputy director of the Electric and renewable	Government commissioner at the **Compagnie Nationale du Rhône**

	Position at RTE	Role	Other functions
	government	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**	Representative of the French government Member of the Supervisory Board of **ERDF** Representative of the French government Member of the Supervisory Board of **Electricité 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 **Electricité de Strasbourg** President of **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** Director of **NNB Holdco Ltd**
Jean-Paul Bouttes	Member of the Supervisory Board Representative of EDF	Executive Vice President, Corporate Strategy, Prospective & 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 Supervisory Board of **ERDF** Member of the Orientation Committee of **EDF Production Electrique Insulaire SAS** Member of the Board of Directors of **Electricité de Strasbourg**
Nicole Verdier - Naves	Member of the Supervisory Board Representative of EDF	Senior Vice President, Senior Executive	-

	Position at RTE	Role	Other functions
	Chairman of the Remuneration Committee	Development, **EDF Group**	
Patrice Sebille	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	-

The Supervisory Board monitors the activities of the Executive Board and must expressly approve certain actions of the Executive Board, for example any project to grant or obtain loans, borrowings, credits or advances where the unit value is above a threshold set annually by the Supervisory Board. The Supervisory Board conducts such checks and verifications it deems necessary. In addition, it deliberates on the strategic, economic, financial and technological development plans related to RTE EDF Transport's activities. The Chairman of the Executive Board is required to provide each member of the Supervisory Board with all of the documents and information necessary to accomplish his or her mandate.

Furthermore, in accordance with Article 6 of Law dated 9 August 2004, and with Article V of the by-laws of RTE EDF Transport, certain decisions (relating to budget, financial policies, all purchasers, transfers and sales of assets, the granting of securities or guarantees of any type the formation of any company, economic interest group (*groupement d'intérêt économique*) or other legal entity), must be approved by a vote of the majority of the members of the Supervisory Board, and by a vote of the majority of the members of the Supervisory Board nominated by the shareholders (EDF at the date of this Base Prospectus). Nevertheless, operations relating to maintenance and development of the transmission network are decided by the Executive Board only.

Risk Management

Risk management and control are organised at two different management levels:

(a) at the national level: RTE EDF Transport's Executive Committee approves risk mapping each year and gives a national manager responsibility or monitoring the identified risks. RTE *Mission Audit Sûreté* and RTE *Mission Management de la Qualité, de la Sécurité et de l'Environnement* (an internal audit division of RTE EDF Transport) carry out the national audits sponsored by the Executive Board, to which they report their findings and recommendations; and

(b) at the local level: each of RTE EDF Transport's units and functional entities is responsible for its own analysis of the risks associated with its activities, controlling these through appropriate audits, and reporting on a national level.

Conflicts of interest

There are no potential conflicts of interest between any duties owned by the members of the Executive Board and the Supervisory Board of RTE EDF Transport to the Issuer and their private interests and/or duties. Effectively, therefore, as at the date of this Base Prospectus, EDF controls all significant decisions of RTE EDF Transport.

LEGAL AND ARBITRATION PROCEEDINGS

SNCF litigation

Law dated 9 August 2004 provides that the power lines granted to the SNCF in accordance with previous legislation must be transferred in return for payment to RTE EDF Transport within a year of RTE EDF Transport's incorporation. The relevant legislation is the law dated 30 December 1982 on the internal transmission network where such power lines constitute "relevant works" of the public transmission network (*ouvrages relevant du réseau public de transport d'électricité*).

The sale of these works was agreed in 2002 by the SNCF and RTE when an objective evaluation was carried out by the two parties in order to assess value. However, valuation discussions broke down and diverging opinions on this matter between the parties remains to this day.

In July 2007, Dominique Maillard - Chairman of the Executive Board of RTE EDF Transport - asked the Finance and Employment Minister and the Environment and Development Minister to convene an ad hoc commission (the "Commission"), as provided for in Article 10 of Law dated 9 August 2004, for the purposes of resolving the parties' differences. The decision to establish this commission was made on 26 December 2008. Gérard Moulin, from the "*Cour des Comptes*", is the *président* of the Commission, assisted by Jean-Pierre Leteurtrois and Philippe Peyronnet. The Commission must resolve the parties' differences within six months.

Law dated 9 August 2004 requires the Commission resolve any dispute within a period of six months and that its decisions may be subject to litigation proceedings before the relevant administrative jurisdiction. Pursuant to a decision dated 26 December 2008 and published in the Official Gazette dated 18 January 2009, a Commission has been set up by the Finance and Employment Minister and the Environment and Development Minister in order to resolve the dispute relating to the transfer for the benefit of RTE of the high voltage lines belonging to SNCF. The Commission must resolve the dispute between RTE EDF Transport and SNCF within six months of its appointment. The Commission gave its decision on 15 July 2009, fixing the repurchase price of the SNCF network at €140 million. The SNCF disagrees with this estimate and appealed against the decision before the *Conseil d'Etat* on 21 August 2009.

A contract signed on 22 December 1999 between SNCF and EDF authorised EDF to use the high tension electric network belonging to SNCF subject to the payment of an annual charge of €21.5 million.

In 2001, RTE as a department of EDF, entered into a new electricity supply contract with *Réseau Ferré de France* on the basis that the prior contract with SNCF was no longer in force. With effect from 1 January 2002, RTE recalculated the charge payable and paid a total amount of €3.1 million, inclusive of VAT, per annum. SNCF contested this decision and initiated proceedings before the Paris Administrative Court.

By its decision dated 4 July 2008, the Paris Administrative Court agreed with the merits of SNCF's petition and ordered RTE to pay €153.2 million inclusive of VAT (i.e. €128.1 million net of VAT), for the period from 1 January 2002 to 30 June 2008.

RTE has appealed against this decision and requested that its execution be suspended, but in the interim, has paid the amount ordered by the Paris Administrative Court.

The POWEO dispute (the mandatory nature of shareholdings in system services)

POWEO, which is challenging the mandatory participation to the balance responsible system referred to in Article 15 of Law no. 2000-108 dated 10 February 2000 and is also requesting remuneration in accordance with market rules, submitted the case to the Committee for disputes and sanctions (*Comité de règlement des différends et des sanctions* or "**CoRDiS**") of the Commission for Energy Regulation (*Commission de Régulation de l'Energie* or "CRE") on 3 July

2009. The CoRDiS rejected POWEO's request on 15 October 2009. POWEO appealed against this decision to the Paris Court of Appeal and the date of the hearing is fixed for 18 May 2010.

POWEO's request, if extended to all electricity producers, could lead to a doubling of the anticipated budget in TURPE 3 for frequency setting (approximately €200 million out of €330 million anticipated for frequency and voltage operations).

STATUTORY AUDITORS OF THE ISSUER

The statutory auditors of the Issuer and the RTE Group are Deloitte & Associés, 185 avenue Charles de Gaulle 92200 Neuilly-sur-Seine, France and Mazars, Tour Exaltis, 61 Henri Regnault, 92400 Courbevoie, France (both entities are regulated by the *Haut Conseil du Commissariat aux Comptes* and are duly authorised as *Commissaires aux Comptes*); the statutory auditors both belong to the *Compagnie Nationale des Commissaires aux Comptes*.

Mazars was appointed at the General Shareholders' Meeting held on 19 may 2009 replacing PricewaterhouseCoopers for the rest of its mandate, expiring on the date of the General Shareholders' Meeting called to approve the financial statements for the fiscal year ending 31 December 2010.

Alternative auditors:

- for Mazars

Philippe Castagnac

44, rue de la Faisanderie

75116 Paris

- for Deloitte & Associés

B.E.A.S

7-9, villa Houssay

92524 Neuilly sur Seine

RISK FACTORS RELATING TO THE ISSUER

See section "Risk factors relating to the Issuer" on pages 5 to 14 of this Base Prospectus.

RTE EDF TRANSPORT'S MANAGEMENT REPORT FOR 2008

1 Financial and legal information

2008 has been characterized by an increase of 2.3 per cent. in the Group's revenue, to €4,221 million, as well as by a fall in net profit to €295 million[3] and increased indebtedness of €108 million reflecting both operating factors and an increase in capital expenditure.

1.1 Key events of 2008

- TURP[4], which took effect on 1 January 2006 and which was initially designed to remain in force for 2 years[5], was eventually extended to cover 2008 without any adjustment to purchasing power, but subject to the thresholds for use of the *Compte de Régulation des Charges et des Produits* (CRCP, an account provided for regulation of income and expense) defined by the *Commission de Régulation de l'Energie* (CRE, the governing body responsible for regulating the electricity and gas industries)[6].

- During 2008 several decrees published in the French Official Gazette (*Journal Officiel*) changed the status of employees of the French gas and electricity industries (FIEG) and more particularly, their special pension arrangements. These changes were effective from 2008.

In this respect, the main measures introduced by the decree have been an increase in the contribution period required to provide employees with the right to a full pension, the introduction of a system of pension premiums and penalties, and the indexation of pensions in line with inflation (as opposed to the national basic salary) effective from 1 January 2009.

Still within the framework of this reform, and in line with the principles defined by the Pension Policy Guidelines published in 2007, a collective bargaining agreement applicable to the FIEG sector, and providing for various accompanying measures, was signed on 29 January 2008.

- During 2008, RTE EDF Transport (RTE) completed two issues under its EMTN program:

  - On 22 April 2008 the company issued a nominal amount of €1.25 billion bearing interest at the nominal rate of 4.875 per cent. and repayable in 7 years;

  - On 28 August 2008 the company issued a nominal amount of €1 billion bearing interest at the nominal rate of 5.125 per cent. and repayable in 10 years.

These borrowings were designed to refinance part of RTE's other debt.

A repayment of €837 million was made to EDF SA in October 2008, thus leaving a balance of €4 billion still owed to EDF SA.

- The amendment to the Public Service Concession Agreement dated 27 November 1958, providing a concession to RTE for the operation of the French power system, was signed on 30 October 2008. Under this amendment the French government has, within the framework of a set of specifications in line with the standard specifications

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[3] RTE's net profit for 2008 under French accounting standards amounted to €267 million.

[4] TURP: *Tarif d'Utilisation du Réseau Public* (tariff for the use of a public electricity distribution system).

[5] See the pricing decree dated 23 September 2005 published in the French Official Gazette dated 6 October 2005.

[6] The amounts eligible for transfer to the CRCP are calculated by comparison with standard values defined for interconnection revenue, energy losses and capital costs. In a letter addressed to RTE on 7 December 2007 the CRE indicated that the thresholds adopted for 2008 reflect the average values of the initial TURP2 thresholds applied in 2006-2007.

approved by decree n°2006-1731 dated 23 December 2006, granted RTE the public service concession for the operation, maintenance and development of the French power system through to 31 December 2051. The concession holder must submit a request for renewal of the concession to the Minister for Energy at least five years prior to the concession's date of expiry.

- A contract signed on 22 December 1999 between SNCF and EDF authorized EDF to use the high tension electric network belonging to SNCF subject to the payment of an annual charge of €21.5 million.

In 2001, RTE as a subsidiary of EDF, entered into a new electricity supply contract with Réseau Ferré de France on the basis that the prior contract with SNCF had expired. As from 1 January 2002, RTE made a new estimate of the fee and paid a total amount of €3.1 million per year, inc. VAT. SNCF contested this decision and brought proceedings before the Paris Administrative Court.

An Administrative Court decision dated 4 July 2008 upheld the merits of the SNCF's petition and ordered RTE to pay €153.2 million inc. VAT (i.e. €128.1 million net of VAT) plus interest at the rates legally applicable for the period from 1 January 2002 to 30 June 2008.

RTE decided to appeal against this decision and requested that its execution be suspended. However, since the suspension was not automatic and SNCF had ordered a bailiff to implement collection proceedings which would lead to RTE's bank accounts being seized, the latter subsequently paid the requested amount.

At 31 December 2007 RTE had recognized a provision of €26.5 million in respect of this dispute. The impact of the dispute on the income statement for 2008 may be summarized as follows:

- A charge of €101.6 million has been recorded in other operating income and expenses;
- An additional €8.1 million charge has been recorded in other operating income and expenses in respect of the use of the SNCF's network during the 2nd half of 2008;
- Interest for late payment of €14.7 million has been recorded in other financial income and expenses.

1.2 The economic environment

French domestic electricity consumption continued to rise in 2008. Adjusted for climatic conditions, consumption would have amounted to 486.1TWh[7], an increase of 1.2 per cent. during 2007. Actual gross consumption even reached 494.5TWh, but this unadjusted figure reflects both the harsher temperatures prevailing in 2008 and the "leap year effect".

This growth was primarily due to the consumption by low tension users (domestic consumers, offices, public services, public lighting and miscellaneous tertiary sector users) which rose steeply (by about 3 per cent. after adjustment for climatic conditions).

The consumption of major industrial users[8] (excluding the energy sector) fell by 2.6 per cent., confirming the trend of the three previous years which saw decreases of 3.2 per cent. in 2005, 1.0 per cent. in 2006 and 1.4 per cent. in 2007. The trend was accentuated during the last three months of 2008 with 12 month rolling average declines of 0.1 per cent. at the end of September 2008, 1.0 per cent. at the end of November and then 2.6 per cent. at the end of December.

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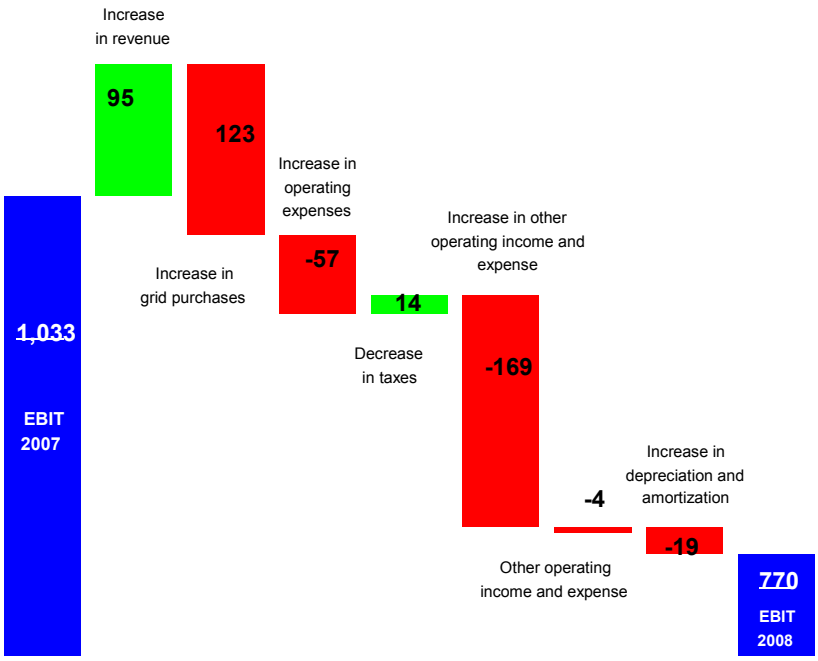
[7] TWh = 1 billion kWh.

[8] Customers connected to RTE's network.

1.3 Activity and results for the year

A €262 million (-25 per cent.) drop in operating profit to €770 million



In 2008, RTE Group reported revenue of €4,221 million compared to €4,126 million in 2007. The increase of €95 million (+2.3 per cent.) is the result of several factors:

- Revenue for access to the power system increased by €63 million to €3,710 million:
  - Revenue from distributors rose by €66 million, combining organic growth in their consumption with more favorable climatic conditions than in 2007;
  - Revenue from industrial customers and producers fell by €3 million with contrasting effects: increased consumption by the energy sector offset the reduction in consumption typical of other sectors;
- Market-driven interconnection revenue (-€6 million falling to €383 million) remained at a high level despite major changes between the two periods reflecting the trend in price differentials between the various borders. Revenue therefore increased (+€36 million) for the France-England interconnection and, to a lesser extent, for France-Germany (+€18 million), but fell significantly (-€57 million) in the case of France-Italy;
- Revenue for miscellaneous services amounted to €129 million, a significant increase (+€39 million) essentially reflecting engineering services and sales of equipment.

The purchases required for operation of the power system[9] included:

- *Purchases of energy to offset system losses*, which are auctioned and bid for by numerous European players;
- *Purchases of system services*[10] in accordance with economic conditions approved by the CRE;
- *Congestion costs*, i.e. the extra costs related to the production adjustments required by the operation of the power system;
- *The balance on the "Gap adjustment" account* which records all the items of income and expense intended to balance electricity supply and demand;
- *Exchanges between TSOs* (transmission system operators) designed to balance supply and demand at the level of individual TSOs or to cope with any congestion of interconnection lines;
- *RTE's contribution to the offsetting mechanisms in place between European TSOs* to allocate the costs related to international transit.

In 2008, these purchases amounted to **€1,062 million**.

The increase of €123 million compared to 2007 mainly reflected an increase of €109 million in electricity purchases in turn reflecting a significantly higher average purchase cost and a slight increase in volume.

Other significant changes included the cost of system services (+€9 million of contract price increases), lower receipts for barter contracts (-€12 million) and a decrease of €15 million in congestion costs reflecting the favorable renegotiation of a service contract despite less favorable operating conditions than in 2007.

The Group's **operating expenses** increased by €57 million to **€1,267 million**:

- Purchases of other goods and services[11] amounted to €675 million (€649 million in 2007). The difference of €26 million reflects a significantly higher level of expenditure on ensuring the mechanical security of the power system and the cost of the increased services sold (cf. revenue), partly compensated for by the disappearance of the non-recurring costs specific to 2007;

- Payroll costs[12] amounted to €592 million compared with €561 million in 2007. The increase of €31 million mainly reflects the impact of measures affecting the French gas and electricity industries as a whole (an increase in national basic salary, individual career progression, pension reform with its impact both on payroll and on the Group's post-employment benefit obligations), as well as certain measures instituted by EDF (the ACT 2007 free share allocation as well as new share capital increases intended for employees).

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9 These purchases relate solely to RTE SA.

10 The provision of the margins required to ensure the safety and stability of the power system.

11 This account does not include capital expenditure but reflects certain purchase provisions.

12 The definition of payroll costs does not include capital expenditure but includes the net cost of provisions for post-employment and other long-term employee benefits, profit-sharing etc.

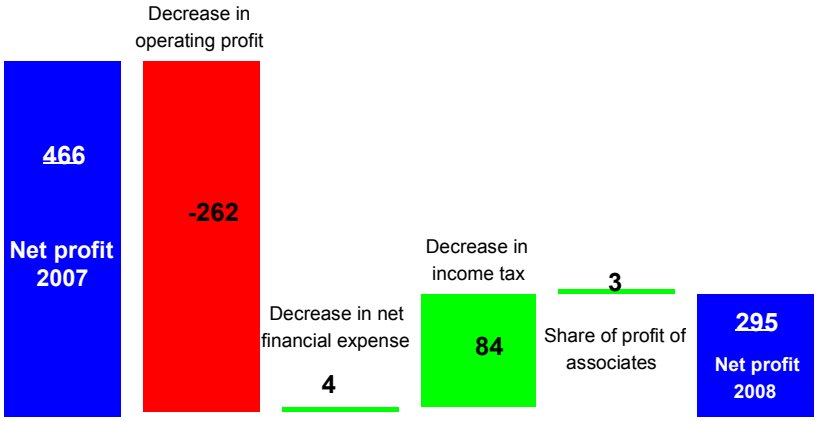
Taxes (excluding corporate income tax) amounted to **€391 million** compared to €406 million in 2007. The decrease mainly reflects the overall reduction in the burden of local business taxes (benefiting from a reduced threshold calculated on the basis of added value, generating total savings of €24 million[13]) despite a general increase in the tax rates applicable.

Other operating income and expense[14] produced net expenses of €153 million compared to a net income of €16 million in 2007. Of this amount, €110 million relates to the back-payment of rent to SNCF and €33 million relates to additional charges to provisions.

An additional amount of **other operating income and expenses**[15] reflects the non-recurring impact of the reform of the pension system amounting to €4 million (exceptional bonus and adjustment of the employee benefit obligation).

Charges for depreciation and amortization rose by €19 million to €575 million. This increase reflects the higher asset base (following investment in software and in transmission infrastructure).

Decrease in net profit: down by €171 million to €295 million



Net financial expense amounted to **€319 million** compared to €322 million in 2007. The change reflects a combination of the interest for late payment paid to SNCF in respect of the dispute over rent, and a reduction in the Group's net borrowing costs[16] as a result of both improved refinancing and a better return on investment of liquidities.

Reconciliation between RTE Group's net profit under IFRS and RTE SA's net profit calculated in accordance with French GAAP

Group net profit under IFRS	**€295 million**
Impact of subsidiaries after elimination of intragroup transactions	-€4 million

[13] Of which €12 million is a knock-over effect from 2007.

[14] Other operating income and expense includes miscellaneous operating income and expense as well as the net cost of impairment of current assets, income from government grants and the net proceeds of disposal of fixed assets.

[15] This caption is used to isolate certain non-recurring items that are not appropriate to include in EBITDA.

[16] Net borrowing costs are defined as the interest payable on current and non-current debt, less interest receivable.

Impact of the differences between French GAAP and IFRS -€24 million

RTE's net profit in accordance with French GAAP **€267 million**

NB: The tables are expressed in millions of euros and may include immaterial rounding differences.

RTE Group	2007	2008	Change
Revenue	4,126.0	4,221.3	95.3
of which: system access for extraction	*3,559.5*	*3,621.9*	*62.4*
of which: system access for injection	*88.0*	*88.0*	*0.0*
of which: access to interconnections	*388.3*	*382.5*	*-5.8*
of which: miscellaneous services	*90.2*	*128.8*	*38.7*
System purchases	-938.1	-1,061.5	-123.4
Other purchases net of capital expenditure	-648.4	-674.6	-26.3
Payroll costs net of capital expenditure	-561.0	-592.1	-31.2
Operating expenses	-1,209.3	-1,266.8	-57.4
Taxes	-405.8	-391.5	14.3
Other operating income and expense	15.7	-152.8	-168.5
EBITDA	**1,588.3**	**1,348.7**	**-239.6**
Charges for depreciation and amortization	-555.8	-574.6	-18.8
Other operating income and expense	0.0	-3.7	-3.7
EBIT	**1,032.5**	**770.4**	**-262.1**
Net financial expense	-322.4	-318.8	3.6
Profit before tax	**710.2**	**451.7**	**-258.5**
Income taxes	-244.2	-159.9	84.2
Share of net profit of associates	0.0	3.2	3.2
NET PROFIT	**466.0**	**294.9**	**-171.1**

Decrease in economic and financial profitability

Based on ***RTE SA's statutory accounts*** *prepared in accordance with* ***French GAAP***[17] (please refer to the summarized income statement and balance sheet presented hereafter), RTE's **return on capital employed**[18] amounted to **7.0 per cent.** for 2008 compared with **9.5 per cent.** for 2007.

This level of profitability is thus slightly below the level of 7.25 per cent. assumed by the regulator for the purposes of calculation of the TURP2 tariff[19]. It must be analyzed in the light of the decision to extend TURP2 to 2008 and, in particular,

17 The calculation has been recognized on this basis in order to remain consistent with the basis of calculation of the TURP2 tariff.

18 In accordance with the view of the regulatory authority, operating profit for the year is divided by the amount of RTE's regulated assets (intangible assets and property, plant and equipment + net current assets – investment grants receivable) per the balance sheet at 1 January 2008.

19 See the decision approving the tariffs for use of the public power system dated 23 September 2005 and published in the Official Gazette dated 6 October 2005.

of the thresholds[20] defined for use by the CRCP, the functioning of whose account is specified by the decision of 23 September 2005 an extract from which is presented below.

The shortfall in profitability of -0.25 per cent. may thus be explained in particular by:

- A favorable revenue variance reflecting the mechanisms applied in allocating interconnection capacity (+2.5 per cent.),
- An unfavorable variance relating to the cost of power system losses (-1.5 per cent.),
- The consequences of the decision of the Paris Administrative Court in respect of the rent payable to SNCF for the use of its high tension electric network[21](-1.2 per cent.).

The CRE considers that all or part of the variances relating to interconnection revenue and the cost of system losses should be transferred (in the same way as certain less significant effects, in particular as regards the costs of financing capital investment) to the CRCP as a means of reducing the costs to be covered at the time of the next revision of the tariff for the use of the electricity transmission system. RTE has requested the CRE to authorize the same CRCP treatment for the amounts paid to the SNCF following the decision of the Paris Administrative Court.

Assuming the CRE accepts this request, the CRCP would disclose a cumulative balance of almost €750 million at the end of 2008. Given the other variances allocated to the account during the period 2006-2008[22], the restitution of this surplus to the system's users is liable to result in a lower level of profitability for the following regulatory period, the impact of which may be expected with effect from 2009.

Extract from the decision dated 23 September 2005 approving the tariffs for use of the national electricity transmission system:

"Certain categories of income and expense related to the national infrastructure network are difficult to forecast and/or difficult to control. If the tariffs for use of the national power system could not be adjusted to reflect the actual level of those categories of income and expense, the operators would be exposed to financial risk or might on the contrary benefit from exogenous factors liable to increase their profitability.

The CRE believes that the costs related to offsetting energy losses in the national infrastructure network, and the revenue arising from managing congestion at the level of the interconnections with the power systems of neighboring countries, present a degree of difficulty in terms of forecasting and control which justifies their recognition within the *Compte de Régulation des Charges et des Produits* (CRCP, an account provided for regulation of income and expense).

This memorandum account will be used to isolate part or all of the excess resources, or shortfall in resources, accruing to an operator of the national infrastructure network. The balance on the account will be applied in decreasing or increasing the costs to be recovered via the tariffs for use of the national electricity transmission system defined for the following years."

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20 See the key events of 2008. The defined thresholds amount to €111 million for revenue from access to interconnections and €504 million for power system losses.

21 See the key events of 2008.

22 Given the strong profitability of the Group in 2006 and 2007, interconnection revenue has largely exceeded the amounts expected when the CRE prepared the tariff. The balance also reflects the compensating adjustment provided for with respect to TURP1.

Extract from RTE SA's statutory accounts:

	2007	2008
Income statement		
Revenue	4,125	4,218
Operating profit	1,016	757
Net financial expense	-322	-318
Profit after tax	387	267

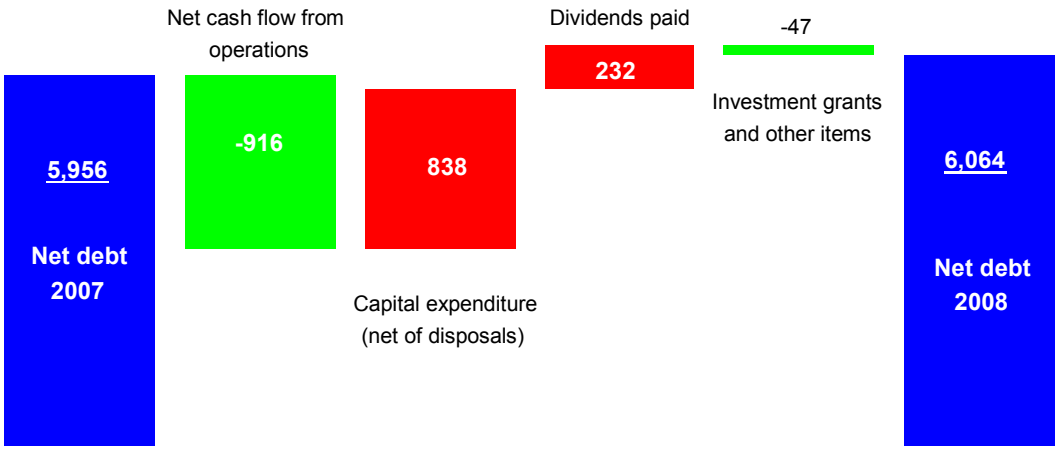
	2007	2008
Balance sheet		
Regulated infrastructure at January 1	10,569	10,829
Total fixed assets		
Gross amount	21,109	21,778
Depreciation and amortization	9,828	10,219
Net amount	11,281	11,559
Equity	4,693	4,797
Net debt (gross debt less liquidities)	6,003	6,100

The Group's **return on equity**[23], calculated by comparing net profit with equity, amounted to 6.9 per cent. (11 per cent. in 2007).

[23] Return on equity has been calculated on a consolidated IFRS basis reflecting the amount of the Group's equity at the end of 2008.

1.4 Financing

Increase in net borrowings: +€108 million to €6,064 million



- Net cash from operating activities provided resources in excess of €900 million.
- Net capital expenditure, at €838 million, was within the budget authorized by the CRE and marked a significant increase compared to 2007.
- Following the AGM held on 11 June 2008 RTE paid a dividend of €232 million to its sole shareholder EDF SA, equivalent to 60 per cent. of the Group's net profit for 2007.

Based solely on the **French GAAP financial statements of RTE SA**, the difference in capital expenditure subject to approval by the CRE may be summarized as follows:

In €m	**2007**	**2008**
Networks	630	693
of which: main transmission and interconnections	*258*	*223*
of which: regional transmission & network acquired	*373*	*469*
Information systems	119	116
Logistics	23	26
Capital expenditure programme	**773**	**835**
Other tangible investment	3	1
Other financial investment	16	3
Capital expenditure	**792**	**839**

1.5 Financial structure

The Group's equity amounted to €4.3 billion at 31 December 2008. Its net borrowings amounted to €6.06 billion namely €7.63 billion of gross borrowings less short-term financial assets and cash amounting to €1.57 billion[24].

The Group's gearing ratio (i.e. net borrowings/equity) increased from **1.40** at the end of 2007 to **1.41** at the end of 2008. The financial rating attributed to RTE (AA-) was confirmed by Standard and Poor's in 2008.

1.6 Outlook for 2009

- In October 2008, the CRE submitted a proposal to the Minister for Energy for a new network infrastructure user tariff (TURPE3) for the period 2009-2012. At the end of December 2008, this proposal had not yet received the government's approval for two reasons: the shortfall in coverage of the mechanical securing[25] of the network provided for by RTE (meaning that the program would not be completed by 2017) and the absence of any temporal modulation of the tariff designed to incite users to reduce their consumption during peak periods. The government nevertheless recognizes the necessity of an increase in the tariffs applicable, particularly in order to finance major infrastructure investment, and for this reason it has requested a new proposal from the CRE taking account of its observations (this has to be submitted within two months).

- The capital expenditure for 2009, approved by the CRE, amounts to €1,030 million. The increase of approximately 20 per cent. compared to 2008 notably reflects:

  - An increase of approximately 20 per cent. in expenditure relating to main power lines and interconnections, designed in particular to reinforce the Tamareau-Tavel line (linking the south-east and south-west of France), the Néoules-Broc Carros line (linking Toulon and Nice and thus contributing to reinforce the electricity supply of the PACA region), and several other lines contributing to develop interconnection capacity;

  - A significant increase (approximately 35 per cent.) in expenditure relating the development of regional networks in order to cope with increased consumption and the arrival of new producers;

  - An increase of approximately 20 per cent. in expenditure relating to the renewal of regional networks.

- Following decision dated 26 December 2008 published in the Official Gazette dated 18 January 2009, and in accordance with the provisions of law no. 2004-803 dated 9 August 2004 regulating the French gas and electricity industries and in particular, of section 10 of that law, a commission has been set up in order to resolve the dispute relating to the transfer for the benefit of RTE of the very high voltage lines belonging to the SNCF.

  The decision requires the commission to resolve the dispute within six months of its appointment, i.e. before 18 July 2009.

- Finally, the economic slowdown expected during 2009 will probably have repercussions on the growth in consumption of electricity and price trends, which will have a knock-on effect on the Group's revenue and the level of its purchases required to operate the system.

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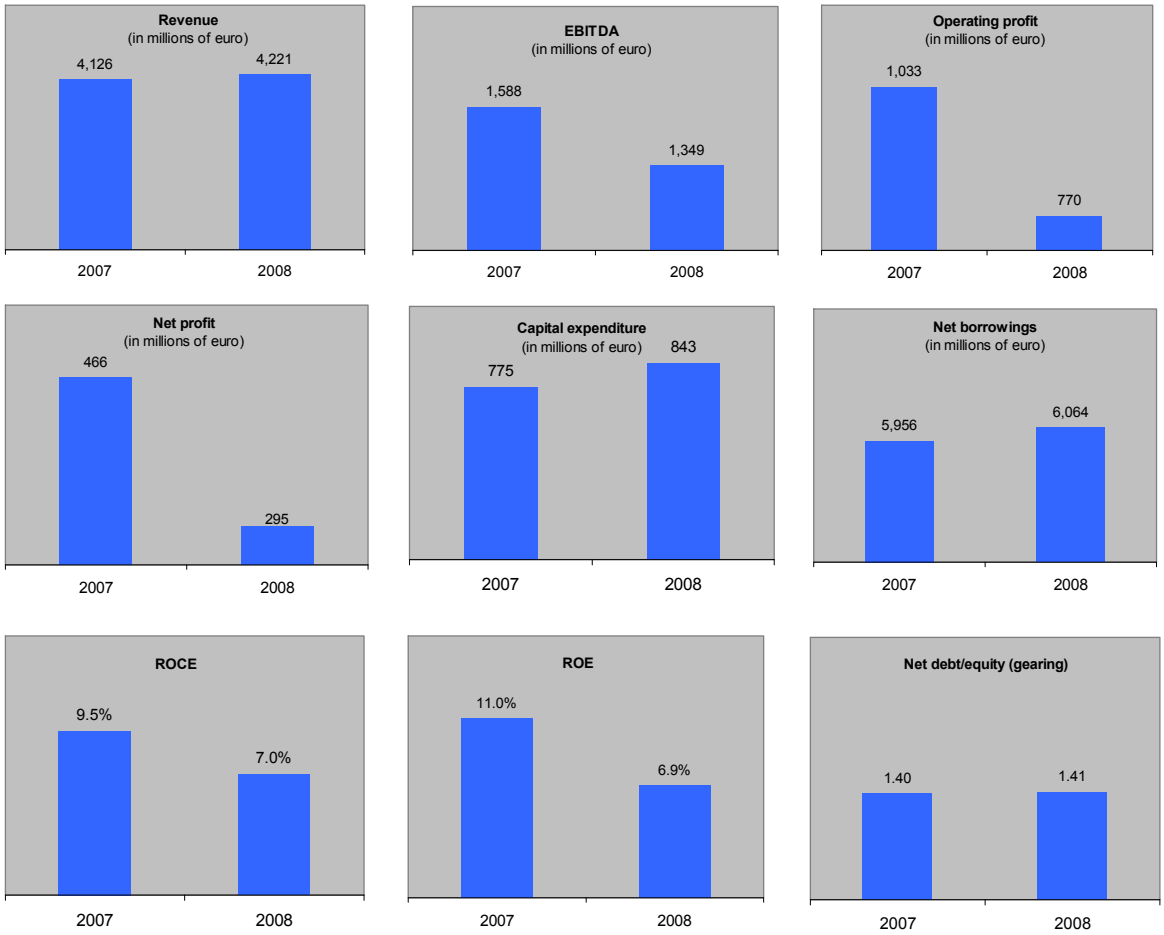
[24] The very significant level of liquidities at the end of 2008 mainly reflects the early refinancing in 2008 of a debt repayment of €1,190 million to be made at the end of January 2009.

[25] See the plan for ensuring overall mechanical security of the power system implemented with effect from 2002 at the request of the Minister competent in matters of energy.

RTE financial indicators



NB: the above figures are presented on a consolidated basis and in accordance with IFRS with the exception of the profitability ratios which reflect the statutory accounts of the parent company prepared in accordance with French accounting standards.

1.7 Other financial and legal information

1.7.1 Subsequent events

During the night of 24 January 2009, the Bay of Biscay storm (Klaus) devastated three French regions (Aquitaine, Midi Pyrénées and Languedoc Roussillon), significantly damaging parts of the national electricity transmission network.

1.7.2 Risk analysis

1.7.2.1 Overall considerations

The Group regularly identifies and describes the main identifiable internal or external risks liable to impact the achievement of the enterprise's objectives. The risks are assessed in terms of their probability of occurrence and potential seriousness with regard to the environment and the existing means of control, and are summarized within an overall risk-mapping approach after classification in accordance with management's criteria (financial or legal risk, loss of image, social or environmental risk, risk related to customers or other third parties etc.).

The changes in RTE's risk analysis approach presented to the *Comité de Supervision Economique et d'Audit* (CSEA) at the end of 2007 were implemented during 2008.

The new approach is based on:

- The reference to a standard risk model comprising seven risk categories:
  - Institutional and company,
  - Finances and markets,
  - Catastrophe,
  - Strategy and management,
  - System safety/quality of supply/security of third parties,
  - Transversal criteria,
  - Human resources,

  And organized around three aspects:
  - External environment,
  - Strategy and management,
  - Operating risks.

  The above structure provides RTE's corporate governance bodies with a consistent framework ensuring a global and complete overview of risk-mapping.
- Restructuring and elaborating on the existing risk analyses in line with the processes and functions of RTE's management system, and consolidating them to provide a complementary and transversal view at the level of entities, divisions and departments;
- Coordination between a top-down approach, designed to respond to major risks at the level of operating processes, and a bottom-up approach mirroring the same objectives;
- The introduction of a standardized risk sheet to describe each risk, its impact and degree of criticalness, as well as the steps taken to control it;
- Permanent updating and a half-yearly reporting procedure designed to ensure that the Group's major risks are regularly addressed;
- A Risk Committee chaired by the company secretary and underpinned by dedicated operating resources.

The Risk Committee met three times in 2008:

- Initially at the beginning of the year to determine the list of major risks in accordance with the risk model and subject to new descriptions of certain risks already identified,
- In May and November to review the intervening risk analyses and updates and approve the file prepared for the COMEX and CSEA meetings held in June and December.

The risk sheets describe and assess the applicable risks as well as providing details of the measures taken to control exposure. The update prepared during the second half of the year has improved visibility for medium-term risks and the level of the associated controls. Certain risks (e.g. in the areas of interconnection management, pervasive internal failures and control over operations) have been analyzed in more detail and the implications of the economic crisis have been integrated into the process of analysis wherever applicable.

The process of comparison with other entities operating in various economic sectors has been continued in order to facilitate a methodological approach and the identification of a range of risks to be identified.

RTE has identified 38 major risks which have already been, or are in the process of being, assessed at the unit and departmental level taking into account both functional characteristics and any local implications.

1.7.2.2 Control over financial risks

RTE's daily involvement in the financial markets exposes the Group to the following risks:

- Interest rate risk, i.e. the risk for the holder of a fixed or floating rate asset or liability of subsequent changes in interest rates;
- Liquidity risk, i.e. the risk of not being in a position to settle liabilities as they become due;
- Counterparty risk, i.e. the risk for a creditor of the debtor's incapacity to honour all or part of its debt upon maturity.

The Group's Finance Department defines annual guidelines for day-to-day treasury management, listing in particular the types of financial instrument authorized for use and specifying the rules and other criteria to be respected, as well as identifying authorized counterparties for each of which financial limits have been set both in total and by type of financial instrument. The document summarizing the guidelines is jointly signed by the deputy managing director in charge of finance and by the head of the treasury department.

⇨The creation of a portfolio of negotiable debt securities exposes RTE to investment risk, i.e. the risk of a decrease in the capital value of its fixed interest securities in the event of a significant increase in market interest rates. To guard against that risk, the guidelines require that the proportion of fixed rate treasury assets, taking into account any swaps entered into to change the Group's initial risk exposure, remain within the range of 0 and 35 per cent..

The Group is also exposed to interest rate risk on its borrowings.

The Group's sensitivity to interest rate risk according to the most probable scenarios may be summarized as follows:

- Sensitivity of the Group's interest expense: changes in the market rates of interest have no impact on the Group's non-current debt (with residual maturities in excess of one year) given that the Group borrows at fixed interest rates;
- Sensitivity of the market value of the Group's borrowings: an increase of 1 per cent. in the market level of interest rates would decrease the present value of its borrowings (based on the applicable mid-swap rates) by about €377 million or 4.74 per cent. and conversely, a fall of 1 per cent. would increase the present value of its borrowings in the same proportion;
- Sensitivity of the Group's equity: the Group has a portfolio of available-for-sale financial assets, mainly comprising its fixed rate negotiable debt securities, the market value of which at 31 December 2008 amounted to €1.357 billion (including the €1.139 billion of temporary cash for repayment of the debt maturing on 28 January 2009). Given that any unrealized gains or losses in respect of these assets are recognized directly in equity, an increase of 1 per cent. in the market level of interest rates would decrease the market value of those assets, and reduce the amount of the Group's equity, by about €1.089 billion or 0.025 per cent. of the value of the Group's equity.

At 31 December 2008 the available drawdown on the Group's syndicated commercial paper credit facility amounted to €830 million (€1 billion of gross facility less the €170 million of commercial paper already issued). Given its €171.6 million in net cash and cash equivalents, the Group had total liquidities of around €1,001.6 million. The average maturity of the Group's borrowings is about 5.02 years, an increase over the previous year given that the Group has recently contracted 10 year debt of €1,190 million and 7 year debt of €1,250 million compared to a forthcoming debt repayment limited to €837 million.

Weak market liquidity may affect RTE in terms of access to financing sources and may require it to obtain resources at excessive prices. RTE seeks to counter this risk by diversifying its financing sources, maintaining a constant presence in the financial markets and seeking to conserve or improve the quality of its name and signature on the capital markets.

In response to liquidity risk, RTE manages a portfolio of securities mainly comprising negotiable debt securities for which a liquid market exists and which can thus be rapidly mobilized whenever the Group needs cash. In the same way, the Group is able to draw on a commercial paper facility up to a maximum of €1 billion.

During the first half of 2009, the Group intends to update the documentation, issued under AMF approval, relating to its €6 billion Euro Medium Term Notes Program which will mature on 21 April 2009.

Up to December 2008, neither RTE nor any of its subsidiaries had defaulted on any loan.

⇨Credit (or counterparty) risk may be defined as the total amount of loss that the RTE Group might suffer with respect to its operations or on the financial markets in the event of default by one of its counterparties and which as a result failed to perform its contractual obligations. The financial instruments which are likely to expose the Group to counterparty risk are mainly its liquidities, trade receivables, negotiable debt securities, other investments and derivative financial instruments. The Group's guidelines require the following main rules to offset that exposure:

- Financial transactions may only be entered into with authorized counterparties subject to predefined financial limits;
- Only counterparties with at least a BBB rating may be dealt with;
- An overall limit has been set regarding the proportion of total investment with counterparties rated BBB+ and BBB;
- In order to ensure investment diversification, with the exception of the banking sector, the level of the Group's investment in any one business sector must not exceed 25 per cent. of its total investment portfolio.

It should be noted that RTE's monitoring and assessment of counterparty risk extends beyond treasury management to such issues as access to the national power system (cf. the Group's CART contracts) and to interconnections, procurement risk (in particular regarding purchases of electricity to offset system wastage) and counterparty risk for balance responsible entities.

RTE's requirements of financial counterparties, in the area of treasury management, have been reinforced during 2008. In other areas (notably trade receivables), the financial crisis has had an impact on certain counterparties and in particular, on those counterparties intervening as balance responsible entities or users of interconnection capacities (this was the case in particular of Lehman Brothers). As a result, RTE has recognized impairment losses in respect of trade receivables, the amount of which has not exceeded 0.5 per cent. of its revenue.

All of the above risks inherent to financial activities, as well as compliance with the rules and other criteria set forth in the Group's guidelines, are regularly reviewed by the Group's financial risk control department via daily reporting of the main risk indicators addressed to the Group's chief financial officer.

An alert procedure is triggered in the event of any overrun of a predefined limit: the Group's chief financial officer is informed and details of the corrective action taken and a proposed solution to avoid any repetition of the incident are given.

To ensure the independence of the above-described approach to control, the Group's financial risk control department was initially part of the Group's management control department but has now been integrated within the specific risk control function created on 1 November 2008.

1.7.3 Investments in subsidiaries and non-consolidated investments

RTE Group (or the Group) comprises the parent RTE and three other companies.

The parent RTE is a non-listed French limited company in the form of a *société anonyme*. It is 100 per cent. owned by EDF SA but issues debt securities which may be held by the public. The company manages the French electricity transmission network which it operates, maintains and develops, as well as guaranteeing its proper functioning and safety and ensuring equitable rights of access to all users of the system.

RTE has two subsidiaries, SAS ARTERIA and SAS RTE International, as well as an associate, SAS HGRT (*Holding des Gestionnaires de Réseau de Transport d'électricité*).

List of investments in subsidiaries and other entities

Company name	Gross value of shares held at 12/31/08 €'000	Impairment at 12/31/08	per cent. of share capital held	Loans and advances granted and not yet repaid	Revenue for 2008 (1) €'000	Equity at 12/31/2008 (1) €'000	Profit or loss for 2008 (1) €'000	Dividends received in 2008 (1) €'000
ARTERIA	650	0	100%	0	4,916	3,623	1,148	350
RTE International	2,000	0	100%	0	5,043	2,491	351	210
HGRT	16,881	0	51%	0	0	39,242	6,279	0
CORESO (2)	500		50%					
INELFE (3)	1,000		50%					
BELPEX	300	0	10%	NC	4,035	3,998	702	NC
CASC- CWE (3)	5		14.2%					
DECLARANET	144		12%	NC	NC	NC	NC	NC

(1) provisional data
NC: not communicated

(2): first fiscal year from 12/18/2008 to 12/31/2009
(3): first fiscal year from 10/01/2008 to 12/31/2009

ARTERIA

Arteria is exclusively involved in the operation and maintenance of optical fiber networks and all related or complementary activities. The company's revenue for 2008 amounted to €4,916 thousand, an increase of €1,471 thousand over 2007; its operating profit amounted to €1,708 thousand and its net profit to €1,148 thousand, a decrease of €143 thousand over 2007.

RTE-International

RTE International, a French limited company in the form of a *société par actions simplifiée unipersonnelle* (SASU), is exclusively involved worldwide of economic, legal and financial consulting services in all areas relating to operation of electricity supply networks. The company's share capital amounts to €2 million; its revenue for 2008 amounted to €5,043 thousand, its operating profit to €427 thousand (a fall of €106 thousand compared to 2007) and its net profit to €351 thousand (compared to €351 thousand for 2007).

HGRT

HGRT's sole activity is the subscription, acquisition, sale and management of any shares or other securities issued by Powernext. As in 2007, the company recorded no revenue in 2008; at €169 thousand, its operating loss for 2008 deteriorated by €68 thousand over 2007 while its net profit for 2008 amounted to €6,279 thousand compared with a loss of €100 thousand in 2007.

BELPEX

Belpex, the Belgian electricity exchange, was created on 7 July 2005 with a share capital of €3 million, 10 per cent. of which was subscribed by RTE at a cost of €0.3 million.

The new investments of the period have been as follows:

INELFE

On 1 October 2008, the creation of SAS INELFE (INterconnexion ELectrique France Espagne) in which RTE holds an interest of €1 million (50 per cent. of the share capital) and the purpose of which is to build a 400kV line over the Pyrenees.

CORESO

On 18 December 2008, the creation of SA CORESO, a Belgian company in which RTE holds an interest of €0.5 million (50 per cent. of the share capital), the purpose of which is to coordinate the operation of the electrical networks linking France, Germany and Benelux.

CASC-CWE

On 1 October 2008, the creation of SA CASC CWE, a Luxembourg company, by the electricity grid managers of Central and Western Europe. RTE holds an interest of €5 thousand (14.2 per cent. of the share capital). The purpose of the company is to manage bids for the exchange of electricity across borders within Central and Western Europe.

DECLARANET

On 6 February 2008, the creation of DECLARANET in which RTE holds an interest of €144 thousand (12 per cent. of the share capital). The purpose of the company is to contribute to safeguarding persons, infrastructure and other assets during the performance of engineering work.

1.7.4 Non-deductible expenses pursuant to Article 39-4 of the French tax code

In 2008, the Group's non-deductible expenses falling within the scope of Article 39-4 of the French tax code amounted to €70,756.

1.7.5 Terms of office and duties of board directors

RTE has applied the AFEP and MEDEF recommendations of October 2008 in respect of the remuneration of the senior executive corporate officers of companies whose securities are traded on a regulated exchange.

The Executive Board

The procedures for nominating and appointing members of the Executive Board were enacted by law no. 2004-803 dated 9 August 2004 (relating to the public service aspects of gas and electricity supply and with gas and electricity companies) as amended by law no. 2005-781 dated 13 July 2005 relating to energy policy.

These texts, the main provisions of which have been included in RTE's articles of association, provide for the Chairman of the Executive Board to be appointed, after approval by the Minister in charge of energy matters, by the company's Supervisory Board and for the other members of the Executive Board to be appointed by the company's Supervisory Board following recommendation by the Chairman of the Executive Board.

Executive Board members serve a five year term.

The table below specifies the present composition of the Executive Board and sets forth the duties performed and other appointments held by each of its members.

	Position	Duties	Other appointments
Dominique Maillard	Chairman		Chairman of HGRT Director of RFF Chairman of CORESO
Pierre Bornard	Vice-Chairman	Deputy Managing Director in charge of the network	Chairman of the Board of Directors of Powernext SA Director of HGRT Director of CASC-CWE SA

			Chairman of the Board of Directors of ETSO (A Belgian not-for-profit association)
Hervé Laffaye	Member	Assistant Managing Director in charge of transport of electricity	
Philippe Dupuis	Member	Assistant Managing Director in charge of finance	Director of Powernext SA

The Supervisory Board

The law dated 9 August 2004 already mentioned specifies that one third of RTE EDF Transport's Supervisory Board should be comprised of representatives of the company's employees, one third at most should be comprised of representatives of the French State and the other members should be appointed by the company's shareholders.

According to Article 13 of the company's articles of association, the Supervisory Board comprises twelve members in total. Members are appointed for five years.

The table below specifies the composition of the Supervisory Board at 31 December 2008 and details the duties performed and other appointments held by each of its members.

	Position	Duties	Other appointments
Marianne Laigneau	Chairwoman Representative of EDF	EDF Company Secretary	Member of the Supervisory Board of EDF ASSURANCES Director of EDF INTERNATIONAL Director of EDF TRADING General Manager of Lake Acquisitions Ltd
Gérard Menjon	Vice-Chairman Representative of EDF	EDF Director in charge of Performance and Synergies	Director of EDF ENERGY Plc
Edouard Vieillefond	Member Representative of the French State Member of the CSEA	Director of energy sector investments at the *Agence des Participations de l'Etat* (APE) of the *Ministère de l'Economie, de l'Industrie et de l'Emploi*	Director of GDF-SUEZ Representative of the French State Director of Française des Jeux Representative of the French State Director of AREVA NC (ex Cogema) Representative of the French State
Pierre Fontaine	Member	Sub-director responsible	Government representative within the Supervisory Board

	Position	Duties	Other appointments
	Representative of the French State	for electricity and renewable energy at the *Direction de l'Energie de la Direction Générale de l'Energie et du Climat* of the *Ministère de l'Ecologie, du Développement Durable et de l'Aménagement du Territoire*	of the CNR Board member of ERDF Board member of EDM (Electricité de Mayotte)
Anne Le Lorier	Member Representative of EDF Chairman of the CSEA	EDF Deputy Managing Director	Chairwoman of the Board of Directors of EDF Développement Environnement (EDEV) Chairwoman of EDF HOLDING SAS Director of EDF INTERNATIONAL (permanent representative of EDF SA) Director of EDF TRADING Chairwoman of Electricité de Strasbourg Chairwoman of C3 Vice-Chairwoman 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 Representative of EDF	EDF Director of Strategy, Forecasting and International Relations	-
Catherine Cros	Member	EDF Director of	Member of the Supervisory

	Position	Duties	Other appointments
	Representative of EDF Member of the CSEA	Coordination of Regulated Assets	Board of ERDF Member of the Steering Committee of EDF-PRODUCTION ELECTRIQUE INSULAIRE SAS
Nicole Verdier-Naves	Member Representative of EDF	EDF Director of Group Leadership Development	-
Patrice Sébille	Member Employee representative proposed by the CGT Member of the CSEA	An engineer responsible for company relations	-
Charles Niéto	Member Employee representative proposed by the CGT	A technical operations employee	-
Dominique Loret	Member Employee representative proposed by the CGT	An engineer responsible for operations	-
Patrick Larradet	Member Employee representative proposed by the CFDT	A senior engineer within the *Groupe Appui Déploiement des Projets du Service Etude de Réseau et Projets de la Direction Système Electrique*	-

Directors' compensation:

a) Executive Board members

The following list summarizes the compensation and all types of benefits provided by RTE to its Executive Board members during 2008. The variable compensation disclosed is additional to the gross (fixed) compensation indicated. Amounts are presented on a basis proportionate to directors' periods of appointment.

Executive Board members at 31 December 2008

- Dominique Maillard (Chairman)

  Gross salary for 2008: €252,696

  Variable compensation: €50,900

- Pierre Bornard (Vice-Chairman)

  Gross salary for 2008: €223,620

  Variable compensation: €80,285

- Hervé Laffaye (member)

  Gross salary for 2008: €163,160

  Variable compensation: €61,203

- Philippe Dupuis (member)

  Gross salary for 2008: €183,739

  Variable compensation: €26,479

b) Supervisory Board members

RTE does not pay any compensation to members of its Supervisory Board. Directors' fees are not paid either because (in the case of the employee and French State representatives) the law prohibits any payment or because the company's shareholder has not voted for any directors' fees.

However the members of the Supervisory Board who represent the company's employees have employment contracts with RTE pursuant to which they are eligible to benefit from EDF's stock option plan. They received the following compensation and benefits in kind during 2008:

Amounts in euro

2008	P. LARRADET	D. LORET	Ch. NIETO	P. SEBILLE
Gross salary	87,262	72,937	47,459	62,425
Benefits in kind	340	125	401	505

Finally, the following compensation and benefits in kind were provided by Electricité de France, the company's sole shareholder, to its own designated members of the Supervisory Board:

Amounts in euro

2008	J .P. BOUTTES	N. VERDIER NAVES	C. CROS	M. LAIGNEAU	A. LE LORIER	G. MENJON
Gross salary	183,454	205,300	148,418	247,100	261,400	271,800
Variable compensation	65,629	77,103	49,273	86,801	96,635	128,829
Benefits in kind	10,546	20,235	16,006	4,528	248	10,795

2 Environmental information

2.1 Overview of the Group's environmental policy

Above and beyond mere compliance with applicable regulations, RTE is attentive to issues of sustainable development and since 2000 has applied a continuous policy to prevent potential environmental impacts on its infrastructure and operations.

The enterprise has been ISO 14001 certified since 2002. Its environmental policy, dating from 2001, was revised in 2008 and has four focuses: the preservation of natural environments and biodiversity, the conservation of natural resources and prevention of pollution, consultation and constant improvement in particular via a proactive approach to research and innovation.

A Director of Sustainable Development, reporting to Dominique Maillard, was appointed in February 2008 and RTE's sustainable development policy has been organized to provide a balanced emphasis on economic, employment/other corporate and environmental issues.

2.2 Environmental analysis

RTE's environmental analysis is designed to identify and rank the interactions between the environment and the enterprise's infrastructure and operations and to draw up an exhaustive list of the Group's significant environmental impacts.

Based on the list of identified temporary and permanent environmental impacts and urgent environmental incidents, the Group aims to provide its operating teams with a risk analysis method at the local level capable of determining, based on specific criteria (including the potential intensity of impacts and the sensitivity of the human and natural environments involved), precisely which potential impacts and urgent issues need to be addressed. The efforts in this area have been accentuated during 2008.

2.3 Preservation of natural environments and biodiversity

2.3.1 Natural environments

As operator of an electricity transmission network, RTE is present throughout France. The Group's ecological footprint essentially equates with the physical impact of its infrastructure assets (see the table below) and with the potential environmental consequences of its operations.

	2007	2008
Pylon sections (km)	77,587	77,594
Total circuits:	99,905	100,216
Overhead (km)	96,598	96,789
Underground (km)	3,307	3,427
Number of stations	2,495	2,510
Number of transformers	1,156	1,160

Source RTE-CIREF: RTE owned network under operation, 45kV to 400kV overhead and underground lines – provisional values at 31 December 2008

By 2008, 47 per cent. of France's Natura 2000 classified sites were crossed by approximately 8,500km of RTE lines, i.e. 8.5 per cent. of the total of approximately 100,000km. The preservation of such natural environments is a major focus of RTE's environmental policy and the Group's employees have learned to work within these protected areas in such a way as to limit their impact, whether permanent or temporary, in particular on the natural avifauna.

2.3.2 Biodiversity

2.3.2.1 Control over temporary impacts

During the phase of preparation of "environmentally sensitive" maintenance (trimming, painting pylons etc.), RTE's employees begin by identifying any presence of protected species. They are helped in that process by software that enables comparison of RTE's infrastructure (power lines and transformers) with details of the main protected natural environments (Natura 2000 areas, regional and national parks etc.). In December 2008, RTE deployed its ETREN application which is designed to capitalize the precautions required to protect such zones and place them at the disposal of all the persons involved to ensure that work is always performed in the way best adapted to the sensitivity of the local environment.

2.3.2.2 Contributing to the preservation of biodiversity

RTE has been active within the MEDEF's Biodiversity Group in turn contributing to the *COMité*[26] *OPérationnel Trame Verte / Trame Bleue* implemented as a result of the "Grenelle" Environmental Round Table organized in 2007. RTE has also acted as part of the working party set up by the COMOP in order to assess the impact of linear infrastructures on ecological corridors. The assessment, supervised by the Alsace Nature association, is intended to contribute to defining national policy in the area of ecological corridors.

In the same way, RTE now represents the community of linear infrastructure operators within the strategic policy committee of the new Foundation for Research into Biodiversity (FRB), thus putting itself in a position to make its voice heard as to the type of research required and as to the best practices to be shared.

RTE also continues to pursue its initiatives in favor of protecting the natural avifauna, identifying its most vulnerable power lines in this respect via the Natura 2000 Special Protection Zones and the presence of endangered species, migratory corridors and areas used for nesting or wintering.

2.4 Conservation of natural resources and prevention of pollution

2.4.1 Conservation of natural resources

The operation of the electricity network generates, in line with the laws of physics and mainly by virtue of the Joule effect, power losses. The electricity purchased to compensate for those losses has both a significant financial cost and an environmental impact given the additional production of electricity required as a result.

RTE has continued the efforts already undertaken as well as engaging new studies designed to reduce such electrical losses. The ad hoc working party has already, in respect of the physical network, identified 25 potentially beneficial actions whether from an economic, environmental or societal point of view.

2.4.2 Prevention of pollution

2.4.2.1 SF6

RTE uses sulfur hexafluoride (SF6, a greenhouse gas) for purposes of electrical isolation of certain of its equipment including metal housings and circuit-breakers.

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[26] *The COMOP Trame Verte / Trame Bleue,* a steering group created from the “Grenelle” Environmental Round Table organized in 2007, has been attributed the responsibility of determining guidelines for implementing French policy in respect of ecological corridors.

RTE is strongly committed to reducing its greenhouse gas emissions, as was illustrated by the agreement it signed in 2004 with ADEME and with the *Groupement des industries de l'équipement électrique* (GIMELEC), the purpose of which is to return by 2010 to the overall level of 1995 by, in particular, limiting SF6 emissions during the useful lives of equipment and progressing more generally in terms of technological research.

During 2008, the GIMELEC, RTE and ERDF prepared an intermediate report summarizing the action undertaken since the previous intermediate report prepared in 2005. The principal initiatives undertaken have been improvements in recycling SF6, improved measurement, specific training of personnel involved in handling SF6 and monitoring of equipment in use (preventive maintenance and improved reliability).

The volume of emissions is also communicated to the MEEDDAT[27] on an annual basis. The following table summarizes the Group's tonnage of SF6 emissions and the related rates of leakage:

	2007	2008
Installed tonnage of SF6	457	449
SF6 emissions (tons)	8.6	7.0
Leakage	1.9	1.6

2.4.2.2 PCB

The plan for decontaminating RTE's appliances contaminated by PCB (polychlorinated biphenyl) has been continued in line with the applicable annual target. All the Group's transformers containing more than 500ppm of PCB, and all its condenser batteries containing more than 50ppm of PCB, will have been dealt with by the end of December 2010. 42 appliances have been eliminated or decontaminated during 2008, making for a cumulative total at the end of 2008 of 233 appliances out of the total of 258 originally requiring treatment.

2.4.2.3 Urgent environmental incidents

Urgent environmental incidents are defined as accidents likely to cause significant, even irreversible, environmental consequences.

The following table summarizes the various types of urgent environmental incidents which have occurred since 2004. It shows that fire and leakage of oil are the incidents most frequently encountered.

2.4.2.4 Urgent environmental incidents	**2004**	**2005**	**2006**	**2007**	**2008**
1 – Fire below overhead cables	7	10	2	2	1
2 – Fire at stations	5	3	7	3	4
3 – Oil leakage from power transformers	8	4	4	2	4
4 – Oil leakage from underground lines	3	1	6	2	1
5 – SF6 leakage from metal or masonry casings	0	0	0	0	1
6 – Leakage or fire of dangerous substances during transport	1	0	0	2	1
Other incidents	2	0	0	0	0
TOTAL	**26**	**18**	**19**	**11**	**12**

Source: RTE 2008

[27] *Ministère de l'Ecologie, de l'Energie, du Développement durable et de l'Aménagement du territoire*, the French ministry responsible for matters of ecology, energy, sustainable development and regional planning.

In addition to dealing with actual incidents, the Group also performs simulations (7 scenarios in 2007 and a further 8 in 2008) involving fire brigades, police, elected representatives etc. Such exercises provide useful preparation for the urgent procedures typically required to control actual incidents.

2.4.2.5 Control over waste

In the course of 2007, RTE undertook a process of automation of its waste reporting which has provided for greater precision. The report currently available traces both dangerous[28] and, for the first time, non-dangerous waste as well as the available data on recycling.

The waste included in the report is that for which RTE has been identified as the producer. It thus excludes waste the responsibility for processing of which is transferred to sub-contractors engaging in maintenance or other work.

Figures for 2007:

- Dangerous waste: 1,537 tons,
- Non-dangerous waste: 1,271 tons,
- Recycled waste: 1,766 tons, i.e. 63 per cent..

Figures for 2008:

- Dangerous waste:1,032 tons,
- Non-dangerous waste: 1,331 tons,
- Recycled waste: 1,440 tons, i.e. 61 per cent..

2.5 Consultation and an attentive ear

RTE is committed, as part of its environmental policy, to achieving solutions subject to common assent and to meeting public expectations by lending an attentive ear to all parties concerned by a new or existing power line. In particular, the Group actively consults with all parties concerned at the earliest possible stage of planning for each new project.

2.5.1 Amiable right of way agreements

Right of way agreements are signed with the owners of land crossed by power lines. In the event of failure to sign the agreements required, the territorially competent Prefect initiates an alternative compulsory procedure. The absence of an amiable agreement may reflect a deliberate refusal on the part of the owner but may also simply reflect an inability to identify and contact the applicable owner(s) (death, plurality of successors etc.).

Great attention is paid to communication and excellent progress has been achieved as a result.

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[28] Waste products such as oils, solvents, paints, aerosols etc. presenting particular danger for the environment and thus requiring specific waste disposal procedures. The products concerned are listed in decree no. 2002-540 dated 18 April 2002 and dealing with waste classification.

2.5.2 Relevant requests of interested parties

Relevant requests of interested parties are defined as all the requests in respect of environmental issues made by third parties (local authorities and residents, elected representatives, businesses, farmers etc.) impacted by our infrastructure. RTE has developed a software application to help it capitalise on such requests and provide responses within the shortest possible timeframe, as is shown by the following table which shows that in 2008, 92.5 per cent. of requests were responded to within 30 days. The number of such requests has decreased steadily over the last four years.

	2005	2006	2007	2008
Number of requests for action received	784	586	530	493
Number of requests for information received	816	640	624	504
Total number of requests	1,600	1,226	1,154	997
Rate of response within 30 days	97 per cent.	95 per cent.	96.5 per cent.	92.5 per cent.

Source: RTE 2008

2.5.3 Landscape harmonization of power lines

Section I.2 of chapter III of the public service agreement signed with the French State and covering the period 2005-2007 provides for an undertaking by RTE in respect of the landscape harmonization of power lines.

- **Reinforcement and extension of consultation at all stages of network development**

  - Consultation for the Cotentin-Maine project has involved 1,200 meetings and 57 changes to the route proposed, a tribute both to the scale and the usefulness of such consultation.

  - The impact studies for the Group's very high tension projects have been made available online on RTE's website.

  - Almost €50 million have been allocated to project-related expenditure, 70 per cent. of which is devoted to initiatives in the area of sustainable development. The expenditure covers more than 50 projects and extends to almost 400 municipalities, i.e. more than 1 per cent. of all French municipalities.

- **Protection of landscapes and natural and urban environments**

  - During 2008, 64.0 per cent. of the high tension lines owned by RTE were buried, i.e. a rate well in excess of the 30 per cent. objective set by RTE's public service agreement for the period 2005-2007.

  - During 2008, about 114km of new underground liaisons were built, namely 30km of very high voltage (225kV) lines and 84km of high voltage (90 and 63kV) lines.

  - Whenever possible, new trajectories are grouped with existing infrastructure as a means of limiting the overall impact. Thus the 225kV Beautor-Soissons-Rupreux power line required by the proposed Longchamp station will follow the route of a dismantled 150kV line.

  - The useful life of existing infrastructure can be extended by changing the related conductors.

  - RTE's provisional statistics at 31 December 2008 disclose an **overall 70km reduction** (measured in pylon sections) in the size of the network under RTE's ownership.

  - The use of power regulation equipment, such as phase-shifting transformers, is systematically considered in the context of development projects as a means of improving the existing network without deteriorating the environmental impact of the landscape crossed. During 2008, a phase-shifting transformer was thus installed at the St Pol (Pas de Calais) station in order to resolve problems of transit over the 90kV network.

- **Fair compensation for agricultural, visual etc. damage**

During 2008, €2.6 million was paid out for visual damage including €2.5 million in respect of the 400kV St Avold-Marlenheim line.

- **Accompanying the development of renewable energy sources**

RTE has contributed to the development of wind-turbine production by providing connections for a 51MW wind station to the 63kV network at Villesèque-des-Corbières, for a 52MW station to the 225kV network at Espiers (near Chartres) and for total wind production of 87MW to the 225kV network at Salles-Curan in the Aveyron region. Until now, the great majority of such installations were only connected to the local networks.

2.5.4 Agricultural partnerships

Given that about 65 per cent. of RTE's pylons are located on agricultural land and a further 20 per cent. in public or private forested areas, the agricultural community is an important partner for RTE.

Since 1964, the relationship has mainly been one of compensation for lasting or temporary damage, the standard agreements for which were revised on 20 December 2005 and may be consulted on RTE's website.

Agreements for use in agricultural areas

The standard agreements authorizing RTE to install high voltage lines on private agricultural property, and the associated payment agreements, were revised in 2008 in line with the standard agreements for permanent damage and disused pylons themselves revised in 2005.

The Standing Committee for Electrical Safety

In 1999, a cooperation agreement was signed between EDF and the Ministry of Agriculture and Fishing setting up a Standing Committee for Electrical Safety charged with promoting electrical security in the agricultural environment. All electrical risks are addressed, whether related to electrical equipment and installations or to undesirable electrical phenomena liable to affect livestock.

RTE has made available to the Standing Committee a means of rigorously studying the effects of electricity on animals: the Paris-Grignon experimental farm run in partnership with AgroParisTech (ex INA-PG). The experiments undertaken are designed to study the effects of parasitic electrical currents on the emotional reactivity and biological performance of farmhouse animals. The experiments are carried out on sheep and cattle.

2.5.5 Partnership with the *Fédération Nationale des Chasseurs*

A partnership agreement was signed on 11 December 2008 between the FNC (*Fédération Nationale des Chasseurs*, a French hunting federation) and RTE. The agreement, which will remain in force until the end of December 2011, is intended to encourage biodiversity and wild fauna whilst at the same time having due regard for safety and the operating constraints associated with electrical installations.

2.5.6 Electromagnetic fields

RTE has continued its information campaign in the area of electromagnetic fields, with all interested parties but more particularly in the context of the Cotentin-Maine public debate, and for this purpose has prepared documentation (including the institutional brochure published in 2005 and which remains valid) which has been widely published. The means of responding to requests has been reorganized and involves input from both technical and medical specialists.

It is to be noted that a court decision (by the Tulle lower court, *Tribunal de Grande Instance*) of 28 October 2008 has ruled against RTE in a dispute opposing it and a farm (GAEC Marcouyoux) claiming that its herd has been damaged by the proximity of a power line. RTE has appealed against this decision.

During 2008, RTE continued its commitments in this area:

- By supporting related biomedical research, in coordination with international organizations, and by guaranteeing the researchers' independence and ensuring publication of their results;

- By regularly informing its employees, the public, the health professions and the media in all transparency as to the progress made in research;

- By reinforcing its cooperation with government, elected representatives, associations and persons living or working close to power lines.

2.5.7 Safety of third parties

Above and beyond its concern with regulatory compliance, RTE is active in informing the public as to the risks associated with electric stations and power lines. The "Prudence under power lines" campaign has enabled RTE to target a wide public involved in building and civil engineering, agriculture, and fishing or aeronautical sports.

In addition to the "Prudence under power lines" campaign, RTE has been involved in regional communication relating to tree-felling in two of its regional units (out of seven).

DECLARANET was created in 2008. The company's purpose is to enable online submission and processing of the submissions and other documents required for planning permission purposes as provided for by the decree dated 14 October 1991. To this end, DECLARANET made a first version of the www.protys.fr website available in August 2008. Via this website, full details of the local infrastructure operators throughout France may be consulted without cost.

On 17 December 2008 a partnership agreement was signed with the **Association of French Mayors**. The agreement covers planning and sustainable development issues as well as the safety of third parties seen from the angle of the communication required to minimize the risk of electrical accidents.

2.5.8 Progress with some of RTE's major projects

Cotentin-Maine

The proposed dual 400kV Cotentin-Maine power line is designed to integrate the Flamanville EPR reactor, currently under construction, within the national electricity transmission system.

The route of least impact was validated by the MEEDDAT in April 2008. Consultation continued throughout 2008 in order to adjust the route in response to local requests. 1,200 meetings were held and 57 changes to the route have been made.

The consultation has also resulted in an ambitious program of burying lower voltage lines, such that buried lines will represent more than twice the length of the new overhead lines.

France-Spain

The work directed by the European coordinator Mario Monti led to the signature of an intergovernmental agreement in Saragossa on 27 June 2008. Under the terms of the agreement, an entirely underground continuous current power line will be built to join the Baixas station in France and the Santa-Llogaia station in Spain. So far as possible, the line will follow the existing infrastructure (A9, LGV and RD900). This will be a world record as such a long land line using continuous current technology has so far been reserved for submarine liaisons.

RTE and its Spanish homologue, REE, have created a joint venture, INELFE (INterconnexion ELectrique France-Espagne), responsible for designing and building the power line as well as the two continuous/alternating current conversion stations. The company is held in equal shares by RTE and REE.

The CNDP (*Commission Nationale du Débat Public*, a French commission supporting civil liberties) has decided not to organize any new public debates (one took place in 2003) but has asked an independent partner, Georges Mercadal, to be responsible for ensuring adequate consultation with both the public and other interested parties.

Marlenheim-Vigy

This dual 400kV power line of about 140km linking Metz and Strasbourg entered into service on 12 December 2008. Particular attention was paid to consultation of the public, farmers, elected representatives and the Lorraine national park and as a result, the project was completed without any incidents and to the satisfaction of the local parties concerned.

2.6 Continuous improvement

2.6.1 Anticipation based on research and innovation

The research undertaken by RTE has two main aims: continuous improvement of the performance of its network and a parallel reduction in environmental impact. Some illustrative examples of research and innovation are provided hereafter.

2.6.2 Electromagnetic fields

RTE has co-financed several studies focused on the influence of electromagnetic fields on human health. In particular, mention should be made of a vast review undertaken to obtain a better understanding of the exposure of the French population to low frequency electromagnetic fields. During 2008, the phase of data collection was completed and the data is now in the process of statistical analysis, as part of a doctoral thesis to be presented at the beginning of 2010 but subject to certain preliminary publications during the course of 2009. The review has been organized by the *Direction Générale de la Santé* in response to the recommendations of *the Conseil supérieur d'hygiène publique de France* (CSHPF) (whose duties since January 2008 have been transferred to the *Haut Conseil de Santé Publique*) in its statement issued in March 2005.

2.6.3 Transmission capacity (ACSS cables)

International power supply, access of third parties to the network, public service undertakings and the difficulty of building new infrastructure are all factors which combine to encourage the search for means to increase the transmission capacity of the existing network without deteriorating its visual impact. Considerable progress has been made in this area with the arrival of new low expansion cables which provide greater transmission capacity while still respecting the mechanical and geometric constraints of the older cables. The dual 400kV Tamareau-Tavel power line is thus in the process of being equipped with the new ACSS cables. The work will be performed from 2008 to 2010.

2.6.4 Environmental management and ISO 14001

RTE's policy of continuous improvement of its environmental management system is supported by the interaction of its network of regional environmental pilots (for whom 6 national meetings were organized in 2008) as well as by an environmental committee (which met 3 times during 2008) responsible for defining the Group's environmental policy orientation subject to decisions made by national organizations with the authority to decide on the available budgetary resources.

Environmental considerations are an integral part of RTE's internal control system and the Group has an internal audit department whose employees are familiar with the requirements and methods for auditing quality and/or environmental matters.

Certain of RTE's regional entities have been ISO 14001 certified since 2002 and all its entities since 2004. The AFAQ renewed RTE's dual ISO 9001 and ISO 14001 certification in December 2007 without reserve.

2.6.5 Training in environmental matters

RTE is committed to training and motivating its employees to pay particular attention to the environment, in particular via the creation of specific new training modules or the adaptation of existing ones. On this basis, the module created in 2006 to train field employees in improving control over SF6 leakages was adapted in 2008 to reflect the new European requirements for certification of personnel involved in recuperating SF6.

RTE has also updated a module dealing with the ever more important issues of biodiversity. The training sessions are also made available to civil service departments and are designed to encourage RTE employees to give due regard to this aspect when performing their duties on the job.

3. Employment

3.1 Statistics

The figures quoted below relate to the Group's parent company.

3.1.1 Employees

Total employees with permanent contracts: 8,536 of which 97 without special FIEG status

Total employees with temporary contracts: 246, including 243 apprenticeship and similar contracts

3.1.2 New employees (permanent and temporary contracts of employment)

RTE made a total of 390 new hires in 2008, 30 of which represented conversions of previous apprenticeship or similar contracts. The number of managers hired doubled compared to 2007, reaching more than 200 people in 2008. These new requirements are the direct consequence of the increase in the Group's capital expenditure program as well as of the need to replace retiring employees (236 people in 2008).

At the end of December 2008, RTE employed a total of 8,536 employees with permanent contracts including 97 who did not benefit from the special FIEG status.

As regards apprenticeship, the agreement reached in 2007 between RTE's management and the representatives of the five trade union federations made it possible to continue, in 2008, multiplying the number of young people employed subject to apprenticeship or similar contracts. 139 such contracts were signed, thus at the end of the year the total number of 243 young people under training with RTE.

3.2 Organization and working hours

At 31 December 2008, of the 8,439 RTE employees benefiting from full FIEG status:

- 6,330 (75 per cent.) were employed on a full-time basis,
- 2,109 (25 per cent.) were employed on a part-time basis.

3.3 Compensation

3.3.1 Remuneration based on individual performance

RTE has renewed, on an experimental basis and for a duration of three years, its system of remuneration based on individual performance which was previously only available to managers but now applies to all employees (operatives, supervisors and managers). The system has three components:

- The first component reflects each employee's contribution to the proper functioning of his or her team, department etc. It applies to all employees.
- The second component rewards the achievement or overachievement of individual targets agreed with management. It applies more specifically to those employees benefiting from a sufficient degree of autonomy in the accomplishment of their duties and thus more particularly to managers and to certain high-level supervisors.
- Finally, the third component rewards any particularly special achievement accomplished during the course of the year. In principle, this component applies to all employees even if in practice only a small fraction of them will benefit from the measure in any given year.

The experiment was originally performed for managers without any overall payroll increase but has involved budgeted extra remuneration of €3.3 million for 2008 in the case of operatives and supervisors, sometimes amounting to as much as 9 per cent. of the beneficiaries' total remuneration for the year.

3.3.2 Bonus paid within the framework of the law designed to stimulate purchasing power

RTE is not subject to the legal requirements for profit-sharing but distributed, during 2008, an exceptional bonus as provided for by the law dated 8 February 2008 designed to stimulate purchasing power. The bonus was €750 for a full-time employee.

3.4 Developments in the pension arrangements for the French gas and electricity industries

Following the State guidelines issued in November 2007, the trade unions and other partners involved in the French gas and electricity industries came to an agreement as to the basis on which to proceed in dealing with the various components of the existing pension arrangements requiring modification as part of the reform.

As a result, the following collective bargaining agreements were signed in 2008 at the level of the industry or the company:

- Decree dated 22 January 2008 dealing with the heart of the reform (in particular, the lengthening of the required contribution period, the introduction of a system of pension premiums and penalties and the indexing of pensions in line with inflation),
- Industry-wide agreement dated 29 January 2008 dealing with salary arrangements,
- Industry-wide agreement dated 21 February 2008 dealing with length of service considerations,
- Industry-wide agreement dated 21 February 2008 dealing with the institution of a supplementary pension plan,
- Industry-wide agreement dated 24 April 2008 dealing with the improvement of invalidity pensions,
- Decree dated 27 June 2008 dealing with the whole range of issues involved in the reform and complementing the 1st decree in order to ensure implementation of the reform with effect from 1 July 2008,
- Industry-wide agreement dated 27 November 2008 dealing with additional providence benefits.

RTE implemented extensive communication initiatives to discuss the reform and its accompanying measures throughout 2008.

RTE has undertaken to set up the supplementary pension plan provided for by the collective bargaining agreement dated 21 February 2008.

3.5 Dialogue with employees

The decree dated 11 April 2007, issued in the wake of the law dated 9 August 2004, provided additional precisions in respect of employee representation within the French gas and electricity industries. The negotiations which began during the second half of 2007 led to an agreement dated 15 October 2007 defining the basis for the creation and appointment of works committees and employee delegates. These negotiations were continued in 2008 and led to:

- Two company-wide agreements in respect of the company's central works council, one dealing with the basis of election of its members and the other with its method of functioning (23 January 2008);
- A company-wide agreement dated 18 January 2008 and dealing with the institution and functioning of RTE's employee committees consulted on matters of hygiene, safety and other working conditions;
- Two company-wide agreements dated 25 February 2008 and dealing with the composition and functioning of RTE's two *Commissions Secondaires du Personnel* (consultative committees dealing with other employment matters) for operatives and supervisors and for managers.
- A company-wide agreement dated 18 July 2008 dealing with additional considerations in respect of the company's location-specific works committees and employee delegates;
- A company-wide agreement dated 18 July 2008 dealing with the interaction between trade union rights and the new representative bodies within RTE as described above.

These agreements have significantly changed the historical basis of RTE's dialogue with its trade union and other employee representatives, which now reflects a precise definition of the roles and responsibilities of each organization or body.

3.6 Professional equality of men and women

On 14 May 2007, RTE's management and the representatives of the 5 trade union organizations signed the first agreement specific to RTE dealing with the professional equality of men and women.

Over and above the requirement to continue to be vigilant in matters of remuneration, the agreement aims at attaining an overall proportion of 20 per cent. of women employees by targeting in particular the technical functions in which they are under-represented and by using all the available levers (hiring, apprenticeship, internal transfers, promotional campaigns etc.).

Thanks in particular to recruitment (with proportion of women employees increasing by 34.8 per cent. for the first eight months of 2008), there has been continuous improvement in the proportion of women employed by RTE with a ratio of 18.4 per cent. overall at the end of November 2008 and 18.9 per cent. for managers.

In addition, the persons responsible for matters of professional equality at each local unit have multiplied their local initiatives including the use of theatrical events or other means of internal communication, as well as more specific promotion of female vocations.

In parallel, and at the initiative of the persons responsible for matters of professional equality at each local unit, a certain number of partnerships have been formed with schools or other local bodies. Their aim is to encourage young women to decide to undertake their further education in scientific and technical areas.

3.7 Hygiene and security

3.7.1 **Results for 2008** (situation at the end of December)

- Accidents during working hours requiring time off: 31
- Total accidents during working hours: 82
- Frequency[29]: 2.63
- Frequency (broadened definition)[30]: 6.96

During 2008, RTE greatly regrets one mortal accident.

3.7.2 Health and safety, constant priorities

Given the very technical nature of RTE's activity, its action in the area of occupational health and safety has so far been focused on physical security and the prevention of accidents.

In order to progress further, RTE intends to extend its focus to new areas by paying greater attention to the "human behavior" aspect and developing a culture of health as part of its overall policy in matters of occupational health and security.

The involvement of all levels of management is, in this respect, vital and underpins, for example, the launch of regional initiatives with the aim of making all interested parties more aware of the importance of preventing the human errors that can

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[29] Frequency: number of accidents during working hours requiring time off * 10^6 / number of hours worked.

[30] Frequency (broadened definition): total accidents during working hours * 10^6 / number of hours worked.

have potential or actual consequences on the functioning of the electricity transport system and its related equipment, or on the operatives performing work. In this respect, management involvement is a clear factor for success.

The initiatives undertaken in 2008 have included:

- The development of teaching tools designed to improve understanding of electrical risks (redrafting of the applicable reference document, development of an Intranet tool for testing knowledge);
- The focus on human risks, designed to assist employees in obtaining an awareness of psycho-social risks as a means of anticipating the resolution of such problems before the outbreak of any crisis.

RTE wishes to implicate its sub-contractors similarly in its policy of prevention and to this end, has implemented the following actions at different stages of the contractual relationship:

- During the qualification phase, precise criteria are defined;
- RTE's requirements are clearly stated in the contractual documentation and in particular, in the general technical specifications;
- During contract performance, RTE makes on-site inspections to check compliance with requirements and verify the sub-contractors' commitment to implementing corrective action for prior deficiencies noted;
- The performance of each contract is subject to appraisal once completed.

Specific resources have been devoted to seeking out means of improvement. For example, technical commissions dealing with overhead liaisons, stations and control systems have been created to bring together RTE's experts and the sub-contractors involved in each area in order to discuss safety issues independently of commercial and financial considerations. A partnership has been developed with the association grouping the companies involved in transmission line painting projects, in order to assist them in understanding the electrical risk to which they are exposed and the corresponding constraints to be respected. Such meetings are valuable means of sharing experience.

Other joint actions have been undertaken, with the agreement of all the parties, in the case of major projects. Safety forums have been organized in the context of the Lyon-Chambéry and Vigy-Marlenheim projects, as well as joint monthly on-site inspections of these and other project sites.

3.8 Training and skills

Since its creation, RTE has had a strong commitment to professional training and apprenticeship and an achievement of this policy has been the signature, on 22 December 2008, of a new collective bargaining agreement in respect of training matters. By this agreement, RTE's management and the signatory trade unions have underlined the essential role played by RTE's employees in transmitting knowledge and know-how, whether when acting as specialized trainers employed by the training department, as occupational trainers in local units, or as lecturers or tutors.

RTE's investment in skills development and professional training was further reinforced in 2008 since more than 410,000 hours of training were provided, making for average training time of almost 45 hours per employee. More than 80 per cent. of RTE's employees attended at least one training session during the year. Numerous initiatives were set up at local units in order to provide information on the formal qualifications available for the various activities undertaken by the enterprise and thus encourage employees to display ever greater professional commitment. Skills development and professional objectives are now specifically covered within the framework of employees' annual performance assessments performed on an individual basis with their managers.

Throughout 2008, RTE continued its "COMP&TAL" (competencies and talents) program which enables each employee to self-assess his or her competencies and define career goals.

By December 2008, about 3,700 employees (45 per cent. of RTE's total employees) were already involved in the approach, which will be extended to 100 per cent. of employees in 2009.

For each employee, COMP&TAL is the opportunity to review competencies, identify in conjunction with his or her manager the areas in which additional progress can still be made, and thus become a fully-fledged actor of his or her professional and career development.

For the employer, COMP&TAL presents the advantage of providing an instantaneous vision of the competencies available within each of its professional areas. By comparison between the data collected and the targets established as a benchmark for the ability to fulfill their duties long-term and effectively, each division is in a position to adjust its training resources and recruitment plan.

3.9 Employment and insertion of handicapped persons

Within the framework of the three-year agreement (2006 to 2008) for integration of handicapped persons by RTE, signed on 31 March 2006 by RTE's management and the representatives of the five trade union organizations, by the end of December 2008, 36 handicapped persons had been recruited with full FIEG status, compared with an objective of 34, including 13 persons recruited during 2008. The agreement also provides for the Group to contribute to other sources of employment for handicapped persons by diversifying its purchases from the related protected sector and by financing training for handicapped persons.

A national survey covering 92 persons (including 31 recognized as handicapped) over all the Group's locations was also performed in 2008 and provided a picture of the degree of integration of handicapped persons within RTE.

The survey proved useful in collecting information about the specific expectations of handicapped employees and in identifying levers for facilitating their integration and personal development. Everyone involved in integrating handicapped employees (managers, other persons with special local responsibility for handicapped employees, work colleagues etc.) was involved in the survey the results of which, to be communicated to employees between the end of 2008 and the end of the first half of 2009, are expected to contribute to a better understanding by all employees whether or not they are personally involved in integrating handicapped persons.

In conjunction with SFR, Air France, L'Oréal and LVMH, RTE has acted as a founding member of ARPEJEH (*Accompagner la Réalisation des Projets d'Etudes de Jeunes Elèves et Etudiants Handicapés*, an association involved in assisting young handicapped people in achieving their educational goals and thus improving their qualifications and employment prospects). The association was created on 30 April 2008.

The association aims to inform young handicapped adolescents and their families and schools, at an early age of their secondary schooling, as to the activities carried out by the companies belonging to the association and their recruitment policies, with the aim of restoring confidence in such young persons and encouraging them to continue their studies and not give way to the mechanisms of self-censorship as regards a professional career that is the position taken by certain such young people and their families.

RTE EDF TRANSPORT'S CONSOLIDATED FINANCIAL STATEMENTS FOR 2008

Consolidated income statements

(in thousands of euro)	Notes	2008	2007
Revenue	**6**	**4,221,298**	**4,125,964**
Energy purchases	**7**	(674,216)	(559,747)
Other external expenses	**8**	(977,094)	(948,392)
Personnel expenses	**10**	(677,035)	(639,324)
Taxes other than income taxes	**11**	(391,498)	(405,821)
Other operating income and expense	**12**	(152,801)	15,690
Gross operating margin		**1,348,654**	**1,588,370**
Depreciation and amortization		(574,618)	(555,833)
Other operating income and expense [1]		(3,678)	0
Operating profit		**770,358**	**1,032,537**
Cost of gross indebtedness	**13**	(378,362)	(342,232)
Interest cost for discounted liabilities		(23,897)	(20,166)
Other financial income and expense		83,508	40,037
Net financial expense		**(318,752)**	**(322,361)**
Consolidated profit before tax		**451,607**	**710,175**
Income tax	**14**	(159,945)	(244,161)
Share of net profit of associates	**16**	3,202	0
Consolidated net profit		**294,864**	**466,014**
Of which: minority interests			(49)
Of which: Group share		**294,864**	**466,063**

(1) The reform of the industry's pension arrangements, and the accompanying measures, have resulted in additional expenses for 2008. One of those measures, designed to offset the elimination of the *Prime de Compensation de la Cotisation Retraite* (PCCR, a bonus designed to assist employees in funding their post-employment benefit contributions), has been the payment of an additional bonus to each employee at a total cost of €6 million charged to "Other operating income and expense".

Consolidated balance sheets

ASSETS	**Notes**	**12.31.2008**	**12.31.2007**
(in thousands of euro)			
Intangible assets	**15**	195,125	194,423
Property, plant and equipment	**15**	11,335,359	11,064,738
Investments in associates	**16**	20,013	0
Non-current financial assets	**17**	10,619	7,275
Non-current assets		**11,561,116**	**11,266,436**
Inventories	**18**	81,745	77,433
Trade and similar receivables	**19**	1,007,284	1,038,368
Current financial assets	**17**	1,365,202	280,727
Other receivables	**20**	185,787	212,724
Cash and cash equivalents	**21**	207,522	126,575
Current assets		**2,847,539**	**1,735,828**
TOTAL ASSETS		**14,408,655**	**13,002,263**

EQUITY AND LIABILITIES	**Notes**	**31.12.2008**	**31.12.2007**
(in thousands of euro)			
Share capital	**22**	2,132,286	2,132,286
Consolidated reserves		2,167,500	2,095,237
Group share of equity		**4,299,786**	**4,227,523**
Minority interests		0	16,152
Total equity	**22**	**4,299,786**	**4,243,675**
Non-current provisions	**23**	352,830	305,541
Non-current financial liabilities	**24**	6,105,623	5,060,587
Deferred tax	**14**	172,089	200,347
Non-current liabilities		**6,630,541**	**5,566,474**
Current provisions	**23**	77,208	110,512
Trade and similar payables	**27**	966,246	902,964
Current financial liabilities	**24**	1,530,811	1,302,555
Current tax liabilities		0	404
Other liabilities	**27**	904,063	875,680
Current liabilities		**3,478,329**	**3,192,114**
TOTAL EQUITY AND LIABILITIES		**14,408,655**	**13,002,263**

Consolidated cash flow statements

(in thousands of euro)	**2008**	**2007**
Cash flows from operating activities		
Consolidated profit before tax	451,607	710,175
Depreciation, amortization and changes in fair value	587,551	607,104
Financial income and expense	299,053	309,275
Gains and losses arising on disposal of assets	27,789	12,771
Change in working capital	35,874	(104,749)
Cash generated from operations	**1,401,874**	**1,534,576**
Net financial expense paid	(326,973)	(342,579)
Income tax paid	(184,959)	(201,107)
Net cash from operations	**889,942**	**990,890**
Cash flows from investing activities		
Acquisition of intangible assets and property, plant and equipment	(843,108)	(775,322)
Disposal of intangible assets and property, plant and equipment	4,280	7,542
Change in financial assets (1)	(1,085,670)	(77,042)
Net cash used in investing activities	**(1,924,498)**	**(844,822)**
Cash flows from financing activities		
Issue of borrowings (2)	2,235,036	329,063
Repayment of borrowings (3)	(1,007,111)	(381,633)
Dividends paid	(232,475)	(258,627)
Other equity movements	1,536	15,190
Investment grants	72,944	21,961
Net cash used in financing activities	**1,069,930**	**(274,046)**
Change in consolidation scope (4)	(31,038)	
Income from cash and cash equivalents	76,611	34,264
Net change in cash and cash equivalents	**80,947**	**(93,714)**
Cash and cash equivalents at beginning of period	126,575	220,289
Cash and cash equivalents at end of period	**207,522**	**126,575**

(1) The change in financial assets is due in particular to the €1,078 million increase between 12/31/2007 and 12/31/2008 in the Group's short-term investments (negotiable debt securities with maturities > 3 months). These securities, classified as available-for-sale assets, are intended to be sold in 2009 to enable repayment of a related party loan (EDF SA) maturing on 01/28/2009.

(2) During 2008, the Group twice increased its bond issue by a total of €2,250 million.

(3) During 2008, the Group repaid €837 million of its synthetic debt owed to EDF SA.

(4) The change mainly relates to the liquidities held by HGRT, an associate accounted for as of 31 December 2008 using the equity method.

Changes in consolidated equity

(in thousands of euro)	Share capital	Change in financial instruments	Consolidated reserves	Group share of equity	Minority interests	Total equity
Equity as of December 31, 2006	**2,132,286**	**(5,815)**	**1,893,745**	**4,020,216**	**962**	**4,021,178**
Financial instruments		(470)		(470)		(470)
Deferred tax		(368)	724	356		356
Other changes			221	221	(1)	220
Gains and losses recognized directly in equity	2,132,286	(6,653)	1,894,689	4,020,322	962	4,021,283
Net profit for 2007			466,063	466,063	(49)	466,014
Total recognized income and expenses	2,132,286	(6,653)	2,360,752	4,486,385	913	4,487,298
Share capital increase				-	15,239	15,239
Dividends paid			(258,627)	(258,627)		(258,627)
Allocation of free shares reserved for employees			(235)	(235)		(235)
Equity as of 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 tax		(368)	3,082	2,714		2,714
Other changes			1,003	1,003	(16,152)	(15,148)
Gains and losses recognized directly in equity	2,132,286	(2,070)	2,105,976	4,236,192	-	4,236,192
Net profit for 2008			294,864	294,864		294,864
Total recognized income and expenses	2,132,286	(2,070)	2,400,839	4,531,055	-	4,531,055
Dividends paid			(232,475)	(232,475)		(232,475)
Allocation of free shares reserved for employees			1,205	1,205		1,205
Equity as of December 31, 2008	**2,132,286**	**(2,070)**	**2,169,570**	**4,299,786**	**-**	**4,299,786**

Notes to the consolidated financial statements

The RTE Group (or the "**Group**") comprises RTE EDF Transport (the parent company) and three other companies.

RTE EDF Transport is a société anonyme, a French limited liability company whose shares are not listed but which issues debt securities which may be held by the public. The company manages the French electricity grid which it operates, maintains and develops, as well as guaranteeing its proper functioning and safety and ensuring equitable rights of access to all users of the grid.

RTE EDF Transport's two subsidiaries are:

- SAS ARTERIA, which markets:
  - The optical fibers constructed by RTE EDF Transport via the sale of long-term rights of use
  - The use of isolated radio pylons or power system pylons which have been pre-equipped to house the equipment used by mobile telephone operators for broadband supply (as a complement to the use of optic fibers) to final consumers.
- SAS RTE International, which provides consulting services in all the areas of expertise of electricity grid management.
- SAS HGRT (*Holding des Gestionnaires de Réseau de Transport d'électricité*) is an associate company whose main activity is the subscription, acquisition, sale, ownership and management of all the types of shares or other securities issued by Powernext.

RTE Group's IFRS consolidated financial statements at 31 December 2008 were prepared under the responsibility of the parent's Executive Board (*Directoire*) which authorized their publication on 30 January 2009.

NOTE 1 - DECLARATION OF CONFORMITY AND GROUP ACCOUNTING POLICIES

1.1 Declaration of conformity and Group accounting policies

In accordance with European regulation 1606/2002 dated 19 July 2002, RTE Group's consolidated financial statements for the year ended 31 December 2008 have been prepared in accordance with the international accounting standards, published

by the IASB, applicable at 31 December 2008 and already approved by the European Union. Those standards include IAS (International Accounting Standards), IFRS (International Financial Reporting Standards) and the associated interpretations (SIC and IFRIC). The comparatives presented for 2007 have been prepared in accordance with the same accounting framework.

1.2 Changes in accounting policies applicable at 1 January 2008

The accounting policies and bases of measurement applied by the Group to its consolidated financial statements at 31 December 2008 are identical to those used by the Group at 31 December 2007.

As regards the three texts adopted by the European Union for application in 2008:

- IFRIC 11, "IFRS 2: Group and Treasury Share Transactions", had been applied by anticipation in 2007,
- The amendment to IAS 39 and IFRS 7, "Reclassification of Financial Assets", adopted on 16 October 2008 by the European Union for potential application with effect from 1 July 2008, has no impact on the Group's accounts,
- IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", has no impact on the Group's accounts.

The Group has decided not to opt for early application of the following texts adopted by the European Union in 2007 and 2008 but which were not yet mandatory in 2008:

- IAS 1, "Presentation of Financial Statements" (revised version),
- IFRS 8, "Operating Segments", which replaces IAS 14 and requires the presentation of financial performance and operating segments in accordance with the analysis performed by management of the entity when making decisions about operating matters,
- The amendment to IAS 23, "Borrowing Costs", which eliminates the option allowing borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset to be recognized as an expense in the period in which they are incurred, and thus requires them to be capitalized as part of the cost of the asset,
- The amendment to IFRS 2, "Vesting Conditions and Cancellations",
- IFRIC 13, "Customer Loyalty Programs".

The potential impact of the above texts is currently being assessed.

The Group has decided not to opt for early application of the following texts expected to be adopted by the European Union in 2009:

- IAS 27, "Consolidated and Separate Financial Statements" (revised version),
- The amendments to IAS 32 and IAS 1 entitled "Puttable Instruments and Obligations Arising on Liquidation",
- IFRS 3, "Business Combinations" (revised version),
- IFRIC 12, "Service Concession Arrangements",
- IFRIC 15, "Agreements for the Construction of Real Estate",
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation".

The potential impact of all the above texts is currently being assessed.

NOTE 2 - ACCOUNTING POLICIES

The accounting policies described below have been consistently applied throughout the periods presented in the consolidated financial statements.

2.1 Measurement

The consolidated financial statements have been prepared on the basis of historical cost with the exception of certain available-for-sale financial assets and other financial instruments which are measured at fair value in accordance with the methods described in note 2.13.1.5.2.

2.2 Management judgment and estimates

Preparation of financial statements requires the exercise of judgment and the use of estimates and assumptions for the determination of the value of assets and liabilities and income and expenses, as well as for assessing positive and negative uncertainties at the balance sheet date. Depending on the changes in the assumptions used, or in the event of economic circumstances different from those existing at the balance sheet date, the actual amounts disclosed in the Group's future financial statements may differ from the current estimates.

The main accounting policies that the Group uses to make estimates and exercise its judgment are described hereafter. Any change in the associated underlying assumptions might have a significant impact given the importance of these accounting policies for RTE Group's financial statements.

2.2.1 Post-employment and other long-term employee benefits

Measurement of the Group's post-employment and other long-term employee benefit obligations involves the use of actuarial estimates which are sensitive in particular to the assumptions made as to the appropriate discount rate and probable rate of salary increases. The provisions recognized in this respect at 31 December 2008 amount to €376 million (2007: €352 million).

2.2.2 Non-current assets

The impairment testing criteria and useful lives defined for non-current assets are sensitive to the associated macro-economic assumptions as well as to the Group's medium-term financial forecasts. Given this sensitivity, the Group regularly reviews its estimates and the underlying assumptions based on updated information.

2.2.3 Financial assets and liabilities

RTE Group considers that the nominal amounts of its cash, negotiable debt securities, trade receivables and trade payables provide a reasonable approximation of their market value given the high degree of liquidity of these items.

Listed securities are measured at their market prices at the end of the accounting period; the net carrying amount of other securities is considered to provide a reasonable approximation to their fair value.

The market value of the Group's financial liabilities has been based on:

- The value of the estimated future cash flows discounted using the rates observed at the end of the accounting period for financial instruments with similar characteristics and maturities,

- The market prices quoted for the Group's convertible, exchangeable and indexed bonds.

The net carrying amount of the Group's current bank borrowings provides a reasonable approximation of their fair value.

2.3 Consolidation methods

The Group's subsidiaries, i.e. companies over which the Group exercises exclusive control, are fully consolidated. Exclusive control is defined as the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Exclusive control is presumed in the event of direct or indirect ownership of more than

50 per cent. of an entity's voting rights taking into account all the rights potentially exercisable at the balance sheet date by the Group or by any other party.

The Group's associates, i.e. entities over whose financial and operating policies the Group exercises significant influence not amounting to control, are accounted for using the equity method. The Group's investment is recognized in the balance sheet at historical cost adjusted for the Group's share of the profit or loss of the associate after the acquisition and net of any impairment losses. The Group's share of the net profit for the period is disclosed in the income statement on the line entitled "Share of net profit of associates".

All material intragroup transactions, including unrealized intragroup profit, are eliminated on consolidation.

At 31 December 2007 all RTE Group companies were fully consolidated.

At 31 December 2008 Arteria and RTE International were fully consolidated and HGRT was accounted for using the equity method.

The list of these companies is provided in note 32.

2.4 Foreign currency translation

2.4.1 Presentation currency and functional currency

The Group's financial statements are presented in euro which is also the functional currency of all the Group's entities. All financial data is rounded to the nearest thousand euros unless otherwise stated.

2.4.2 Translation of foreign currency transactions

As required by IAS 21, transactions denominated in foreign currencies are initially recognized in the functional currency of the entity involved using the exchange rates applicable at the transaction dates.

At the successive balance sheet dates, monetary assets and liabilities denominated in foreign currencies are translated using the foreign exchange rates applicable at the balance sheet dates and the resulting foreign exchange gains and losses are recognized in the income statement.

2.5 Related parties

Related parties are defined to include EDF SA and companies under the exclusive or joint control of EDF SA, companies over which EDF SA exercises significant influence and the members of the executive management bodies of RTE Group.

2.6 Revenue

The Group's revenue essentially comprises income from the transport of energy and from the provision of other services including the use of border interconnections.

The Group recognizes revenue when:

- The existence of a contract is certain,
- Delivery has taken place (or the provision of a service has been completed),
- The applicable price has been set or is capable of being determined, and
- Recovery of the associated receivable is probable.

Delivery is deemed to have been performed when the risks and rewards incidental to ownership have been transferred to the buyer.

Revenue for transactions only partially completed at the balance sheet date is accounted for using the stage of completion method.

2.7 Purchased consumption

The transactions involved in discharging the Group's responsibility for balancing the power system's energy production and consumption are accounted for under the "purchased consumption" account.

2.8 Income taxes

Income taxes comprise the current and deferred income tax expense (or income) calculated in accordance with the legislation applicable in the countries where the Group's results are subject to taxation.

Amounts are charged or credited to profit or loss, or directly to equity if they relate to items themselves recognized directly in equity.

Current tax expense (or income) is estimated for the period's taxable profit or loss based on the tax rates adopted at the balance sheet date.

Deferred tax represents the temporary differences between the carrying amounts of assets and liabilities and their values for tax purposes.

Deferred tax assets and liabilities are measured on the basis of the tax rates adopted at the balance sheet date and expected to apply at the time the assets are expected to be recovered or the liabilities settled.

Deferred tax is reviewed at each balance sheet date to take account in particular of any changes in the applicable legislation and the probability of recovery of deferred tax assets.

Deferred tax assets are only recognized to the extent that the Group expects to dispose, within the foreseeable future, of taxable profits against which to recover them (or else, to incur deferred tax liabilities with similar maturities).

RTE EDF Transport, Artéria and RTE International are consolidated for tax purposes by EDF Group. The applicable tax consolidation agreement specifies that those companies will be expected to bear the same amount of tax as they would have borne in the absence of any tax consolidation agreement.

2.9 Intangible assets

Intangible assets are measured at historical cost less amortization reflecting their useful lives.

They comprise software purchased or developed in-house. Amortization is charged on a straight-line basis over the assets' useful lives generally defined between 3 and 15 years.

The costs of acquisition of software licenses, or of in-house development, are capitalized as intangible assets based on the costs incurred to acquire and install the assets, including all the costs (such as payroll costs and other in-house or bought-in expenses) associated with the production of unique and identifiable software assets controlled by the Group and expected to produce economic benefits in excess of their cost and over a period in excess of one year.

Other research and development expenditure is written off as incurred because it does not meet the criteria for capitalization defined by IAS 38.

2.10 Property, plant and equipment

RTE Group possesses ownership and control over the assets it recognizes, the depreciable amounts of which equate with their gross amounts since the corresponding residual values are negligible. The Group applies the component approach described in IAS 16.

2.10.1 The public service concession applicable to the national electricity transmission network

RTE EDF Transport has legal responsibility for managing the national electricity transmission network and exercises its responsibility in the framework of the set of public service concession specifications enshrined in the amendment signed on 30 October 2008 to the agreement dated 27 November 1958. The assets required to perform the public service concession are by law the property of RTE EDF Transport.

In November 2006 IFRIC published IFRIC 12, "Service Concession Arrangements", which is still currently in the process of being approved by the European Commission.

The accounting treatment applicable under IFRIC 12 depends on which party exercises control over the service infrastructure and provision of services during the term of the service concession arrangement:

- If the grantor has control, the arrangement must be accounted for under IFRIC 12 and the infrastructure assets must be accounted for by the operator of the service concession as an intangible or financial asset;

- If the grantor does not have control, the arrangement is outside the scope of IFRIC 12 and the infrastructure assets must be accounted for in accordance with the other applicable IFRSs.

RTE Group has not opted for early application of this interpretation. However the Group believes, based on its analysis of the control exercised by the grantor of the public service concession (type of infrastructure, respective legal rights and obligations of the grantor and operator as provided for by the public service concession agreement, and pricing and other regulatory considerations), that this interpretation will in any event not have any impact on the Group's consolidated financial statements.

Within the present regulatory framework, RTE EDF Transport is the sole beneficiary of the public service concession of the French national electricity transmission network and the related infrastructure assets are by law the property of RTE EDF Transport.

RTE Group therefore considers that the grantor of the public service concession does not have control over the infrastructure within the meaning of IFRIC 12, and therefore accounts for the public-to-private service concession arrangements for which it is responsible in accordance with IAS 16, IAS 17, IAS 18, IAS 37, IFRS 6 and IFRIC 4.

2.10.2 Initial recognition

Property, plant and equipment are initially recognized at their cost of acquisition or production.

The cost of assets manufactured in-house comprises all payroll expenses, component and other costs involved in constructing assets, as well as expenditure incurred for reasons of safety as a result of legal or regulatory obligations implying operating sanctions if not complied with.

2.10.3 Basis of depreciation and useful lives

Property, plant and equipment are depreciated on a straight-line basis over their useful lives. Land is the sole tangible asset not subject to depreciation.

The estimated useful lives of the Group's principal assets are as follows:

- 45 years for power lines and cables,

- 40 years for transformers,

- 45 years for high voltage cells and buses and 15 years for low voltage cells and buses,

- 45 years for auxiliary equipment,

- 10 years for telecommunications and control equipment.

2.10.4 Subsequent expenditure

Subsequent expenditure is added to the carrying amount of assets or, if appropriate, recognized as a separate asset if it is probable that the future economic benefits associated with use of the asset will accrue to the Group and if the expenditure can be reliably measured. The carrying amount of items replaced is derecognized.

2.10.5 Maintenance and repairs – spare parts

The costs of maintenance and repairs are charged to profit or loss as incurred. Spare parts held for reasons of security are themselves treated as fixed assets and are depreciated over the same useful lives as the components they are intended to replace.

2.10.6 Borrowing costs

The borrowing costs associated with financing tangible and intangible fixed assets are charged to profit or loss as incurred.

2.11 Leases

The Group leases certain assets. The applicable leases are analyzed in terms of the criteria defined by IAS 17 in order to determine whether they should be accounted for as operating or finance leases.

2.11.1 Finance leases

Leases under which the Group assumes substantially all the risks and rewards incidental to ownership are accounted for as finance leases. Assets acquired under finance leases are measured at the lower of their fair value and the present value of the minimum lease payments, each determined at the inception of the lease, less accumulated depreciation and less any impairment losses.

Leases meeting the definition of finance leases, but the restatement of which would not have any material impact on the Group's net assets, financial position or financial performance, are accounted for as operating leases.

For this reason, at 31 December 2008, the balance sheet of RTE Group did not include any assets held under finance leases.

2.11.2 Operating leases

Operating leases are defined as all leases not meeting the definition of a finance lease. The payments due under operating leases (net of any benefits granted by the lessor) are charged to profit or loss on a straight-line basis over the applicable lease terms.

2.11.3 Arrangements containing leases

As required by IFRIC 4, the Group analyses any arrangements to which it is a party and which, while not taking the legal form of a lease, transfer the right to use an asset or group of specific assets to the purchaser (lessee) in circumstances such that the purchaser (lessee) derives material benefit from use of the asset while payments under the arrangement are not dependent on the extent of that use or on a market price.

No such arrangement subject to the provisions of IFRIC 4 has been identified.

2.12 Impairment of intangible assets and property, plant and equipment

At each balance sheet date, the Group assesses whether any indications exist that assets have been materially impaired and, if any such indications exist, performs impairment testing on an overall basis in accordance with the following criteria:

- Any impairment of the Group's non-current assets taken as a whole is assessed by comparing their carrying amount with their recoverable amount generally defined as their value in use calculated on a discounted cash flow basis;

- The discount rate applied for this purpose reflects the weighted average cost of the capital financing those assets as a whole;

- The future cash flows which are discounted are those contained in the Group's five year plan. The following are the key variables liable to have a material impact on the calculations:

    - Changes in pricing regulations and market pricing,

    - Changes in interest rates and market premiums,

- Levels of capital investment,
- Assets' useful lives and the expectation of renewal of the service concession,
- The growth rates assumed beyond the horizon of the medium term plan.

Assets with indefinite useful lives are not depreciated but are instead subject to systematic annual impairment testing. RTE Group's only assets with indefinite useful lives are its landholdings.

At 31 December 2008 and 2007, no impairment losses had been recognized by RTE Group in respect of its intangible assets or property, plant and equipment.

2.13 Financial assets and liabilities

Financial assets comprise non-consolidated investments, loans and receivables and derivatives with positive fair values.

Financial liabilities comprise borrowings and other liabilities (including short-term bank borrowings) and derivatives with negative fair values.

Financial assets and liabilities are classified as current or non-current items depending on whether their dates of recovery or settlement are within or in excess of one year (with the exception of trading derivatives which are systematically classified as current items).

Operating receivables and payables, as well as cash and cash equivalents, are also within the scope of IAS 39 and are separately disclosed in the balance sheet.

2.13.1 Classification and measurement of financial assets and liabilities

The asset categories defined by IAS 39 and IFRS 7 and adopted by RTE Group are as follows:

- Financial assets measured at fair value through profit or loss,
- Financial assets held to maturity (but note that no such assets had been identified at 31 December 2008),
- Loans and receivables, and
- Available-for-sale financial assets.

Financial assets are initially recognized at fair value and are subsequently accounted for differently according to their nature.

2.13.1.1 Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are those so designated upon initial recognition either because they have been acquired mainly for the purpose of resale in the near term, or because they are derivatives not qualified as effective hedging instruments.

Such assets are initially recognized at their acquisition cost and are subsequently measured at their fair value at each successive balance sheet date, with any changes in their fair value recognized in profit or loss as part of "Other financial income and expense".

2.13.1.2 Loans and receivables

Loans and receivables are measured at amortized cost less any impairment losses. Their fair value generally coincides with the nominal amount recoverable. Interest calculated at the assets' effective interest rates is also recognized in profit or loss as part of "Other financial income and expense".

2.13.1.3 Available-for-sale financial assets

Available-for-sale financial assets comprise non-consolidated investments including mutual funds and negotiable debt securities. They are measured at their fair value at each balance sheet date with any changes in fair value recognized directly in equity. Fair value is assessed on the basis of the market value for securities quoted in an active market but otherwise, by applying other commonly used methods such as discounted cash flow techniques. Where fair value cannot be reliably assessed on the basis of some other such method, items are measured at their cost of acquisition less any cumulative impairment losses.

In the case of available-for-sale financial assets comprising debt securities, the associated interest calculated on the basis of the effective interest rate is recognized in profit or loss as part of "Other financial income and expense".

2.13.1.4 Financial liabilities

Financial liabilities are measured at amortized cost subject to separate recognition of any embedded derivatives. Any associated interest is calculated at the effective interest rate and recognized as part of the "Cost of gross borrowings" over the associated terms. The fair value of these liabilities equates with the market value for the Group's 2006 bond issue (as well as for the related increases made in April and August 2008) and with a discounted cash flow approach for other liabilities. More information in respect of the fair value of financial liabilities is provided in note 24.2.5.

2.13.1.5 Derivative financial instruments

2.13.1.5.1 Scope

The scope of the derivative financial instruments identified by the Group has been defined in accordance with the provisions of IAS 39.

In particular, forward purchase contracts providing for physical delivery have been considered as excluded from the scope of IAS 39 inasmuch as such contracts may be considered as part of the Group's normal activity given that:

- Physical delivery takes place systematically,
- The volumes purchased under such contracts equate with the Group's operating requirements.

Such contracts do not require qualification as options within the definition of the standard since, in the particular case of electricity purchases, in substance the applicable contracts amount to firm forward purchases or to the purchase of generating capacity.

To date, all the Group's contracts for forward purchases of energy have been considered as part of the Group's normal activity.

As required by IAS 39, the Group analyses all its contracts (whether financial or non-financial in nature) in order to identify any embedded derivatives defined as any components of a hybrid (combined) instrument that vary in a way similar to a stand-alone derivative. If the conditions provided for by the standard are met, the embedded derivative must be separately accounted for with effect from the date of effect of the host contract.

2.13.1.5.2 Valuation and recognition

Derivative financial instruments are measured at fair value based on quoted prices and other independent market data. The Group may also refer to recent comparable transactions or use other recognized pricing models integrating observable data such as the prices quoted for private arrangements.

Changes in the fair value of derivatives are recognized in the income statement except in the case of derivatives designated as cash flow hedges.

2.13.1.5.3 Derivative financial instruments used for purposes of hedging

RTE Group uses derivative instruments as a means of hedging its exposure to foreign currency risk and interest rate risk. The criteria applied by the Group in recognizing hedging instruments are those provided for by IAS 39, namely that:

- The hedging instrument must act as a hedge of the exposure to changes in fair value or in cash flows attributable to the hedged risk and the hedge's effectiveness (measured as the responsiveness of changes in the value of the hedge to changes in the value of the hedged item or future transaction) must be within the range of 80 per cent. to 125 per cent.;

- In the case of cash flow hedges, the occurrence of the future transaction covered by the hedge must be highly probable, the hedge's effectiveness must be capable of being reliably assessed and the hedging transaction must be adequately documented from the outset.

During 2007, the only hedges documented by RTE Group were cash flow hedges.

During 2008, the Group did not use any hedging instruments.

2.13.2 Impairment of financial assets

At each balance sheet date, the Group assesses whether any objective indications exist as to the impairment of its assets and if so, the Group estimates the assets' recoverable amounts and recognizes any impairment losses in accordance with the classification of the assets concerned.

2.13.2.1 Financial assets measured at amortized cost

The amount of any impairment loss is equal to the difference between the asset's carrying amount and the present value of the future cash flows expected from the asset discounted using the asset's original effective interest rate. The amount of the loss is recognized in the income statement as part of "Other financial expense". If, during a subsequent accounting period, the amount of loss decreases, the excess amount may be reversed via profit or loss.

The Group has recognized no such impairment loss during the accounting periods presented in the current year's financial statements.

2.13.2.2 Available-for-sale financial assets

In the event of a material and lasting fall in the fair value of an available-for-sale financial asset, the unrealized loss previously recognized directly in equity is removed from equity and recognized in profit or loss. If, during a subsequent accounting period, the fair value increases, the increase is recognized in equity in the case of an equity instrument whereas in the case of a debt instrument, the impairment loss previously recognized is reversed in profit or loss.

The Group has recognized no such impairment losses during the accounting periods presented in the current year's financial statements.

2.13.3 Derecognition of financial assets and liabilities

The Group derecognizes all or part:

- Of a financial asset whenever the contractual rights comprising the asset expire, or when the Group has transferred substantially all the risks incidental to ownership of the asset;

- Of a financial liability whenever the liability is extinguished by means of cancellation of the associated obligation or by reaching maturity.

2.14 Inventories

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

The Group's inventories, essentially comprising technical equipment, are measured at purchase cost (on a weighted average basis) including the incidental expenses of purchase but excluding borrowing costs.

Impairment losses are recognized as required to cover the risks of deterioration or non-utilization of equipment as a result of:

- Technical obsolescence,
- Future destruction or scrapping.

Impairment losses are calculated item per item based on the following indications of impairment:

- Technically obsolete items which will no longer be used;
- Items for which the quantity in inventory, estimated in terms of years of consumption, exceeds certain limits considered to be definitive in terms of the risk of non-utilization of the equipment;
- Equipment sent for repair.

2.15 Trade and similar receivables

Trade and similar receivables are initially recognized for their nominal amounts (which equate with the fair value of the consideration receivable) and are subsequently measured at amortized cost. Impairment losses are recognized whenever their recoverable amount, assessed on an item by item basis, falls below their carrying amount.

Accrued income is also recognized within this caption.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise the Group's immediately available liquidities as well as very short-term investments (with maturities generally not exceeding three months when acquired) subject to a negligible risk of changes in value.

Cash equivalents as just defined are measured at fair value with changes in fair value recognized in profit or loss as "Income from cash and cash equivalents".

2.17 Equity – financial instrument fair value revaluation reserve

The financial instrument fair value revaluation reserve reflects the fair value adjustments made to available-for-sale financial assets and to certain hedging instruments.

2.18 Provisions

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

- The Group has a present (legal or constructive) obligation towards a third party as the result of a past event which occurred during the accounting period;
- It is probable that an outflow of economic resources will be required in order to extinguish the obligation; and
- The amount of the obligation can be reliably estimated.

Provisions are measured on the basis of the costs anticipated by the Group in order to extinguish the associated obligations. The estimates required are based on management data provided by the Group's information systems, on the assumptions made by the Group and which may reflect experience of similar transactions, and in certain cases, on the reports of independent experts or on quotations provided by suppliers. All such estimates are reviewed at each balance sheet date.

When total or partial reimbursement of expenditure provided for is expected, the reimbursement is recognized as a receivable if, and only if, the Group is virtually certain of receiving it.

2.19 Employee benefits

Group employees are eligible for benefits both during and after their period of employment (under the specific provisions applicable to the French gas and electricity industries).

2.19.1 Post-employment benefits

When they retire, Group employees receive pensions based on the regulations applicable to the French gas and electricity industries.

The associated obligations of RTE Group are described in note 23.2.2.

2.19.2 Other long-term benefits

The other benefits applicable to active employees are also based on the regulations applicable to the French gas and electricity industries. They are described in note 23.2.2.

2.19.3 Basis of calculation and recognition of employee benefit obligations

The Group's obligations under defined benefit plans are estimated on an actuarial basis using the projected unit credits method under which the entitlement acquired by employees at the balance sheet date is calculated based on the prevailing economic conditions and on the expected trend in salaries.

In the case of pensions and other post-employment benefits, this method thus takes account in particular of the following data:

- Salary levels at retirement age reflecting employees' length of service and career paths as well as the expected trend in pension cover;
- Retirement age reflecting such applicable factors as length of service and number of children;
- The number of retired employees allowing for staff turnover and mortality;
- Survivors' pensions reflecting both the respective mortality of employees and their spouses and the frequency of marriage observed for the population of employees of the French gas and electricity industries as a whole;
- A discount rate (5.75 per cent. at 31 December 2008 and 5 per cent. at 31 December 2007).

The recognized sum is adjusted to take account of the value of any associated plan assets.

Any actuarial gains and losses exceeding 10 per cent. of the higher of the post-employment benefit obligations and the associated plan assets are recognized in profit or loss over the average residual working lives of the applicable employees.

Provisions for other long-term benefits are recognized using a simplified basis of measurement. In particular, if use of the projected unit credits method is required, any actuarial gains and losses (without use of the corridor method previously described) as well as the full amount of past service cost are immediately recognized within the amount of the balance sheet provision.

The total expense recognized in respect of employee benefits reflects:

- The cost of acquisition of additional entitlement as well as any cost of financial reassessment of the previously existing entitlement;
- The anticipated return from plan assets;
- The income or expense associated with the amortization of actuarial gains or losses;
- The income or expense associated with the modification of existing benefits or the institution of new benefits.

2.20 Share-based payment

Article 11 of the 1986 privatization law and article 26 of law no. 2004-803 dated 9August 2004 provide that in the event of the sale on the stock market of state-owned assets, shares must be reserved for the benefit of employees and former employees of EDF SA and certain of its subsidiaries including RTE EDF Transport.

EDF Group may implement plans for the allocation of free shares to its employees. Such benefits are accounted for as additional compensation which, for the portion relating to RTE Group employees, is recognized (in accordance with IFRS 2) as an expense in the income statement by crediting equity in proportion to the acquisition of entitlement by employees. The expense thus recognized equates with the fair value of the benefits granted.

2.21 Investment grants

Investment grants received by Group companies are recognized in the balance sheet as "Other creditors" and credited to profit or loss in proportion to the rate of consumption of the economic benefits derived from the corresponding assets.

2.22 Environmental expenditure

Environmental expenditure is defined as the additional identifiable expenditure made with a view to preventing, reducing or repairing actual or potential damage to the environment by the Group as a result of its activities. Such expenditure is recognized in two ways:

- Expenditure capitalized on the basis that it has been made in order to prevent or reduce future damage or in order to preserve resources;

- Expenditure written off as incurred, namely the operating expenses of the functions responsible for environmental matters, for monitoring the environment, providing training and improving skills, as well as environmental taxes and the costs of processing waste.

NOTE 3 - SIGNIFICANT EVENTS AND TRANSACTIONS OF 2008 AND 2007

3.1 Signature of the amendment to the public service concession agreement

The amendment to the public service concession agreement dated 27 November 1958, formally granting RTE EDF Transport the right to operate the French national electricity transmission network, was signed on 30 October 2008.

Under this amendment the French government has, within the framework of a set of specifications in line with the standard specifications approved by decree n° 2006-1731 dated 23 December 2006, granted RTE EDF Transport the public service contract for the operation, maintenance and development of the French national electricity transmission network until 31 December 2051. The concession holder must submit a request for the renewal of the contract to the Minister for Energy at least five years prior to the contract's date of expiry.

3.2 Reform of the pension arrangements for the French gas and electricity industries

3.2.1 Presentation of the reform

The decree governing the special pension arrangements for employees of the French gas and electricity industries (FIEG), published in the Official Gazette dated 22 January 2008, has provided (in line with the policy guidelines dated 10 October 2007) an initial set of modifications to the special pension arrangements for FIEG employees.

The decree provides in particular for:

- An increase in the contribution period required to provide the right to a full pension. The period rises to 40 years in 2012 and will subsequently be adjusted in line with the regime applicable to state civil servants;

- Implementation of a system of pension penalties and bonuses, namely the application of a reduced pension to employees with insufficient contribution periods and, subject to certain conditions, of an increased pension to employees whose contribution periods extend beyond the age of 60 and 160 quarterly contribution periods;

- Pensions to be indexed, with effect from 1 January 2009, on inflation rather than on national basic salary.

The decree took effect on 1 July 2008 and is complemented by the decrees dated 27 June 2008 and 2 July 2008 which, amongst other things, introduce a minimum pension, define family and marital benefits, set the retirement age limit at 65 years and remove, in certain circumstances, the minimum contribution period of 15 years required, prior to the reform, to benefit from an FIEG pension. These two decrees have modified the employment status of FIEG employees.

Within the framework of this reform, and once again in line with the principles defined by the policy document, a collective bargaining agreement for FIEG employees was signed on 1 January 2008 and provides for the following main measures:

- Measures in respect of employees' remuneration: an increase of 4.31 per cent. in the basic national salary with effect from 1 January 2008, applicable both to current and retired employees, accompanied in the case of current employees by the elimination of the 2.85 per cent. *Prime de Compensation de la Cotisation Retraite* (a bonus designed to assist employees in funding their post-employment benefit contributions) as well as by a revised salary scale incorporating improved entry levels for operatives;

- Initial measures to reflect the lengthening of working lives, such as the creation of additional long-service periods or the modification of the payment scale for lump-sum post-employment benefits.

During the second half of 2008, and as provided for in the policy document, negotiations continued in respect of certain accompanying measures. In particular, collective bargaining agreements were finalized in respect of provident benefits and the introduction of a complementary retirement plan for those employees benefiting from the statutory FIEG régime. The agreements take effect on 1 January 2009 and do not involve any additional cost to the Group.

Other agreements remain under discussion; they mainly relate to specific activities or to additional healthcare benefits. They are to be finalized in 2009; any financial consequences will be recognized at the time the agreements are signed.

3.2.2 Accounting treatment

The applicable accounting treatment has been defined on the following bases:

- The texts underlying the post-employment benefits reform, and the accompanying measures already decided, comprise a coherent whole. In accordance with IAS 19, "Employee Benefits", their impact on the Group's obligations must therefore be accounted for as a single plan modification whether affecting post-employment or other long-term employee benefits including those for which the impact of the measures is only indirect;

- The effective date for all measures has been set at 1 January 2008.

The impacts on post-employment benefits of the reform and its accompanying measures have been recognized in the income statement:

- In totality, and with effect from 1 January 2008 in respect of the past service cost for vested rights;

- By amortization over the remaining vesting period in the case of the benefit obligation for as yet unvested rights;

- Based on service costs of the period in the case of new rights accruing with effect from the date of the reform.

The impacts on other long-term benefits indirectly arising as a result of the accompanying measures have been recognized as a direct charge to profit or loss of the period.

3.2.3 Overall income statement impact of the post-employment benefits reform and accompanying measures

The new appraisals of the post-employment and similar benefit obligations of FIEG employers at 1 January 2008 were prepared by the *Caisse Nationale des Industries Electriques et Gazières* (the applicable French retirement benefit institution).

The RTE Group has assumed that FIEG employees would continue working as long as required in order to qualify for their full pension rights, but would not continue working beyond the new 40 year contribution period in order to benefit from an eventual premium.

Employees' actual practices may thus have an additional impact on the financial statements to the extent that they differ from the above assumptions.

- Impact on post-employment benefit obligations at 1 January 2008

The specific rights vested prior to 1 January 2005, including those arising as a result of the reform and accompanying measures, are in principle funded by a specific price adjustment known as the *Contribution Tarifaire d'Acheminement*

(CTA). An exception arises in the case of the impact of the creation of two additional long-service categories which may be regarded as a surcharge (as defined by section 18 of the law dated 9 August 2004) to be borne by the companies concerned. The Group has recognized a provision of €35 million in this respect which it has charged to "Other operating income and expense".

The service cost for the specific rights accruing with effect from 1 January 2008 is recognized as an annual charge to personnel expenses.

- Impact on other employee benefit obligations at 31 December 2008

The post-employment benefit reform and accompanying measures have increased the Group's 2008 costs.

The elimination of the *Prime de Compensation de la Cotisation Retraite* has been compensated for in part by the payment of a special bonus to each employee that has generated an expense of €6 million for the Group charged to "Other operating income and expense".

The various measures accompanying the reform have also generated a recurrent increase of €6 million in personnel expenses (essentially salary increases) with effect from 2008.

The overall income statement impact for 2008 of the post-employment benefit reform and accompanying measures may be summarized as follows:

(in millions of euros)	
Impact on personnel expenses	(6)
Impact on gross operating margin	**(6)**
Specific rights vesting with effect from 01.01.2005	37
Past service cost surcharge	(35)
Special bonus	(6)
Impact on other operating income and expense	**(4)**
Income statement impact for 2008	**(10)**

3.3 Developments in the SNCF dispute

A contract signed on 22 December 1999 between SNCF and EDF authorized EDF to use the high tension electric network belonging to SNCF subject to the payment of an annual charge of €21.5 million.

In 2001, RTE as a department of EDF entered into a new electricity supply contract with *Réseau Ferré de France* on the basis that the prior contract with SNCF was no longer applicable. With effect from 1 January 2002 RTE made a new estimate of the charge payable and paid a total amount of €3.1 million, inclusive of VAT, per year. SNCF contested this decision and initiated proceedings before the Paris Administrative Court.

By its decision dated 4 July 2008 the Administrative Court concurred with the merits of SNCF's petition and ordered RTE EDF Transport to pay €153.2 million inclusive of VAT (i.e. €128.1 million net of VAT) plus interest at the rates legally applicable for the period from 1 January 2002 to 30 June 2008.

RTE EDF Transport decided to appeal against the decision and requested that its execution be suspended, but as the suspension was not automatic and SNCF had mandated a bailiff to implement collection proceedings which would lead to RTE's bank accounts being seized, the latter paid the requested amount.

At 31 December 2007 RTE EDF Transport had recognized a provision of €26.5 million in respect of this dispute. The impact of the dispute on the income statement for 2008 may be summarized as follows:

- A charge of €101.6 million has been made to other operating income and expense;

- An additional €8.1 million charge has been made to other operating income and expense in respect of use of the SNCF's network for the 2nd half of 2008;

- Interest for late payment of €14.7 million has been charged to other financial income and expense.

3.4 New subsidiaries and associates

The Group has made the following investments in new subsidiaries and associates:

- Creation of SAS INELFE (*INterconnexion ELectrique France Espagne*) in which RTE holds an interest of €1 million (50 per cent. of the share capital) and the purpose of which is to build a 400kV line over the Pyrenees;

- Creation of SA CORESO, a Belgian company in which RTE EDF Transport holds an interest of €0.5 million (50 per cent. of the share capital) and the purpose of which is to coordinate the operation of the electrical networks linking France, Germany and Benelux;

- Creation of SA CASC CWE, a Luxemburg company, by the electricity grid managers of Central and Western Europe. RTE EDF Transport holds an interest of €5 thousand (14.2 per cent. of the share capital). The purpose of the company is to manage bids for the exchange of electricity across borders within Central and Western Europe;

- Creation of DECLARANET in which RTE EDF Transport holds an interest of €144 thousand (12 per cent. of the share capital). The purpose of the company is to contribute to safeguarding persons, infrastructure and other assets during the performance of engineering work.

3.5 Increase of HGRT's investment in POWERNEXT

HGRT's investment in POWERNEXT amounted to €34 million at 31 December 2008.

3.6 Financing transactions of the period

RTE EDF Transport twice increased its bond issue during 2008:

- On 22 April 2008, by a nominal amount of €1.25 billion and at a nominal interest rate of 4.875 per cent. for a period of 7 years;

- On 28 August 2008, by a nominal amount of €1 billion and at a nominal interest rate of 5.125 per cent. for a period of 10 years.

Both these increases were designed to refinance part of RTE EDF Transport's other borrowings.

3.7 Distribution of a dividend

At their meeting of 11 June 2008 the shareholders decided to distribute a dividend of €232.5 million.

3.8 Tax inspection

A tax inspection of RTE EDF Transport covering 2005, 2006 and 2007 is underway. At the end of 2008, the company received an additional tax assessment reflecting a taxable amount of €60 million. RTE EDF Transport contests the merits of this assessment.

3.9 Significant events and transactions of 2007

RTE Group prepared its first consolidated financial statements at 31 December 2007. The Group comprised RTE EDF Transport (the parent) and three subsidiaries (Artéria, RTE International and HGRT).

At the AGM held on 22 June 2007, the shareholders authorized the payment of a dividend of €258.6 million.

On 30 August 2007, EDF's board of directors adopted a plan for allocation of free shares, known as the ACT 2007, for the benefit of all EDF Group employees. The plan is subject to attendance conditions for employees and of performance of the Group (namely an average increase of at least 3 per cent. per annum in Group EBITDA during the period 2006-2008). The plan extends to 2.9 million shares i.e. 0.16 per cent. of EDF's share capital. The estimated gross cost of the plan amounts to €215 million of which about €15 million for RTE EDF Transport to be rebilled to the company by EDF SA in September 2009.

At their extraordinary general meeting dated 7 December 2007 the shareholders of HGRT decided to increase the company's share capital by €31 million to a total amount of €33.1 million of which RTE EDF Transport holds 51 per cent. i.e. €16.9 million.

As provided for by the last paragraph of article 11 of law no. 86-912 dated 6 August 1986 and by article 26 of law no. 2004-803 dated 9 August 2004, the French State decided to offer the employees and former employees of EDF and certain of its subsidiaries in France (including RTE EDF Transport) and abroad preferential conditions for the acquisition of 15 per cent. of the total number of existing shares placed on the market, namely 0.4 per cent. of the company's share capital. The timing and other practical matters were defined with a view to implementation in 2008.

RTE International, a consolidated subsidiary of RTE EDF Transport, ended its 1st accounting period on 31 December 2007.

NOTE 4 - CHANGES IN CONSOLIDATION SCOPE

The only change in consolidation scope during 2008 has been the change in the method of consolidation of HGRT of which the Group holds 51 per cent. of the share capital. With effect from 1 January 2008 this investment is accounted for using the equity method given the significant influence exercised over the company's governance by RTE EDF Transport.

NOTE 5 - SEGMENT REPORTING

Segment information is designed to reflect the different levels of exposure to risk, and profitability, to which the Group may be subject.

Given Group RTE's unique activity (the transport of electricity) and its current structure, the Group has not identified any separate business and/or geographical segments as defined by IAS 14, "Segment reporting".

This is because the Group believes that no primary or secondary reporting segment would provide more relevant information in respect of its operations than its financial statements taken as a whole. The risks and profitability associated with the Group's activity must be interpreted as a whole at the level of the current Group. All the Group's assets are located in France and all its operating results arise in France.

NOTE 6 - REVENUE

The main components of the Group's revenue are as follows:

(in thousands of euro)	**2008**	**2007**
Access to the system by distributors	2,961,379	2,895,616
Access to the system by other users	748,574	751,885
Interconnections	382,529	388,345
Other services	128,816	90,118
Revenue	**4,221,298**	**4,125,964**

In 2008, RTE Group achieved revenue of €4,221 million, an increase of €95 million (+2.3 per cent.) over the previous year reflecting the following factors:

- Revenue for access to the grid increased by €62.5 million to €3,710 million;
- Market-driven interconnection revenue fell by €5.8 million to €383 million;
- Revenue for miscellaneous services increased by €38.6 million.

NOTE 7 - ENERGY PURCHASES

(in thousands of euro)	**2008**	**2007**
Energy purchases	(674,216)	(559,747)

The energy purchases subject to tender and designed to compensate for grid losses increased by €112 million over 2007 and thus explain the major part of the total change of €114 million. The increase in amount essentially reflects the higher prices prevailing for electricity.

NOTE 8 - OTHER EXTERNAL EXPENSES

Other external expenses comprise the following items:

(in thousands of euro)	**2008**	**2007**
External services	(595,061)	(542,660)
Other purchases (excluding external services and energy)	(133,915)	(151,491)
System services (excluding energy purchases)	(387,357)	(378,386)
Production capitalized	139,239	150,644
(Charges to) and reversals of associated provisions	-	(26,500)
Other external expenses	**(977,094)**	**(948,392)**

The figure for other purchases includes €(3.7) million of changes in inventories.

NOTE 9 - CONTINGENT ASSETS AND LIABILITIES

At 31 December 2008 the Group had provided and received undertakings with the following maturities:

(in thousands of euro)	**Total**	**Maturity**		
		< 1 year	**1 to 5 years**	**> 5 years**
Performance and tender guarantees	**556**	556		
Operating commitments for purchases (*)	**1,742,870**	961,402	737,886	43,582
Commitments for fixed asset purchases	**600,407**	412,420	187,830	157
Other operating commitments	**5,715**	426	5,264	25
Operating commitments provided	**2,349,548**	**1,374,804**	**930,980**	**43,764**
Operating commitments received	**340,850**	**292,429**	**40,821**	**7,600**

(*) Including energy

NOTE 10 - PERSONNEL EXPENSES

10.1 Personnel expenses

Personnel expenses comprise the following items:

(in thousands of euro)	**2008**	**2007**
Compensation	(434,850)	(403,132)
Social security contributions	(201,287)	(187,304)
Profit-sharing	(27,462)	(25,956)
Non-monetary benefits	(947)	(4,864)
Share allocations	(6,812)	(2,271)
Miscellaneous related expenses	(546)	219
Total short-term benefits	**(671,904)**	**(623,308)**
Costs of defined contribution plans	38,274	36,858
Costs of defined benefit plans	(42,059)	(54,283)
Total post-employment benefits	**(3,785)**	**(17,425)**
Other long-term benefits	(1,346)	1,409
Other personnel expenses	**(1,346)**	**1,409**
PERSONNEL EXPENSES	**(677,035)**	**(639,324)**

10.2 Plan for allocation of free shares

Within the framework of the authorization provided by EDF SA's shareholders at their combined general meeting of 24 May 2007, at its meeting of 30 August 2007 the board of directors of EDF SA set up a plan for the allocation of free shares for the benefit of employees of EDF SA and certain of its subsidiaries including RTE EDF Transport.

The shares of EDF SA to be remitted by EDF SA to the employees concerned, upon expiry of the period of acquisition and subject to certain conditions of presence and performance, will be existing shares.

The shares will be delivered on 31 August 2009 to those employees who, continuously throughout the period of acquisition (subject to certain specified exceptions), will have held a contract of employment (or are a corporate officer or director) with one of the entities included in the plan assuming the performance condition has been met. This condition requires that, during the period 2006-2008, EDF Group meets its objective of average annual growth in EBITDA of at least 3 per cent..

The initial cost of the plan has been measured on the basis of the share price on the first day of the plan and will not be subsequently modified. The cost has been adjusted to reflect the degree of probability of certain of the plan conditions not being met.

The applicable cost of the plan will be rebilled to RTE EDF Transport by EDF SA over the term of the plan. 187,912 shares were attributed to RTE EDF Transport employees at 31 December 2007 and the cost of the entitlement acquired at 31 December 2008 amounts to €6.8 million.

10.3 Share allocation reserved for the benefit of employees

On 3 December 2007 the French government sold 2.5 per cent. of the share capital of EDF SA to French and international institutional investors.

As required by section 11 of the law dated 6 August 1986 and section 26 of the law dated 9 August 2004 in the event of a sale of securities by the state, a share allocation on preferential terms was then proposed to the employees and past employees of EDF and of certain of its subsidiaries in France (including RTE EDF Transport) and abroad. The proposal covered 8

million existing shares representing 15 per cent. of the total number of shares sold, i.e. 0.4 per cent. of the company's share capital, and comprised two separate offers including as benefits free shares, deferred payment facilities and, for one of the offers, a financial contribution from the employer.

The subscription price was fixed at 66 euros per share. Shares were delivered on 30 October 2008. The offer generated additional personnel expense (for RTE EDF Transport's financial contribution) of €4.3 million for 2008.

10.4 Average workforce

	2008			2007		
	Statutory	Non-statutory	Total	Statutory	Non-statutory	Total
Managers	3,422	36	3,458	3,326	36	3,362
Supervisors and technicians	4,686	216	4,902	4,741	154	4,895
Average workforce	**8,108**	**252**	**8,360**	**8,067**	**190**	**8,257**

Average employees are presented on a full-time equivalent basis.

NOTE 11 - TAXES OTHER THAN INCOME TAXES

(in thousands of euro)	**2008**	**2007**
Taxes other than income taxes	(391,498)	(405,821)

Taxes (excluding corporate income tax) have decreased by €14 million or 3.5 per cent. essentially reflecting:

- An increase of €7 million in the rate of tax on pylons,
- A decrease of €23 million in local rates reflecting local authority rate capping related to the level of added value generated by the enterprise.

NOTE 12 - OTHER OPERATING INCOME AND EXPENSE

Other operating income and expense may be broken down as follows:

(in thousands of euro)	**2008**	**2007**
Net gains/(losses) on disposal of fixed assets	(28,120)	(13,703)
Net current asset impairment (losses)/gains	(11,012)	12,098
Net (charges to)/reversals of provisions	10,703	3,283
Other income and expenses	(124,371)	14,012
Other operating income and expense	**(152,801)**	**15,690**

Other operating income and expense amounted to a net expense of €153 million in 2008 compared with net income of €16 million in 2007. The change of €(168.4) million mainly reflects:

- The €(109.7) million impact of payment of the amount awarded by the Paris Administrative Court in the dispute opposing RTE EDF Transport and SNCF;
- An increase of €15 million in the net cost of fixed asset disposals (by demolition, scrapping and sale);
- An increase of €23 million in impairment losses for inventories and trade receivables.

NOTE 13 - FINANCIAL INCOME AND EXPENSE

13.1 Cost of gross indebtedness

(in thousands of euro)	**2008**	**2007**
Cost of gross indebtedness	(378,362)	(342,232)

The cost of gross indebtedness in particular comprises interest on:

- The bond issue (€98.3 million),
- The financial indebtedness towards EDF SA (€253.6 million).

13.2 Interest cost for discounted liabilities

(in thousands of euro)	**2008**	**2007**
Provisions for post-employment and other long-term employee benefits	(23,897)	(20,166)
Other provisions		
Interest cost for discounted liabilities	**(23,897)**	**(20,166)**

The interest cost for discounted liabilities relates exclusively to the provisions for post-employment and other long-term employee benefits. It amounted to €23.9 million at 31 December 2008.

13.3 Other financial income and expense

Other financial income and expense comprises the following items:

(in thousands of euro)	**2008**	**2007**
Income from cash, cash equivalents and available-for-sale financial assets	76,785	37,670
Income from other financial assets	6,352	553
Other financial expense	(0)	(3)
Foreign exchange losses for miscellaneous financial items	(2,256)	(771)
Return on benefit plan assets	2,627	2,587
Other financial income and expense	**83,508**	**40,037**

NOTE 14 - INCOME TAX

14.1 Breakdown of the income tax charge

The income tax charge may be broken down as follows:

(in thousands of euro)	**2008**	**2007**
Current tax	(184 959)	(228 094)
Deferred tax	25 014	(16 068)
Total	**(159 945)**	**(244 161)**

14.2 Reconciliation of the theoretical and effective tax charges

(in thousands of euro)	**2008**	**2007**
Consolidated profit before tax	**451,607**	**710,175**
Tax rate in force	**34.43%**	**34.43%**
Theoretical tax charge	**155,488**	**244,513**
Differences in tax rates	(25)	(28)
Permanent differences	5,695	233
Additional taxes	(3,174)	(1,593)
Employee shareholdings	2,345	782
Other items	(384)	254
Effective tax charge	**159,945**	**244,161**
Effective tax rate	**35.42%**	**34.38%**

14.3 Breakdown of deferred tax

(in thousands of euro)	**2008**	**2007**
Deferred tax assets		
Tax-driven depreciation	4,090	3,489
Financial instruments	3,029	3,492
Non-deductible provisions	186,973	157,832
Net total deferred tax assets	**194,092**	**164,812**
Deferred tax liabilities		
Tax-driven depreciation	(299,402)	(294,692)
Other taxable temporary differences	(66,778)	(70,467)
Total deferred tax liabilities	**(366,181)**	**(365,159)**
Net deferred tax liabilities	**(172,089)**	**(200,347)**

The miscellaneous non-deductible provisions essentially comprise provisions for post-employment and other long-term employee benefits as well as private grants received from third parties.

The other taxable temporary differences essentially comprise tax-driven provisions with the exception of tax-driven depreciation of tangible fixed assets.

NOTE 15 - INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The gross amounts and amortization and depreciation of intangible assets and property, plant and equipment may be broken down as follows:

15.1 At 31 December 2008

(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**

(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**

The increases include both acquisitions and reclassifications. The decreases include both disposals (including scrapping) and reclassifications.

RTE EDF Transport's capital expenditure for 2008 essentially reflects the increase in:

- Tangible fixed assets under construction (€866 million) less the associated payments in advance and on account (€44 million) and the impact of reclassifications (€27 million);

- Intangible assets under development (€40 million).

The intangible assets uniquely comprise purchased and/or internally developed software, for which the expenditure capitalized in 2007 and 2008 amounted respectively to €11.9 million and €12.5 million.

At 31 December 2008 RTE Group had not recognized any impairment losses against its intangible assets or property, plant and equipment.

15.2 At 31 December 2007

(in thousands of euro)	**12.31.2006**	**Increases**	**Decreases**	**12.31.2007**
Intangible assets under development	84,031	49,951	(93,278)	40,704
Other intangible assets	279,595	93,383	(218)	372,760
Gross amounts	**363,626**	**143,334**	**(93,496)**	**413,464**
Cumulative amortization	(190,760)	(28,360)	80	(219,041)
Net amounts	**172,866**	**114,973**	**(93,416)**	**194,423**

(in thousands of euro)	**12.31.2006**	**Increases**	**Decreases**	**12.31.2007**
Land	122,815	2,953	(2,082)	123,687
Buildings	1,647,760	51,749	(12,297)	1,687,213
Infrastructure assets	16,865,824	588,239	(101,174)	17,352,889
Other plant, equipment and tooling	734,667	39,470	(44,901)	729,236
Other tangible fixed assets	288,212	13,621	(18,216)	283,617
Tangible fixed assets under construction	440,739	731,351	(675,279)	496,811
Gross amounts	**20,100,018**	**1,427,382**	**(853,948)**	**20,673,452**
Land improvements	(35,873)	(6,017)	706	(41,184)
Buildings	(793,713)	(49,993)	5,320	(838,386)
Infrastructure assets	(7,581,914)	(427,438)	71,728	(7,937,624)
Other plant, equipment and tooling	(562,986)	(40,355)	41,127	(562,214)
Other tangible fixed assets	(232,700)	(14,390)	17,784	(229,307)
Depreciation	**(9,207,186)**	**(538,193)**	**136,665**	**(9,608,715)**
Net amounts	**10,892,832**	**889,189**	**(717,283)**	**11,064,738**

The increases include both acquisitions and reclassifications. The decreases include both disposals (including scrapping) and reclassifications.

RTE EDF Transport's capital expenditure for 2007 essentially reflects the increase in tangible fixed assets under construction (€731 million) and intangible assets under development (€49 million).

The intangible assets uniquely comprise purchased and/or internally developed software, for which the expenditure capitalized in 2006 and 2007 amounted respectively to €10.9 million and €11.9 million.

As of 31 December 2007 RTE Group had not recognized any impairment losses against its intangible assets or property, plant and equipment.

NOTE 16 - INVESTMENTS IN ASSOCIATES

Investments in associates are as follows:

(in thousands of euro)	12.31.2008			12.31.2007		
	Shareholding %	Share of equity	Share of net profit for the year	Shareholding %	Share of equity	Share of net profit for the year
HGRT	51.0	20,013	3,202	Not applicable (1)		

(1) HGRT was fully consolidated in 2007.

NOTE 17 - FINANCIAL ASSETS

17.1 Breakdown between current and non-current financial assets

The Group's financial assets may be broken down as follows between current and non-current items:

(in thousands of euro)	12.31.2008			12.31.2007		
	Current	Non-current	Total	Current	Non-current	Total
Available-for-sale financial assets	1,361,870	1,949	**1,363,819**	279,456	2,325	**281,781**
Loans and receivables (*)	3,332	8,670	**12,002**	1,271	4,950	**6,221**
FINANCIAL ASSETS	**1,365,202**	**10,619**	**1,375,821**	**280,727**	**7,275**	**288,002**

(*) Net of impairment

17.2 Change in financial assets

The change for the year in financial assets may be broken down as follows:

(in thousands of euro)	12.31.2007	Increases	Decreases	Changes in fair value	Impairment	12.31.2008
Available-for-sale financial assets	281,781	1,080,710	(2,025)	3,353	-	1,363,819
Loans and receivables	6,221	7,366	(1,597)	-	12	12,002
FINANCIAL ASSETS	**288,002**	**1,088,076**	**(3,622)**	**3,353**	**12**	**1,375,821**

17.3 Breakdown of available-for-sale financial assets

(in thousands of euro)	12.31. 2008			12.31. 2007		
	Shares	Debt securities	Total	Shares	Debt securities	Total
Liquid assets		1,361,870	**1,361,870**		279,456	**279,456**
Other securities	1,949		**1,949**	2,325		**2,325**
Available-for-sale financial assets	**1,949**	**1,361,870**	**1,363,819**	**2,325**	**279,456**	**281,781**

The change in available-for-sale financial assets mainly reflects the increase between 31 December 2007 and 2008 in the Group's short-term investments (negotiable debt securities with maturities > 3 months) intended to be sold in 2009 for the purpose of repayment of a related party (EDF) loan maturing on 28 January 2009.

During 2008, no changes in fair value were recognized directly in equity, but an amount of €401 thousand was transferred from equity to profit or loss in respect of assets sold.

17.3.1 Liquid assets

Liquid assets essentially comprise unit trust investments and negotiable debt securities with initial maturities in excess of three months, readily convertible to cash independently of their maturity and managed with a view to ensuring the availability of liquid resources.

17.3.2 Other securities

At 31 December 2008 the Group's other securities comprised:

- Shares held in INELFE (€1 million),
- Shares held in CORESO (€0.5 million),
- Shares held in CASC-CWE (€5 thousand),
- Shares held in DECLARANET (€144 thousand),
- Shares held in BELPEX (€300 thousand).

All the above shares are held by RTE EDF Transport.

NOTE 18 - INVENTORIES

The Group's inventories solely comprise technical equipment intended for internal use.

(in thousands of euro)	**12.31.2008**	**12.31.2007**
Gross inventories	**97,721**	**93,958**
Impairment of inventories	(15,976)	(16,524)
Net inventories	**81,745**	**77,433**

(in thousands of euro)	**12.31.2007**	**Increases**	**Decreases**		**12.31.2008**
			Items written off	**Other reversals**	
Impairment of inventories	(16,524)	(168)	717		(15,976)

NOTE 19 - TRADE AND SIMILAR RECEIVABLES

The carrying amount of the Group's trade and similar receivables may be broken down as follows:

(in thousands of euro)	**12.31.2008**	**12.31.2007**
Gross trade and similar receivables	**1,021,173**	**1,040,846**
Impairment	(13,889)	(2,478)
Net trade and similar receivables	**1,007,284**	**1,038,368**

All the above amounts have maturities not exceeding one year. The €11 million increase in impairment (booked at 31 December 2008) is due to customers whose financial solidity has been weakened by the financial crisis.

(in thousands of euro)	**12.31.2007**	**Increases**	**Decreases**		**12.31.2008**
			Items written off	**Other reversals**	
Impairment of trade and similar receivables	(2,478)	(11,456)	3	42	(13,889)

(in thousands of euro)	**Gross amounts**	**Impairment**	**Net amounts**
Gross trade and similar receivables	**1,021,173**	**(13,889)**	**1,007,284**
Of which: due in less than 6 months	7,804	(10,937)	(3,133)
Of which: due between 6 and 12 months	2,068	(513)	1,555
Of which: due after more than 12 months	3,885	(2,439)	1,446
Of which: total amounts due	**13,757**	**(13,889)**	**(132)**

NOTE 20 - OTHER RECEIVABLES

The Group's other receivables may be broken down as follows:

(in thousands of euro)	**12.31.2008**	**12.31.2007**
Payments in advance	33,743	76,712
Other receivables	144,701	129,475
Prepaid expenses	8,656	7,700
Gross other receivables	**187,100**	**213,887**
Impairment	(1,313)	(1,163)
Net other receivables	**185,787**	**212,724**

(in thousands of euro)	**12.31.2007**	**Increases**	**Decreases (amounts written off)**	**12.31.2008**
Impairment of other receivables	(1,163)	(259)	109	(1,313)

NOTE 21 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank deposits and money market investments. The amounts disclosed in the cash flow statement include the following amounts equally disclosed in the balance sheet:

(in thousands of euro)	**12.31.2008**	**12.31.2007**
Cash	5,458	40,080
Cash equivalents	202,063	86,495
Cash and cash equivalents	**207,522**	**126,575**

NOTE 22 - EQUITY

22.1 Share capital

The company's share capital amounts to €2,132,285,690 and comprises 213,228,569 shares with a nominal value of €10 each. 100 per cent. of the company's share capital is held by EDF SA.

22.2 Distribution of dividends

At the AGM of 11 June 2008 the company's shareholder decided to pay a dividend of €232,475,025 amounting to €1.09 per share.

22.3 Capital management

The Group's equity increased in 2007 and 2008 mainly as a result of the net profit recorded during those years less the impact of the dividends distributed. Total equity amounted to €4,300 million at 31 December 2008 compared to €4,244 million at 31 December 2007.

NOTE 23 - PROVISIONS FOR EMPLOYEE BENEFITS AND OTHER PROVISIONS

23.1 Breakdown between current and non-current provisions

(in thousands of euro)	12.31.2008			12.31.2007		
	Current	Non-current	Total	Current	Non-current	Total
Provisions for employee benefits	41,394	334,692	**376,086**	46,806	305,541	**352,346**
Other provisions	35,814	18,138	**53,952**	63,707		**63,707**
PROVISIONS	**77,208**	**352,830**	**430,038**	**110,512**	**305,541**	**416,053**

23.2 Provisions for employee benefits

23.2.1 Change in provisions for employee benefits

The change for the year in provisions for employee benefits may be broken down as follows:

(in thousands of euro)	12.31.2007	Increases	Decreases		12.31.2008
			Provisions used	Other reversals	
Provisions for post-employment benefits	276,519	116,240	(95,091)		297,667
Provisions for other long-term employee benefits	75,827	10,307	(7,715)		78,419
Provisions for employee benefits	**352,346**	126,546	**(102,806)**	**-**	**376,086**

The change reflects the trend in benefit entitlement, the unwinding of discount on the benefit obligation, the contributions paid to third party funds and the benefits paid during the year.

23.2.2 Provisions for post-employment benefits

- Pensions

The principal measures of the reform of the financing arrangements for the retirement plan of the French gas and electricity industries took effect on 1 January 2005. Following the reform, the provisions which continue to be recognized relate to the specific employee benefits not covered by the standard national retirement plans, namely:

- The specific entitlement obtained by employees with effect from 1 January 2005 in respect of the regulated operation of the national electricity transmission network (prior entitlement being financed by a specific revenue contribution);

- The change in specific entitlement up to 31 December 2004 arising as a result of certain measures (the creation of two additional long-service categories) accompanying the pensions reform;

- The specific entitlement of employees benefiting from retirement at an earlier age than that provided for by the standard national retirement plans.

The amount of provision recognized also reflects the management fees of the CNIEG (the body responsible for pension management and payment) which are borne by the enterprise.

The pension provision amounted to €168,527 thousand at 31 December 2008.

- Other post-employment benefits

The other benefits for which retired employees are eligible are as follows:

(in thousands of euro)	**12.31.2008**	**12.31.2007**
Benefits in kind (gas/electricity)	85,616	84,956
Retirement gratuities	2,456	2,089
Bereavement benefit	21,927	20,479
Bonus paid leave	16,867	16,257
Education benefit	2,274	2,619
	129,141	**126,401**

- Benefits in kind (gas/electricity)

Article 28 of the document defining the status of employees of the French gas and electricity industries provides for all active and retired employees to benefit from a preferential tariff for the supply of gas and electricity. The provision recognized reflects the estimated present value of the kWh to be supplied by EDF to employees during their retirement measured at cost and adjusted for the exchange of energy arrangement in place with GDF SUEZ.

- Retirement gratuities

Retirement gratuities are payable to employees on their retirement, or to their successors in the event of their death before retirement. Almost all this benefit obligation is covered by an insurance policy.

- Bereavement benefit

The bereavement benefit provided for by article 26 - § 5 of the document defining the status of employees of the French gas and electricity industries is intended to provide assistance with the expenses occasioned by the death of a retired or invalid employee. The benefit is paid either to defined close relatives (in which case it amounts to two months of pension) or to any other third party having borne the funeral expenses (in which case it is limited to the amount of those expenses).

- Bonus paid leave

All employees eligible for retirement and aged at least 55 at their date of retirement have the right, during the last twelve months of their employment, to a total of 18 days of exceptional leave.

- Education benefit

Education benefit is intended to provide assistance to retired employees (or their successors) whose children continue to be educated. It is also payable to the recipients of orphan benefits.

23.2.3 Provisions for other long-term employee benefits

The provisions for other long-term benefits payable to FIEG employees amounted to €78,419 thousand at 31 December 2008 (€75,827 thousand at 31 December 2007) and covered the following benefits:

- Benefits for work-related accidents and illness payable to all employees as well as to the successors of employees deceased as the result of a work-related accident (including during the journey to or from work) or illness. The provision is based on the estimated present value of the benefits receivable by the current beneficiaries or their successors;

- Long-service benefit;

- Invalidity benefit;

- Asbestos benefit.

23.2.4 Change in the present value of the benefit obligations and in the associated plan assets

The principal actuarial assumptions used in calculating the Group's obligations for post-employment and other long-term employee benefits (excluding inflation) were as follows:

- Discount rate = 5.75 per cent. (5 per cent. at 31 December 2007),
- Expected return on plan assets = 5.77 per cent.,
- Rate of salary increases = 2 per cent..

23.2.4.1 Change in the present value of the benefit obligations

(in thousands of euro)	
Obligations as of 12.31.2007	439,766
Past service cost	40,760
Interest expense	23,897
Actuarial gains and losses	(9,975)
Curtailments and settlements	-
Benefits paid	(37,616)
Past service cost for additional benefits	10,518
Obligations as of 12.31.2008	**467,351**
- Present value of assets invested	(36,146)
- Unrecognized actuarial gains and losses	(55,119)
Provisions recognized	**376,086**

23.2.4.2 Change in the associated plan assets

(in thousands of euro)	
Opening fair value of plan assets	(45 527)
Expected return on assets	(2 627)
Employer contributions	(3 614)
Actuarial gains and losses	12 666
Benefits paid	2 957
Closing fair value of plan assets	**(36 146)**

The plan assets comprise insurance contracts which relate exclusively to the provision of lump-sum retirement benefit (100 per cent. funded). At the end of 2008, these contracts were invested in shares and bonds.

23.2.5 The charge to profit or loss for post-employment and other long-term employee benefits

(in thousands of euro)	12.31.2008	12.31.2007
Service cost for the year	40 760	50 297
Interest expense (unwinding of discount)	23 897	20 166
Expected return on plan assets	(2 627)	(2 587)
Recognized actuarial gains and losses	1 546	2 577
Amortisation of past service cost for rights not yet vested	1 098	-
Amortisation of past service cost for rights already vested	(2 661)	-
Total expense for post-employment and other long-term employee benefits	**62 014**	**70 453**

23.3 Other provisions

The change for the year in the Group's other provisions may be broken down as follows:

(in thousands of euro)	12.31.2007	Increases	Decreases		12.31.2008
			Provisions used	Other reversals	
Additional profit-sharing contribution	9,048	9,224	(9,048)		9,224
Disputes	54,659	122,848	(129,667)	(3,112)	44,727
Other provisions	**63,707**	132,072	**(138,715)**	**(3,112)**	**53,951**

These provisions include in particular:

- A provision for disputes with social institutions;
- A provision for a dispute relating to use of high tension electrical equipment belonging to the SNCF.

NOTE 24 - CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

24.1 Breakdown between current and non-current financial liabilities

The Group's financial liabilities may be broken down as follows between current and non-current items:

(in thousands of euro)	12.31.2008			12.31.2007		
	Non-current	Current	Total	Non-current	Current	Total
Bond issue	3,226,054	66,504	3,292,558	991,018	10,820	1,001,837
Synthetic debt	2,879,553	1,289,877	4,169,430	4,069,553	947,193	5,016,747
Other financial liabilities	15	174 431	174 446	16	344 542	344 558
Financial liabilities	**6,105,623**	**1,530,811**	**7,636,434**	**5,060,587**	**1,302,555**	**6,363,142**

24.2 Indebtedness

24.2.1 Change in indebtedness

(in thousands of euro)	**12.31.2008**	**12.31.2007**
Bond issue	3,226,054	991,018
Accrued interest on bond issue	66,503	10,820
Synthetic debt (long-term)	4,069,553	4,906,553
Accrued interest on synthetic debt	99,877	110,193
Financial liabilities (short-term)	174,446	344,558
Financial liabilities	**7,636,434**	**6,363,142**

24.2.2 Breakdown of indebtedness by repayment maturity

(in thousands of euro)	**Bond issue**	**Synthetic debt**	**Other short-term financial liabilities**	**Total**
Less than one year	66,503	1,289,877	174,431	**1,530,811**
Between one and five years		2,216,000	15	**2,216,015**
More than five years	3,226,054	663,553		**3,889,608**
Total as of 12.31.2008	**3,292,558**	**4,169,430**	**174,446**	**7,636,434**

(in thousands of euro)	**Date of issue**	**Maturity**	**Amount**	**Currency**	**Interest rate**
Bond issue	2008	2015	1,242,852	EUR	**4.875%**
Bond issue	2006	2016	992,047	EUR	**4.125%**
Bond issue	2008	2018	991,155	EUR	**5.125%**
Related party loan (EDF SA)	2004	2009	1,190,000	EUR	**5.000%**
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%**

The Group's borrowings are entirely denominated in euros.

24.2.3 Breakdown of indebtedness by type of interest rate before and after the use of swaps

(in thousands of euro)	**12.31.2008**			**12.31.2007**		
	Initial type of debt	**Impact of hedging instruments**	**Type of debt after hedging**	**Initial type of debt**	**Impact of hedging instruments**	**Type of debt after hedging**
Fixed rate debt	7,295,607	-	7,295,607	5,897,571	-	5,897,571
Floating rate debt	-	-	-	-	-	-
Total debt	**7,295,607**	-	**7,295,607**	**5,897,571**	-	**5,897,571**

24.2.4 Credit facilities

The Group held a credit facility with CALyon for a total amount of €830 million at 31 December 2008 (€1 billion at 31 December 2007).

(in thousands of euro)	Total	Maturities		
		< 1 year	1 - 5 years	> 5 years
Confirmed credit facility			830,000	

24.2.5 Fair value of indebtedness at 31 December 2008

(in thousands of euro)	12.31.2008		12.31.2007	
	Fair value	Carrying amount	Fair value	Carrying amount
Bond issue	3,246,513	3,250,000	948,000	1,000,000
Related party loan (EDF SA)	4,386,484	4,069,553	5,114,100	4,906,553
Total	**7,632,997**	**7,319,553**	**6,062,100**	**5,906,553**

24.3 Net indebtedness

Net indebtedness comprises gross indebtedness less the Group's cash, cash equivalents and other liquid assets defined as unit trust investments or other securities with initial maturities in excess of three months but readily convertible into cash independently of their maturities and managed with a view to ensuring the availability of liquid resources.

(in thousands of euro)	12.31.2008	12.31.2007
Indebtedness	7,636,434	6,363,142
Cash and cash equivalents	(207,522)	(126,575)
Other liquid assets	(1,365,202)	(280,727)
Net indebtedness	**6,063,711**	**5,955,840**

24.4 Change in net indebtedness

(in thousands of euro)	12.31.2008	12.31.2007
EBITDA	**1,348,654**	**1,588,370**
Neutralisation of the non-monetary items included in EBITDA	17,409	53,292
Change in the working capital requirement	35,874	(104,749)
Other items	(5,273)	1,070
Net cash from operations	**1,396,664**	**1,537,983**
Acquisition of intangible assets and property, plant and equipment	(843,108)	(775,322)
Disposal of intangible assets and property, plant and equipment	4,280	7,542
Net financial expense paid	(326,973)	(342,579)
Income tax paid	(184,959)	(201,107)
Free cash flow	**45,904**	**226,517**
Acquisition of investments	661	3,119
Dividends paid	(232,475)	(258,627)
Share capital increases subscribed by minority interests	0	15,190
Investment grants	72,944	21,961
Other items	31,244	35,143
Change in net indebtedness excluding changes in consolidation scope and exchange rates	**(81,722)**	**43,303**
Change in consolidation scope	(31,038)	
Other non-monetary changes	4,889	(1,539)
Change in net indebtedness	**(107,871)**	**41,764**
Opening net indebtedness	**5,955,840**	**5,997,604**
Closing net indebtedness	**6,063,711**	**5,955,840**

NOTE 25 - MANAGEMENT OF FINANCIAL RISK

RTE Group is exposed, within the context of its day to day treasury and investment management, to interest rate risk and credit risk. In order to limit its exposure to such risk, the Group has set up a department responsible for defining risk management policies and verifying their proper application.

More detailed information relating to the Group's management of financial risk is provided in section 1.7.2 of RTE Group's management report for 2008.

NOTE 26 - DERIVATIVE INSTRUMENTS

Interest rate risk is liable to produce volatility in the Group's results, equity and cash flows from one period to the next and the Group may therefore have recourse to derivative hedging instruments as a means of eliminating or limiting such risk. The Group mainly makes use in this respect of interest rate swaps not subject to hedge accounting. They may be broken down as follows at 31 December 2008:

(in thousands of euro)	Notional as of 12.31.2008				Fair value
	Less than 1 year	1 to 5 years	More than 5 years	Total	12.31.2008
Fixed rate payer / floating rate receiver	185,000			**185,000**	**18**
Floating rate payer / fixed rate receiver				**-**	
Derivative interest rate hedging instruments	**185,000**	**-**	**-**	**185,000**	**18**

NOTE 27 - TRADE AND SIMILAR PAYABLES AND OTHER LIABILITIES

This caption includes the following items:

(in thousands of euro)	**12.31.2008**	**12.31.2007**
Payments received in advance	143,599	205,749
Trade and similar payables	966,246	902,964
Payables for fixed assets	3,883	8,959
Tax and payroll liabilities	352,494	317,109
Deferred revenue	31,716	27,108
Investments grants	338,307	275,625
Miscellaneous liabilities	34,064	41,131
Trade and similar payables and other liabilities	**1,870,309**	**1,778,643**

NOTE 28 - RELATED PARTIES

28.1 Transactions with related parties

The Group's transactions with related parties may be broken down as follows:

(in thousands of euro)	**12.31.2008**	**12.31.2007**
NON-CURRENT ASSETS		
Investments	1,949	300
CURRENT ASSETS		
Trade and similar receivables	800,627	792,966
Miscellaneous receivables	15,753	736
LIABILITIES		
Indebtedness	4,169,404	5,016,721
Advances and payments on account received	55,938	112,218
Trade and similar payables	214,921	185,634
Miscellaneous liabilities	7,481	8,581
FINANCIAL INCOME AND EXPENSE		
Miscellaneous financial income		
Financial expense	253,566	290,502

The Group's related party transactions mainly involve EDF SA or its subsidiaries (EDF Trading etc.) including the effects of the tax consolidation agreement entered into with EDF SA. At 31 December 2008, the main items were as follows:

- Borrowings of €4,169 million from EDF SA for which the interest charge for the year amounted to €253 million;

- A tax receivable of €16 million transferred to EDF SA under the tax consolidation agreement.

28.2 Relations with the French State

In accordance with the legislation applicable to all enterprises in which the French State is the direct or indirect majority shareholder, RTE EDF Transport is subject to economic and financial control by the state as well as to inspection by the *Cour des Comptes*, by Parliament and by the *Inspection Générale des Finances*.

The French State's role as part of the regulation of the electricity and gas markets is to set tariffs for use of the national electricity transmission network and define the amount of public service contributions.

28.3 Board compensation

The Group is governed by the members of its executive and supervisory boards.

(in thousands of euro)	12.31.2008	12.31.2007
Compensation of executive board members	1,042,082	1,129,985
Compensation of supervisory board members	2,170,372	2,107,757
Total	**3,212,454**	**3,237,742**

The compensation of the members of the executive board includes their short-term employee benefits (salary including the variable component paid in 2008, profit-sharing and benefits in kind) exclusive of social contributions.

The Group does not pay any compensation to members of the supervisory board in that capacity. Their compensation otherwise comprises:

- The compensation and benefits in kind paid by EDF SA, the sole shareholder of RTE EDF Transport, to the supervisory board members it designates;

- The compensation and benefits in kind paid by RTE EDF Transport to the supervisory board members representing the Group's employees and benefiting from contracts of employment within the Group.

Directors' fees are not paid either because (in the case of the employee and French State representatives) the law prohibits any payment or because the company's shareholder has not voted any directors' fees.

The company's directors affiliated to the FIEG employee benefit plans are entitled to the employee benefits – within the meaning defined by IAS 19 – available under those plans. They are entitled to no other specific retirement benefits, received no bonus on joining the Group and will not be eligible for any bonus when they leave.

NOTE 29 - ENVIRONMENTAL MATTERS

The Group's environmental expenditure for 2008 may be broken down as follows:

(in thousands of euro)	Operating expenses (research)	Other operating expenses	Capital expenditure (research)	Other capital expenditure
Protection of the atmosphere		1,720		589
Water purification		46		340
Waste management		4,149		
Protection and depollution of land and underground and surface water		1,094	30	9,629
Control of noise and vibrations		233	42	940
Protection of biodiversity and landscapes		10,920	2,527	34,675
Protection against radiation	670	118		
Research and development	4,085			
Other environmental protection measures		16,681		
Expenditure on limiting energy demand		11		
TOTAL	**4,755**	**34,972**	**2,599**	**46,173**

Additional environmental information is provided in section 2 of RTE Group's management report for 2008.

NOTE 30 - SUBSEQUENT EVENTS

During the night of 24 January 2009, the Klaus storm devastated three French regions (Aquitaine, Midi Pyrénées and Languedoc Roussillon), damaging in particular parts of the power system.

NOTE 31 - INDIVIDUAL TRAINING ENTITLEMENT

(in hours)	12.31.2008	12.31.2007
Entitlement as of December 31	805,798	650,238
Entitlement used during the year	1525	1,194
Requests for use in course of processing	1778	2,111

NOTE 32 - CONSOLIDATION SCOPE

The Group's consolidation scope at 31 December 2008 was as follows:

NAME OF ENTITY	REGISTERED OFFICE	% INTEREST (SHARE CAPITAL)	% INTEREST (VOTING RIGHTS)	CONSOLIDATION METHOD	BUSINESS SECTOR	SIREN N°
FRANCE						
RTE EDF TRANSPORT	Tour Initiale 1, terrasse Bellini - TSA 41000 92919 Paris La Défense France	100	100	Parent	T	444619258
ARTERIA	Tour Initiale 1, terrasse Bellini - TSA 41000 92919 Paris La Défense France	100	100	Full	S	444279095
RTE INTERNATIONAL	Tour Initiale 1, terrasse Bellini - TSA 41000 92919 Paris La Défense France	100	100	Full	S	491590915
HGRT	Tour Initiale 1, terrasse Bellini - TSA 41000 92919 Paris La Défense France	51	51	Equity method	S	438262800

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 DECEMBER 2008

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RTE-EDF Transport

Société Anonyme

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Rapport des Commissaires aux Comptes

Comptes Consolidés - Exercice clos le 31 décembre 2008

Aux Actionnaires,

En exécution de la mission qui nous a été confiée par vos statuts, nous vous présentons notre rapport relatif à l'exercice clos le 31 décembre 2008, sur :

- le contrôle des comptes consolidés de la société RTE-EDF Transport SA tels qu'ils sont joints au présent rapport,
- la justification de nos appréciations,
- la vérification spécifique prévue par la loi.

Les comptes consolidés ont été arrêtés par le Directoire. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

1. Opinion sur les comptes consolidés

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes consolidés ne comportent pas d'anomalies significatives. Un audit consiste à vérifier, par sondages ou au moyen d'autres méthodes de sélection, les éléments justifiant des montants et informations figurant dans les comptes consolidés. Il consiste également à apprécier les principes comptables suivis, les estimations significatives retenues et la présentation d'ensemble des comptes. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Nous certifions que les comptes consolidés de l'exercice sont, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les personnes et entités comprises dans la consolidation.

2. Justification des appréciations

En application des dispositions de l'article L.823-9 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les éléments suivants :

Principes comptables

Nous nous sommes assurés que la note 2.10.1 donne une information appropriée sur le traitement comptable retenu au titre des concessions, domaine qui ne fait pas l'objet de dispositions spécifiques ou obligatoires dans le référentiel comptable IFRS tel qu'adopté dans l'Union européenne au 31 décembre 2008.

Jugements et estimations de la Direction

La note 2.2 décrit les principales méthodes comptables sensibles pour lesquelles la Direction a recours à des jugements et estimations. Nos travaux ont consisté à apprécier les données et les hypothèses sur lesquelles se fondent ces estimations, à revoir, par sondages, les calculs effectués par la société, à comparer les estimations comptables des périodes précédentes avec les réalisations correspondantes, à examiner les procédures d'approbation de ces estimations par la Direction et enfin, à vérifier que les notes aux comptes consolidés donnent une information appropriée.

S'agissant de l'incidence de la réforme du régime spécial de retraites des Industries Electriques et Gazières (IEG) qui est présentée en note 3.2 de l'annexe, votre société a considéré que l'une des mesures d'accompagnement de cette réforme, la création de deux échelons supplémentaires d'ancienneté, pouvait être constitutive d'une « dérive » non financée par la Contribution Tarifaire d'Acheminement (CTA) visée à l'article 18 de la loi du 9 août 2004. En conséquence, une provision d'un montant de 35 millions d'euros a été enregistrée en date d'effet comptable de la réforme.

Notre appréciation de la pertinence de la provision pour dérive ainsi constituée, et de l'absence d'engagement au titre des autres mesures d'accompagnement, repose notamment sur l'analyse juridique de la portée de l'article 18 de la loi du 9 août 2004 menée par votre société dans le contexte général de la réforme du régime spécial des retraites de la branche des IEG.

Nous avons par ailleurs revu les calculs effectués et avons pris connaissance des hypothèses actuarielles retenues ainsi que des modalités de détermination de l'engagement ainsi enregistré.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes consolidés, pris dans leur ensemble, et ont contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

3. Vérification spécifique

Nous avons également procédé à la vérification spécifique prévue par la loi des informations relatives au groupe données dans le rapport sur la gestion du groupe.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés.

Neuilly-sur-Seine, le 10 février 2009

Les Commissaires aux Comptes

PricewaterhouseCoopers Audit	**Deloitte & Associés**	
Jacques Denizeau	Tristan Guerlain	Patrick E. Suissa

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Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2008

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. The Statutory Auditors' report on the consolidated financial statements includes information specifically required by French law in all audit reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs 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 captions or on information taken outside of the consolidated financial statements.

This report on the consolidated financial statements 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 Articles of Incorporation, we hereby report to you on:

- the audit of the accompanying consolidated financial statements for the year ended 31 December 2008 of RTE-EDF Transport SA;
- 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 by management, as well as evaluating the overall financial statements

presentation. 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 31 December 2008 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:

Accounting policies

As part of our assessment of the Group accounting principles and methods, we have verified the appropriateness of the disclosures presented in note 2.10.1 to the consolidated financial statements with respect to the accounting treatment of service concession agreements, area which is not mandatory or specifically addressed in IFRS as adopted in the European Union as of 31 December 2008.

Management judgments and estimates

Note 2.2 to the consolidated financial statements describes the main sensitive accounting methods for which management is required to make estimates and exercise judgment. Our procedures consisted (i) in assessing the data and assumptions on which these estimates are based, (ii) reviewing, on a test basis, the calculations performed by the Company (iii) comparing accounting estimates of prior periods with corresponding actual amounts, (iv) reviewing the procedures for approving these estimates by management and finally (v) verifying that the notes to the consolidated financial statements provide appropriate disclosures.

With respect to the impact of the special electricity and gas sector pension plan reform presented in note 3.2 to the consolidated financial statements, your Company considered that one of its compensatory measures, i.e.: the creation of two additional seniority grades, may constitute a "deviation" not eligible for *Contribution Tarifaire d'Acheminement* – CTA levy financing pursuant to Article 18 of the 9 August 2004 Act. Therefore, a €35 million provision has been recorded as of the effective accounting date of the reform.

Our assessment of the relevance of the provision for "deviation" thus recorded and of the absence of obligations with respect of the other compensatory measures, relies notably on the legal analysis of the scope of Article 18 of the 9 August 2004 Act conducted by your Company in the general context of the special electricity and gas sector pension plan reform.

In addition, we have reviewed the calculations performed, the actuarial assumptions used and the method for determining the obligations thus recorded.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole and contributed to the formation of our opinion expressed in the first part of this report.

3. Specific verification required by law

As required by law, we have 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.

Neuilly, 10 February 2009

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**	
Jacques Denizeau	Tristan Guerlain	Patrick E. Suissa

RTE EDF TRANSPORT'S MANAGEMENT REPORT FOR 2009

1 Financial and legal information

2009 was marked by a €91 million (2.2 per cent.) 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 per cent.[31] in response to the arrival of new generation facilities and to strengthen international interconnection. The resulting net indebtedness amounts to €292 million[32].

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 24 January 2009, the Klaus cyclone struck three regions in south and south-west 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'Energie* (CRE) sent a new proposal for the TURPE3 tariff to the ministers in charge of energy and the economy. This proposal was accepted on 5 June 2009 and was published in France's Official Gazette (Journal Officiel) on 19 June 2009. The new 2 per cent. tariff rise came into force at 1 August 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 22 December 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 1 January 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 4 July 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 1 January 2002 to 30 June 2008. RTE settled the amount and filed an appeal against the decision.

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[31] For the budget approved by the CRE.
[32] This is unaffected by the European Union Court decision, as the amount concerned was not paid to RTE during 2009.

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 31 December 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 9 August 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 15 July 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 21 August 2009.

- Following the tax inspection covering the tax years 2005, 2006 and 2007, RTE was notified of a further proposed tax reassessment on 28 July 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 19 February and 2 October 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 15 December 2009, RTE presented all the grounds for its contestation of the proposed reassessments.

- On 28 August 2008 RTE drew a nominal amount of €1 billion on its EMTN program at the nominal rate of 5.125 per cent. 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 29 January 2009 to finance part of RTE's investment program over the period 2009-2012. RTE made drawings of €200 million in 2009.

- A European Court ruling of 15 December 2009 cancelled the European Commission's decision of 16 December 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 15 December 2009, on 30 December 2009 the State returned to EDF SA the sum of €1,224 million, 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 26 February 2004. RTE's share is 27.12 per cent. or €331 million [33]. Accordingly, RTE and ERDF both recorded receivables on EDF at 31 December 2009 equivalent to their shares.

For RTE, this receivable comprises financial income of €91 million and tax income of €210 million.

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

1.2 Economic environment

[33] 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.

In 2009, electricity consumption in France decreased by 1.6 per cent. 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 per cent. 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 per cent. overall compared to the final quarter of 2007.

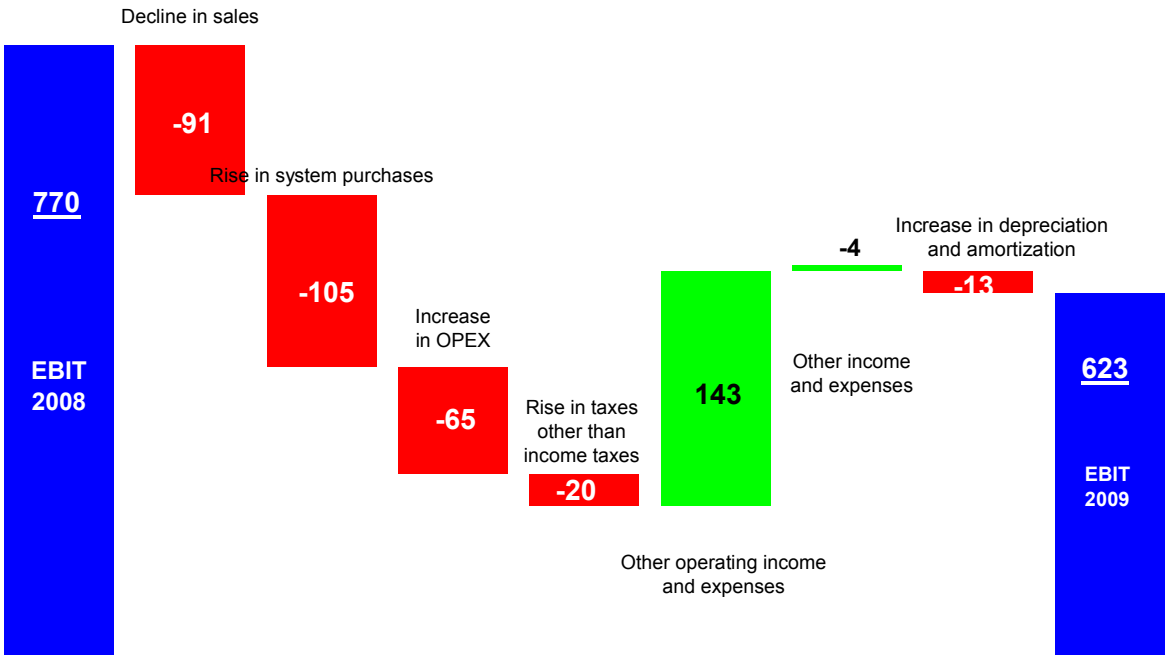
In contrast, consumption by customers connected to low-voltage supply (residential customers, professional customers, public authorities, public lighting, and various services) was up by 2 per cent. from 2008. Record levels of French power consumption were reached successively on 5, 6 and 7 January 2009 when temperatures were 5°C to 8°C lower than normal for the season. The peak of 92,400 MW registered at 7pm on 7 January 2009 is to date the highest level ever reached.

The balance of contractual exchanges with other countries was down by 47 per cent. 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 per cent. from 2008.

1.3 Business and results in 2009

EBIT down by €147 million (-19 per cent.) to €623 million



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

This decline of €91 million (-2.2 per cent.) 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 per cent. tariff increase of 1 August 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 system[34] comprise:

- energy purchases to compensate for network losses, which are auctioned and bid for by many European actors (including EPEX - Spot [35]),

- 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 totalled €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 services [36] 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 expenses [37] stood at €625 million compared to €592 million in 2008, a rise of €33 million resulting from workforce growth [38] and general and individual pay measures[39], the cost of new arrangements introduced in 2009[40] and the consequences of the new profit share agreement signed on 14 May for the period 2009-2011.

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[34] These purchases only concern RTE SA: reservation of margins required for safety and stability of the electric system.
[35] EPEX Spot: European Power Exchange Spot.
[36] Reported net of the portion allocated to investments.
[37] 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.
[38] 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.
[39] As part of the measures for the electricity and gas (IEG) sector: revaluation of the national minimum wage (salaire national de base) and the minimum promotion rate.

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 expenses[41] 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 rental [42] (+€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 expenses[43] 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).

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[40] 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.

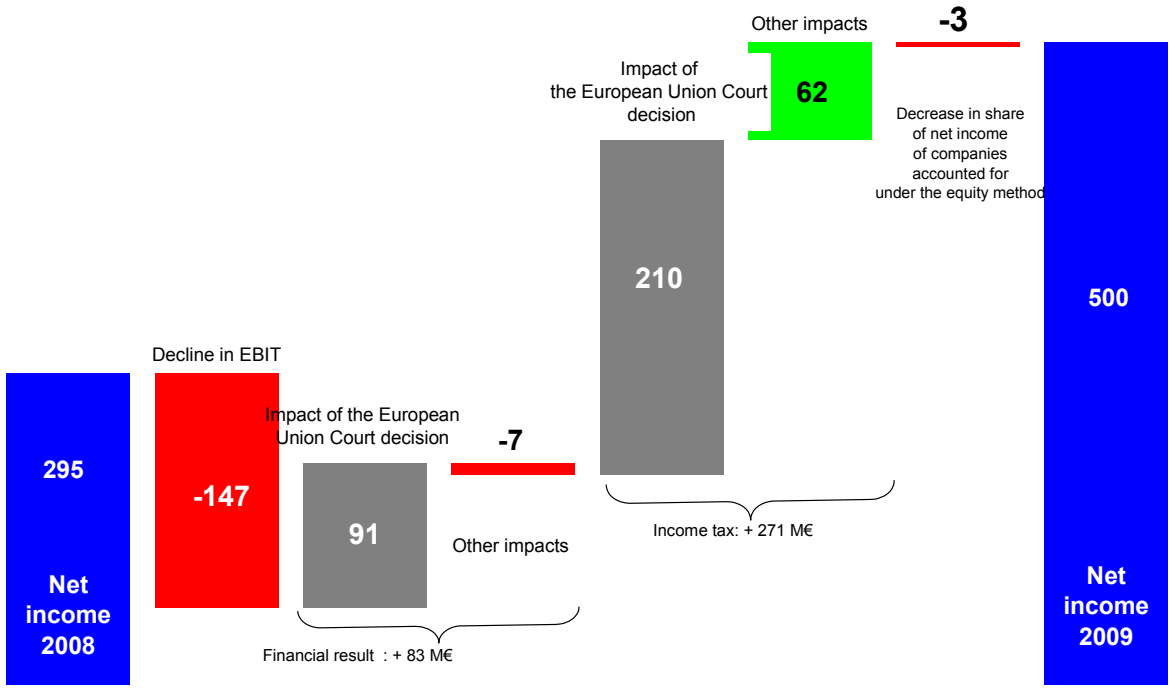
[41] Other operating income and expenses are ordinary business income and expenses, net provisions on current assets, spreading of investment subsidies, and net proceeds on asset disposals.

[42] 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.

[43] This item comprises certain non-recurring impacts that must not be included in EBITDA.

Net income up by €205 million to €500 million

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 2008 [44] 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.

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

(in millions of euros)

	2008	2009	R2009 - R2008
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 exlcuding 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**

Lower return on capital employed and return on equity

Based on **RTE SA's individual financial statements** in compliance with **French GAAP**[45] (see the condensed income statement and balance sheet below), the **gross return on capital employed**[46] calculated as the ratio of EBIT to capital employed by RTE for its business was **5.6 per cent.** for 2009 compared to 7.0 per cent. for 2008.

This is below the return on capital employed forecast at 7.25 per cent. by the regulator for the TURPE2 and TURPE3 tariff periods. The differential between the ROCE expected by the regulator (7.25 per cent.) and the actual ROCE (5.6 per cent.) 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 per cent. 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 per cent. on the ROCE.

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

At 31 December 2008, the amount of the CRCP account was estimated by the CRE as €865.9 million. At 31 December 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 31 December 2008 to €803 million at 31 December 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 1 August 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 1 August 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 31 December 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**

[45] 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.

[46] 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 1 January 2009.

million in 2008 including late payment interest), which is due to be deducted from the CRCP account if the administrative court's decision is upheld [47].

Extract from the individual financial statements of RTE EDF TRANSPORT SA

(in millions of euros)

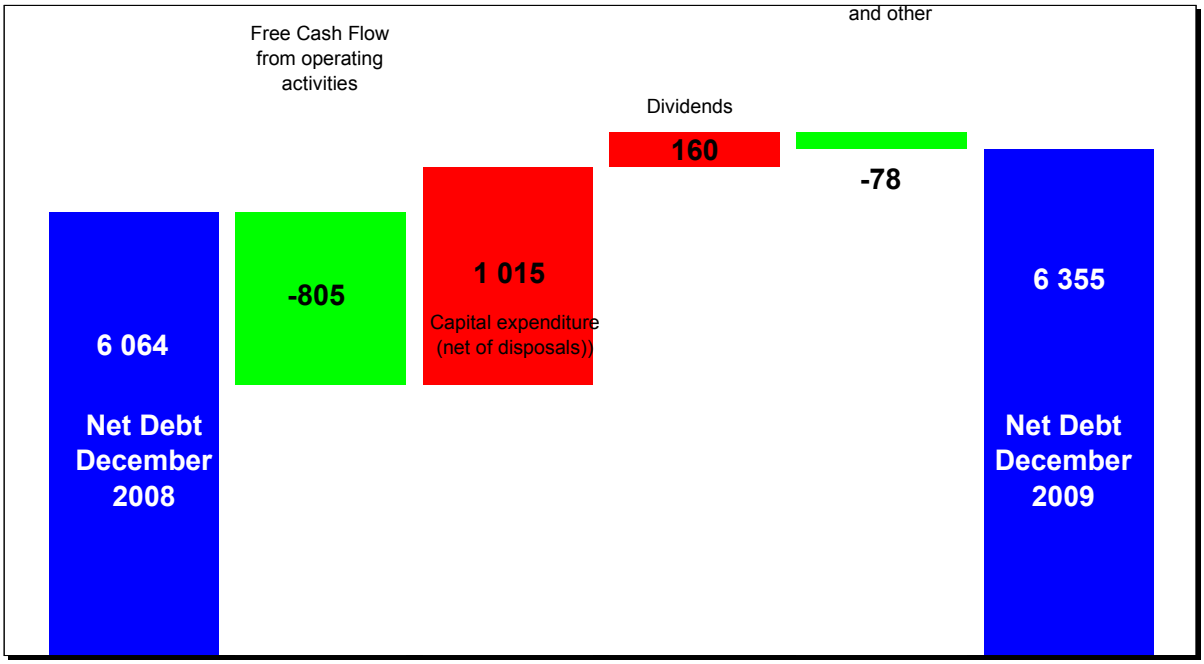
	2008	2009
Income statement		
Sales	4218	4127
EBIT	757	610
Financial result	-318	-235
Excluding impact of the European Union Court decision		*-326*
Net income (after income taxes)	267	465
Excluding impact of the European Union Court decision		*165*
Balance sheet items		
Economic assets at January 1	10830	10957
Fixed assets at December 31		
gross value	21778	22664
depreciation	10219	10687
net value	11559	11977
Equity at December 31	4797	5189
Excluding impact of the European Union Court decision		*4889*
Net indebtedness (gross debt adjusted for cash and cash equivalents)	6100	6391

The return on equity[48], calculated as the ratio of net income to equity, was 10.8 per cent. (6.9 per cent. 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 per cent..

[47] "Only once the administrative court's decision has become final and RTE has used all possible means of appeal" as the tariff decree states.
[48] ROE. Return on equity is calculated for the RTE Group based on financial statements under IFRS, using the equity value at 31 December 2009.

1.4 Financing

Increase in net indebtedness by €292 million to €6,355 million



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 per cent.).

- following the General Shareholders' agreement of 15 May 2009, RTE paid its sole shareholder EDF SA a dividend of €160 million, corresponding to a 60 per cent. distribution rate for the 2008 net income.

	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**	**1021**

1.5 Financial structure

Equity amounted to €4.635 billion at 31 December 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 31 December 2009: €6.570 billion in financial indebtedness less cash and short-term financial assets amounting to €0.215 billion at 31 December 2009.

The gearing (net financial indebtedness/equity) decreased from **1.41** for 2008 to **1.37** for 2009.

On 9 December 2009, Standard & Poor's lowered RTE's rating from AA- à A+[49].

1.6 Outlook for 2010

The TURPE3 tariff will be adjusted at each anniversary date: a 2 per cent. rise at its initial application date of 1 August 2009, then annual adjustment for 2010 to 2012 based on a fixed cost factor of 0.4 per cent., inflation, and a coefficient for balancing of the CRCP adjustment account [50]. Given the differences observed in 2009 for items eligible for the CRCP account, this coefficient could be close to 2 per cent..

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

- a rise (of approximately 20 per cent.) 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 per cent.) in development expenses for regional networks to handle the increase in consumption and the arrival of new energy producers,

- a fall (of approximately -25 per cent.) 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 per cent.), 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 per cent. more than in 2009. The step-up in the pace of these expenses, decided in late 2007 and covered 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 Economique Territoriale*) payable by all businesses. The annual fixed tax on pylons has now been set for 2010 with a marked 7.2 per cent. 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 16 December 2009 on the inter-TSO (ITC) balancing mechanism for 2010 should lead to an appreciable reduction in RTE's contribution.

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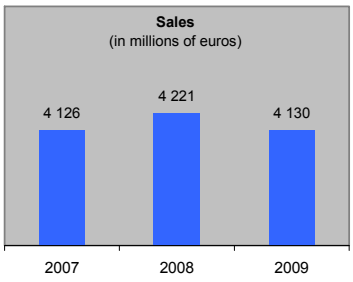
[49] Extract from the Standard & Poor's press release:
" - Overview: The regulator's TURP 3 tariffs provide a more transparent and predictable regulatory framework. However, the new regulation may weaken RTE's financial profile. We are placing RTE on CreditWatch with negative implications.
- Rating Action: 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)".

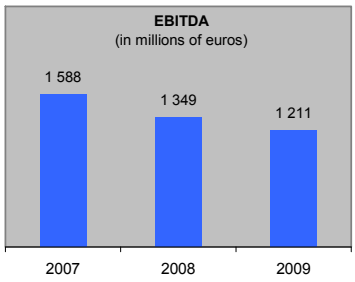
[50] In the TURPE3 period, differences included in the CRCP income and expenditure adjustment account are balanced annually by a tariff adjustment (balancing coefficient) limited to +/- 2 per cent.: an excess is offset by a tariff decrease for the following year, while a shortfall is offset by a tariff rise.

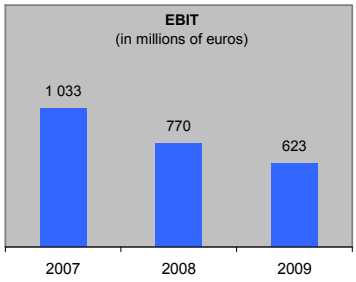
Regarding developments in 2010 in the ongoing litigation with the SNCF, RTE intends to await the outcome of two proceedings currently in process concerning purchase of the network and the rental due for network use prior to the purchase, unless a settlement can be reached.

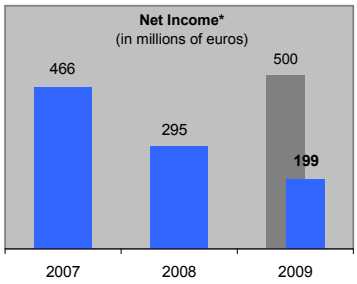
As a result of the European Union court's decision of 15 December, RTE EDF Transport SA should receive €331.9 million from EDF SA in 2010. This amount will reduce RTE's net indebtedness.

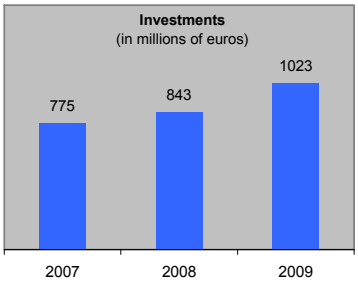
Key Financial Indicators

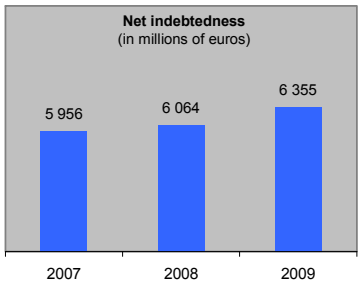


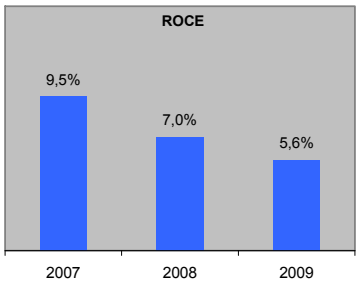


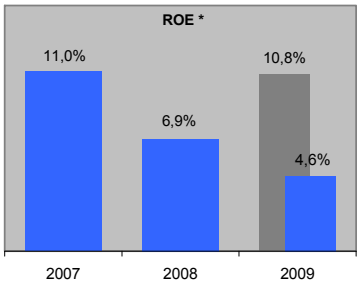


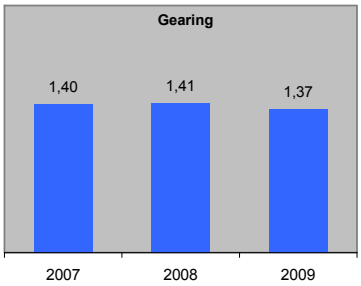












* the net income and return on equity are presented gross (in grey) and after adjustment for the impact of the European Union Court's decision (in blue)

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.

1.7 Other financial and legal information

1.7.1 Subsequent events

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

1.7.2 Risk analysis

1.7.2.1 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.

1.7.2.2 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 per cent. 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 per cent. of the financial indebtedness bears interest at fixed rates.

  - Sensitivity of financial indebtedness: a 1 per cent. 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 per cent. of total debt.

  At 31 December 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 per cent. 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 per cent. 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 counterparties 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.

1.7.3 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:

- Arteria [51] 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) [52] 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.

Table of subsidiaries and investments

Company	Gross value of shares owned at Dec 31, 2009 *In thousands of €*	Provisions at Dec 31, 2009 *In thousands of €*	per cent. of capital owned	Outstanding loans and advances	2009 sales *In thousands of €*	2009 equity *In thousands of €*	2009 net income *In thousands of €*	Dividends received in 2009 *In thousands of €*
ARTERIA	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

[51] Ateria is a single-shareholder company (*SASU : Société par Actions Simplifiée Unipersonnelle*)
[52] Also a *SASU*

NC: not communicated

Arteria

Arteria'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 €505,000, 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 7 July 2005 and has capital of €3,000,000. RTE subscribed 10 per cent. 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 per cent. 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 per cent. 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 per cent. 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 per cent. of the capital).

1.7.4 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.

1.7.5 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.

1.7.5.1 Executive Board

The French law 2004-803 of 9 August 2004 on the public electricity and gas service and electricity and gas companies, amended by the law 2005-781 of 13 July 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 shows the current members of the Executive Board and their roles and other functions held:

	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

1.7.5.2 Supervisory Board

Under the French law of 9 August 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:

	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 27 May 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 22 October 2009***	Vice-Chairman of the Supervisory Board Representative of EDF	Mediator at **EDF**	Member of the Board of Directors of **EDF Energies 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**
Edouard Vieillefond ***Until 25 June 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 24 July 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

	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 **Electricité 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 **Electricité de Strasbourg** President of **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 Electrique Insulaire SAS** Member of the Board of Directors of **Electricité de Strasbourg**
Nicole Verdier-Naves	Member of the Supervisory Board	Senior Vice President, Senior executive development, **EDF**	

	Representative of EDF Chairman of the Remuneration Committee	**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	-

1.7.5.3 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 pro rata 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:

(in euros)

2009	P. LARRADET	D. LORET	Ch. NIETO	P. SEBILLE
Fixed salary	85,796	73,561	46,339	63,934
Benefits in kind	629	693	1,075	1,406

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:

(in euros)

2009	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
Variable salary	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

2 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'Energie*, - 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:

	2007	2008	2009
Mass of SF6 installed **(tonnes)**	457	449	485
SF6 discharge **(tonnes)**	8.6	7.0	6.8
SF6 discharge **(per cent. installed mass)**	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 31 December 2009, RTE still has three [53] cases of equipment with concentration of over 500 ppm, which are to be treated by 31 December 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 per cent. recycling of ordinary waste by the end of 2012.

[53] Provisional figures

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 per cent.

For year 2009:
Dangerous waste: 1,460 tonnes
Non-dangerous waste: 1,420 tonnes
Recycled waste: 1,491 tonnes or 52 per cent.

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 MEDEF[54].

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 (COMOP [55]). 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.

[54] French employers' union: *Mouvement des Entreprises de France*

[55] 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.

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 Biodoversity" 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 asupices 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 per cent. to 95 per cent..

In 2009, for example, to protect the Bonelli's eagle RTE equipped 9km 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 4km 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.

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:

(**In thousands of euros**)

AREA OF EXPENSE	OPERATION	INVESTMENT	OPERATION	INVESTMENT
	2008		2009	
1 – AMBIENT AIR, CLIMATE	1,720	589	1,969	637
2 – MANAGEMENT OF WASTE WATER	46	340	80	152
3 – WASTE MANAGEMENT	4,149	-	2,906	970
4 - SOILS, UNDERGROUND/ SURFACE WATER	1,094	9,659	586	6,025
5 - NOISE	233	982	648	1,225
6 - BIODIVERSITY, LANDSCAPE	10,920	37,202	7,462	24,345
7 - RADIATION	788	-	881	-
8 – RESEARCH & DEVELOPMENT	4,085	-	2,051	-
9 - OTHER ACTIVITIES	16,681	-	17,111	-
10 – DEMAND SIDE MANAGEMENT	11	-	378	84
	39,726	48,772	34,072	33,437
	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.

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.

	2007	2008	2009
Hours of environmental training by RTE	4 870	5 845	6 048

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:

Environmental Emergencies	2005	2006	2007	2008	2009
1 – Fires under overhead lines	10	2	2	1	8
2 – Substation fires	3	7	3	4	6
3 – Oil leaks from transformers	4	4	2	4	6
4 - Oil leaks from underground connections	1	6	2	1	9
5 - SF6 leaks (metal-enclosed substations or substation buildings)	0	0	0	1	1
6 – Leaks or fires of dangerous materials during transport	0	0	2	1	2
TOTAL	**18**	**19**	**11**	**12**	**32**[56]

Source: RTE 2009

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 12[57] 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).

2.7 Indemnities paid and reparation for damage caused

Visual prejudice: €700,000 in 2009.

3 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

[56] Provisional figures
[57] Provisional figures

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 31 December 2009, showing a slight decrease in the number with part-time contracts:

- 6,691 employees (>78 per cent.) have full-time contracts,
- 1,824 employees (<22 per cent.) 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 3 December 2008 in favour of employment revenue.

Two additional pension measures were also introduced in 2009:

- An additional defined-contribution pension plan (contribution of 1 per cent. 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 (IRP [58])

- Collective agreement on the new Health and Safety Committee (10 March 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 (8 June 2009),
- Agreement on formation of Regional Coordination Committees for the Health, Safety and Working Conditions Committee (6 November 2009),
- Agreement on career advancement for employees devoting 50 per cent. or 100 per cent. 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 (4 December 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) (16 March 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. (9 April 2009),
- Agreement for integration of disabled employees (2009-2010-2011). This follows on from the 2006 agreement and includes past experience. (28 April 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. (15 October 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. (16 December 2009),
- The action plan for employment of older people incudes favorable measures for the second part of their career. (31 December 2009),
    - Forward planning for career development
    - Improved working conditions and prevention of difficult working situations
    - Development of skills and qualifications, and access to training

[58] *IRP: Instances Représentatives du Personnel*

- o Career-end adjustments and arrangements for the transition between work and retirement
- o Transmission of knowhow and skills, and development of mentoring

3.4.3 Salary developments

- Agreement on choice-based promotions (January 2009 & 2010) (14 May 2009)
- Profit sharing agreement for 2009-2011(Cf § 3.3) (14 May 2009)
- Agreement marking RTE's adherence to the agreement of 17 July 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. (15 October 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 (29 December 2009)
- an amendment to the adherence to the EDF Group savings plan defining rules for the employer's contribution (27 October 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 14 May 2007.

In addition to the continued vigilance over salaries, the agreement aims to reach an overall proportion of 20 per cent. 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 per cent. in 2007 to 27 per cent. in 2008 then 28.4 per cent. 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 per cent. in 2007 to 18.4 per cent. in 2008, reaching 19 per cent. 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 31 December)

Workplace industrial accidents entailing sick leave:	42
Workplace industrial accidents not entailing sick leave:	38
Total industrial accidents:	80
Frequency rate [59]:	3.46
Extended frequency rate [60]:	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 10 March 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 to is advise the management on recommended action on the issue.

3.7 Training and skills

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

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[59] Frequency rate: number of workplace industrial accidents entailing sick leave * 10^6 / number of hours worked
[60] Extended frequency rate: accumulated number of workplace industrial accidents* 10^6/ number of hours worked

The 2010 training plans for each establishment and RTE were consolidated for the first time using data collected in @RTESIS from the interview campaign of 2009. 77 per cent. 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 per cent. 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 per cent. 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 business 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.

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 28 April 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 disablity 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, Arthrisis, 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 28 April 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 students' education under the ARPEJEH (*Accompagner la Réalisation des Projets d'Etudes de Jeunes Elèves et Etudiants Handicapés*) system co-founded by RTE with SFR, Air France, L'Oréal and LVMH on 30 April 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

(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**

Statement of net income and gains and losses recorded directly in equity

(in thousands of euros)	Notes	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.

Consolidated balance sheets

ASSETS	Notes	12.31.2009	12.31.2008
(in thousands of euros)			
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	Notes	12.31.2009	12.31.2008
(in thousands of euros)			
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**

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 (1)	1,230,798	(1,085,670)
Net cash flow from investing activities	**216,016**	**(1,924,498)**
Financing activities:		
Issuance of borrowings (2)	200,764	2,235,036
Repayment of borrowings (3)	(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 (4)	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**

(1) 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.

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

(3) 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.

(4) 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.

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 31 December 2009 under the responsibility of the Executive Board, which approved them on 1 February 2010.

Note 1 - Group accounting standards

1.1 Declaration of conformity and Group accounting policies

Pursuant to European regulation 1606/2002 of 19 July 2002 on the adoption of international accounting standards, the RTE Group's consolidated financial statements for the year ended 31 December 2009 are prepared under the international accounting standards published by the IASB and approved by the European Union for application at 31 December2009. These international standards are IAS (International Accounting Standards), IFRS (International Financial Reporting Standards), and interpretations issued by the SIC and IFRIC.

1.2 Changes in accounting methods at 1 January 2009

The accounting and valuation methods applied by the Group in the consolidated financial statements for the year ended 31 December 2009 are identical to those used in the consolidated financial statements for the year ended 31 December 2008,

with the exception of standards endorsed by the European Union in 2007, 2008 and 2009 that became mandatory from 1 January 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 1 January 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 31 December 2007.

On 10 September 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 1 July 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 (27 November 2009), the Group will apply IFRIC 18 from 1 January 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 12 June 2009, will apply to business combinations that take place in financial years starting on or after 1 July 2009 (i.e. from 1 January 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 1 January 2010;

- Revised IFRS 1, “First-time Adoption of International Financial Reporting Standards”, which was adopted by the European Union on 26 November 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 24 December 2009. The potential impact is currently being evaluated;

- Amendments to IAS 39 on “Eligible hedged items”, which were adopted by the European Union on 16 September 2009 and apply to financial years starting on or after 1 July 2009 (i.e. from 1 January 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 1 January 2010;

- IFRIC 15, “Agreements for the Construction of Real Estate”, approved by the European Union on 23 July 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 5 June 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 27 November 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 31 December 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 convention 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 31 December 2009 (€376 million at 31 December 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 per cent. 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 31 December 2008, Arteria and RTE International are fully consolidated and HGRT is accounted for under the equity method.

At 31 December 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 differences 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 30 October 2008 to the agreement of 27 November 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 25 March 2009 and will be applied in the Group’s financial statements from 1 January 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 31 December 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 31 December 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 31 December 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 per cent. and 125 per cent..

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 scrappage.

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 subsequently 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 per cent. at 31 December 2008 and 5.25 per cent. at 31 December 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 per cent. (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 9 August 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 economic 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 15 December 2009

A European Court ruling of 15 December 2009 cancelled the European Commission's decision of 16 December 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 30 December 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'Energie*) in a decision of 26 February 2004. RTE EDF Transport's share is 27.12 per cent. or €331 million[61]. RTE and ERDF both recorded receivables on EDF at 31 December 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'Energie* (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 5 June 2009 and was published in France's Official Gazette (*Journal Officiel*) on 19 June 2009, with the application date set for 1 August 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 24 January 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 18 December 2008 the CRE approved RTE EDF Transport's investment program for 2009, which was 23 per cent. higher than 2008. At 31 December 2009 investments undertaken by RTE EDF Transport amounted to €1.025 billion.

3.5 Developments in the litigation with SNCF

An agreement between the SNCF and EDF signed on 22 December 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 1 January 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 4 July 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 1 January 2002 to 30 June 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.

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[61] 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.

At 31 December 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 9 August 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 15 July 2009 setting the price payable for transfer of the SCNF network at €140 million. The SNCF disagrees with this valuation and lodged a petition before the French Council of State on 21 August 2009.

3.6 Financing operations

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

On 28 August 2008 RTE EDF Transport drew a nominal amount of €1 billion on its bond program at the nominal rate of 5.125 per cent. 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 19 June 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 28 July 2009.

RTE EDF Transport is contesting all the corrections notified. Two detailed responses to the proposed reassessments were sent on 19 February and 2 October 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 Departmental Commission for direct taxes and sales taxes. At a meeting held on 15 December 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 27 November 1958 transferring the concession for the French public electricity transmission network to RTE EDF Transport was signed on 30 October 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 23 December 2006. The concession terminates on 31 December 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 22 January 2008 was issued in accordance with France Pension Guideline Document (*Document d'Orientation sur les Retraites*) of 10 October 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 1 January 2009 rather than on the basic national salary (*Salaire National de Base*) as previously.

The decree came into force on 1 July 2008 and was supplemented by the decrees of 27 June 2008 and 2 July 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 1 January 2008 for IEG companies were undertaken by the pension administration body CNIEG (*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 1 January 2008

For specific benefits in the regulated transmission activity vested before 1 January 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 9 August 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 1 January 2008, the annual amounts recognized as the current service cost are modified from 1 January 2008 and booked under personnel expenses.

• Impact on other employee benefit obligations at 31 December 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 per cent. 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 per cent. 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 per cent. 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 22 April 2008, with interest at the nominal rate of 4.875 per cent. and 7-year maturity,

- one of €1 billion nominal value on 28 August 2008, with interest at the nominal rate of 5.125 per cent. 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 11 June 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 per cent. 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 1 January 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 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**

In 2009, Group sales amounted to €4,130 million, a decrease of €91 million (-2.1 per cent.) 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.

Note 7 - Energy purchases

(in thousands of euros)	**12.31.2009**	**12.31.2008**
Energy purchases	(760,511)	(674,216)

"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).

Note 8 - Other external expenses

Other external expenses comprise:

(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)**

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.

Note 9 - Contractual obligations and commitments

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

(in thousands of euros)	Total	Maturity		
		< 1 year	1 - 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 24 May 2007, a free share plan was set up by the Board of Directors' meeting held on 30 August 2007 for the benefit of personnel of EDF SA and certain subsidiaries, including RTE EDF Transport. The performance objectives for the period 2006-2008 were achieved and the shares were delivered to the employees concerned on 31 August 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 reinvoicing agreement between EDF SA and RTE EDF Transport. The reinvoicing 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

	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**

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

Note 11 - Taxes other than income tax

(in thousands of euros)	**12.31.2009**	**12.31.2008**
Taxes other than income taxes	(411,171)	(391,498)

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

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:

(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)**

Other operating income and expenses resulted in a net expense of €10 million at 31 December 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),
- 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 31 December 2009 in compliance with IAS 12 (€5 million).

Note 13 - Financial result

13.1 Cost of gross financial indebtedness

(in thousands of euros)	**12.31.2009**	**12.31.2008**
Cost of gross financial indebtedness	(312,369)	(378,362)

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 31 December 2008.

Revised IAS 23, "Borrowing costs", has been mandatory since 1 January 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 3 December 2009 was €3,000,000. Other borrowing costs continue to be charged to financial expenses over the relevant period.

13.2 Discount expense

(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)**

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

13.3 Other financial income and expenses

Other financial income and expenses comprise:

(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**

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

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

At 31 December 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[62] million on this item.

(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%**

[62] The total amount of €210 million comprises:
- A tax expense of €31.3 million on the €90.8 million financial income corresponding to reimbursement of late payment interest (for the period 1997-2003),
- Tax income of €241.1 million corresponding to reimbursement of the principal amount, which is not subject to income tax.

14.3 Breakdown of deferred taxes by nature

(in thousands of euros)	**12.31.2009**	**12.31.2008**
Deferred tax assets:		
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)**

"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.

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 31 December 2009

(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**

(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 equipment	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.

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).

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 31 December 2009.

15.2 At 31 December 2008

(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**

(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.

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).

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 31 December 2008.

Note 16 - Investments in companies accounted for under the equity method

Details of investments in associates are as follows:

(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

Coreso SA, owned 33 per cent. 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.

Note 17 - Financial assets

17.1 Breakdown between current and non-current financial assets

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

(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**

(*) net of impairment

17.2 Change in financial assets at 31 December 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 31 December 2008 and 31 December 2009. These investments were sold in January 2009 to repay a related party loan (EDF SA) due on 28 January 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 31 December 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)	2009	2008
Inventories, gross value	**106,600**	**97,721**
Provisions	(16,591)	(15,976)
Inventories, net value	**90,009**	**81,745**

(in thousands of euros)	2008	Increases	Decreases Utilization	Decreases Reversals	12.31.2009
Provisions on inventories	(15,976)	(615)			(16,591)

Note 19 - Trade and similar receivables

Details of net trade and similar receivables are as follows:

(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**

Trade and similar receivables mature within one year.

(in thousands of euros)	12.31.2008	Increases	Decreases Utilization	Decreases Reversals	12.31.2009
Provisions on trade and similar receivables	(13,889)	(6,622)	5,787	4,287	(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**

(in thousands of euros)	**12.31.2008**	**Increases**	**Decreases (utilizations)**	**12.31.2009**
Provisions on other receivables	(1,313)	(3,886)	330	(4,869)

"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.

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 per cent. by EDF SA.

22.2 Distribution of dividends

The General Shareholders' meeting of 19 May 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 31 December 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 31 December 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 31 December 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 1 January 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 1 January 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 31 December 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 31 December 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 payment 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 31 December 2009, the related obligations for IEG status employees total €88 million (€78 million at 31 December 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 per cent. (5.75 per cent. at 31 December 2008).
- expected return on fund assets = 5.05 per cent.,
- inflation rate = 2 per cent..

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

(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)**

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

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

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

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

(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

(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%**

All debts are in euros.

24.2.3 Credit line(s)

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

(in thousands of euros)	**Total**	**Maturity**		
		< 1 year	**1 - 5 years**	**> 5 years**
Confirmed credit line			850,000	

24.2.4 Fair value of loans and other financial liabilities at 31 December 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 1.7.2 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 31 December 2009:

(in thousands of euros)	Notional at Dec 31,2009				Fair value
	< 1 year	1 to 5 years	> 5 years	Total	12.31.2009
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:

(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

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 31 December 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 31 December 2009.

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.

(in euros)	12.31.2009	12.31.2008
Remuneration of Executive Board members	1,114,090	1,042,082
Remuneration of Supervisory Board members	2,619,929	2,170,372
Total	**3,734,019**	**3,212,454**

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.

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 representatives) 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:

(en 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 31 December 2009 is as follows:

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

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER FOR THE YEAR ENDED 31 DECEMBER 2009

Mazars
Tour Exaltis
61, rue Regnault
92 075 La Défense

Deloitte & Associés
185, avenue Charles-de-Gaulle
B.P. 136
92 524 Neuilly-sur-Seine Cedex

RTE-EDF Transport

Société Anonyme

Tour Initiale
1, Terrasse Bellini
92 919 La Défense Cedex

Rapport des Commissaires aux Comptes

Comptes Consolidés - Exercice clos le 31 décembre 2009

Aux Actionnaires,

En exécution de la mission qui nous a été confiée par votre Assemblée Générale et par vos statuts, nous vous présentons notre rapport relatif à l'exercice clos le 31 décembre 2009 sur :

- le contrôle des comptes consolidés de la société RTE-EDF Transport, tels qu'ils sont joints au présent rapport,
- la justification de nos appréciations,
- la vérification spécifique prévue par la loi.

Les comptes consolidés ont été arrêtés par le Directoire. Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

I. Opinion sur les comptes consolidés

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes consolidés ne comportent pas d'anomalies significatives. Un audit consiste à vérifier, par sondages ou au moyen d'autres méthodes de sélection, les éléments justifiant des montants et informations figurant dans les comptes consolidés. Il consiste également à apprécier les principes comptables suivis, les estimations significatives retenues et la présentation d'ensemble des comptes. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Nous certifions que les comptes consolidés sont, au regard du référentiel IFRS, tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les personnes et entités comprises dans la consolidation.

II. Justification des appréciations

En application des dispositions de l'article L.823-9 du Code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les éléments suivants :

Jugements et estimations de la Direction

La note 2.2 de l'annexe expose les principaux jugements et estimations de la Direction nécessaires à la préparation des états financiers de votre société et pour lesquelles les hypothèses retenues affectent la valeur comptable des éléments actifs ou de passifs présentés et les produits et charges associés. Nous avons procédé à l'appréciation du caractère approprié et raisonnable des estimations significatives retenues notamment en ce qui concerne les engagements de retraite et autres engagements envers le personnel tels que présentés en notes 2.19.3 et 3.9.2.

Evénements et transactions significatifs survenus au cours de l'exercice

Nous avons apprécié la traduction comptable des événements et transactions significatifs survenus au cours de l'exercice écoulé, telle qu'exposée en note 3 de l'annexe, au vu des éléments probants qui les caractérisent et en particulier au titre de l'"Arrêt du tribunal de l'Union Européenne du 15 décembre 2009" présentée en note 3.1.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes consolidés, pris dans leur ensemble, et ont contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

III. Vérification et informations spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, à la vérification spécifique prévue par la loi des informations relatives au groupe données dans le rapport sur la gestion.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés.

Fait à Courbevoie et Neuilly-sur-Seine, le 10 février 2010

Les Commissaires aux Comptes

Mazars	**Deloitte & Associés**
Dominique Muller	Tristan Guerlain

Mazars
Tour Exaltis
61, rue Regnault
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Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 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 31 December 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.

I - 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 31 December 2009 and the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

II - 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 15 December 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.

III - 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, 10 February 2010

The Statutory Auditors

Mazars	**Deloitte & Associés**
Dominique Muller	Tristan Guerlain

GLOSSARY OF FINANCIAL TERMS USED IN THE RTE EDF TRANSPORT'S MANAGEMENT REPORTS FOR 2008 AND 2009

Sales represent what the company has been able to sell to its customers. Also called **revenue** or **income**.

EBITDA is the result of the operating cycle, which is equal to the balance of operating revenues and cash operating charges incurred to obtain these revenues. EBITDA is also called **gross operating profit**.

EBIT represents the earnings generated by the investment cycle and business cycle for a given period. The term "business" contrasts with the term "financial", reflecting the distinction between the real world and the realms of finance. EBIT is the product of the company's industrial and commercial activities before its financing operations are taken into account. Also called operating income, trading profit, **operating profit** or operating income.

Net income is profit after non recurrent items and tax. Net income is also called profit or earnings or **net profit**.

Capital Expenditures are acquisitions of tangible fixed assets and intangible fixed assets. They are commonly called capex.

Net financial debt is the total financial debt net of short-term financial investments.

ROCE : In accordance with the vision of the regulatory authority, operating profit for the year is divided by the amount of RTE EDF Transport's regulated assets (intangible assets and property, plant and equipment + net current assets – investment grants receivable) per the balance sheet at 1 January 2007.

Return on equity (ROE) measures the profitability of equity invested in the business. Return on equity is calculated by dividing net income by equity.

Gearing is the ratio of net debt to equity.

DOCUMENTS ON DISPLAY

For so long as any Notes may be issued under the Programme or are outstanding, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent, the Paying Agents and the Issuer:

(i) the *statuts* of the Issuer;

(ii) the Amended and Restated Agency Agreement;

(iii) the published annual report of the Issuer and audited consolidated accounts of the RTE Group for 2008 and for 2009 (also available on www.rte-france.com) (in English and French) (in each case as soon as they are published);

(iv) Final Terms for Notes that are admitted to trading on Euronext Paris and/or any other Regulated Market;

(v) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Base Prospectus; and

(vi) any reports, letters and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in this Base Prospectus.

TAXATION

EU Taxation

On 3 June 2003, the European Council of Economic and Finance Ministers adopted the Directive 2003/48/EC on the taxation of savings income (the "**Directive**"). Pursuant to the Directive and subject to a number of conditions being met, Member States are required, since 1 July 2005, to provide to the tax authorities of another Member State, *inter alia*, details of payments of interest within the meaning of the Directive (interest, premiums or other debt income) made by a paying agent located within their jurisdiction to, or for the benefit of, an individual resident in that other Member State (the "**Disclosure of Information Method**").

For these purposes, the term "paying agent" is defined widely and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Directive, for the immediate benefit of individuals.

However, throughout a transitional period, certain Member States (the Grand-Duchy of Luxembourg and Austria), instead of using the Disclosure of Information Method used by other Member States, unless the relevant beneficial owner of such payment elects for the Disclosure of Information Method, withhold an amount on interest payments. The rate of such withholding tax equals 15 per cent. during the first three years, 20 per cent. during the subsequent three years and 35 per cent. until the end of the transitional period.

Such transitional period will end at the end of the first full fiscal year following the later of (i) the date of entry into force of an agreement between the European Community, following a unanimous decision of the European Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra, providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on 18 April 2002 (the "**OECD Model Agreement**") with respect to interest payments within the meaning of the Directive, in addition to the simultaneous application by those same countries of a withholding tax on such payments at the rate applicable for the corresponding periods mentioned above and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the Directive.

A number of non-EU countries and dependent or associated territories have agreed to adopt similar measures (transitional withholding or exchange of information) with effect since 1 July 2005.

The European Commission has proposed a number of changes to the Directive which have been adopted by the European Parliament. The European Parliament adopted an amended version of this proposal on 24 April 2009. If any of these proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

France — Taxation

Notes issued from 1 March 2010

Following the introduction of the French *Loi de finances rectificative pour 2009* No.3 (n° 2009-1674 dated 30 December 2009) (the "**Law**"), payments of interest and other revenues made by the Issuer with respect to Notes issued as from 1 March 2010 (other than Notes which are assimilated (*assimilables* for the purpose of French law) and form a single series with Notes issued prior to 1 March 2010 having the benefit of Article 131 *quater* of the French *Code général des Impôts*) will not be subject to the withholding tax set out under Article 125 A III of the French *Code général des Impôts* unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French *Code général des Impôts* (a "**Non-Cooperative State**"). If such payments under the Notes are made in a Non-Cooperative State, a 50 per cent. withholding tax will be applicable (subject to certain exceptions and potentially to the more favourable provisions of an applicable tax treaty), by virtue of Article 125 A III of the French *Code général des Impôts*.

Furthermore, interest and other revenues on such Notes will no longer be deductible from the Issuer's taxable income, as from the fiscal years starting on or after 1 January 2011, if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Article 109 of the French *Code général des*

Impôts, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 bis of the French *Code général des Impôts*, at a rate of 25 per cent. or 50 per cent.

Notwithstanding the foregoing, the Law provides that neither the 50 per cent. withholding tax set out under Article 125 A III of the French *Code général des Impôts* nor the non-deductibility will apply in respect of a particular issue of Notes if the Issuer can prove that the principal purpose and effect of such issue of Notes was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "**Exception**"). Pursuant to the ruling (*rescrit*) n°2010/11 (FP and FE) of the French tax authorities dated 22 February 2010, an issue of Notes will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of such issue of Notes if such Notes are:

(i) offered by means of a public offer within the meaning of Article L.411-1 of the French *Code monétaire et financier* or pursuant to an equivalent offer in a State which is not a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or

(ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non- Cooperative State; or

(iii) admitted, at the time of their issue, to the clearing operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositaries or operators provided that such depositary or operator is not located in a Non-Cooperative State.

*Notes issued from 1 March 2010 which are assimilated (*assimilables *for the purpose of French law) and form a single series with Notes issued before 1 March 2010*

Payments of interest and other revenues with respect to Notes issued from 1 March 2010 which are assimilated (*assimilables* for the purpose of French law) and form a single series with Notes issued before 1 March 2010 with the benefit of Article 131 *quater* of the French *Code général des Impôts*, will be exempt from the withholding tax set out under Article 125 A III of the French *Code général des Impôts*.

Notes issued before 1 March 2010, whether denominated in Euro or in any other currency, and constituting obligations under French law, or *titres de créances négociables* within the meaning of rulings (*rescrits*) n°2007/59 (FP) and n°2009/23 (FP) of the French tax authorities dated 8 January 2008 and 7 April 2009, respectively, or other debt securities issued under French or foreign law and considered by the French tax authorities as falling into similar categories, are deemed to be issued outside the Republic of France for the purpose of Article 131 *quater* of the French *Code général des Impôts*, in accordance with Circular 5 I-11-98 of the French tax authorities dated 30 September 1998 and the aforementioned rulings (*rescrits*) n°2007/59 (FP) and n°2009/23 (FP).

In addition, interest and other revenues paid by the Issuer on Notes issued from 1 March 2010 and which are to be assimilated (*assimilables* for the purpose of French law) and form a single series with Notes issued before 1 March 2010 will not be subject to the withholding tax set out in Article 119 bis of the French *Code général des Impôts* solely on account of their being paid in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

The tax regime applicable to the Notes which do not benefit from the Exception will be set out in the relevant Final Terms.

See "*Terms and Conditions of the Notes – Taxation*".

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 4 May 2010 (as amended or supplemented from time to time, the "**Amended and Restated Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, as determined by the relevant Dealer, at the time of such resale. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Amended and Restated Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for their expenses incurred in connection with the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Amended and Restated Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

France

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*) as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 to D.411-3 of the French *Code monétaire et financier*.

If necessary these selling restrictions will be supplemented in the relevant Final Terms.

United States

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

Materialised Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Amended and Restated Dealer Agreement, it will not offer, sell or, in the case of Materialised Bearer Notes, deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of any identifiable Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

United Kingdom

Each Dealer has represented, warranted and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification or supplement will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a Supplement to the Base Prospectus.

No action has been taken in any jurisdiction that would permit an offer to the public of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither any of the Issuer nor any other Dealer shall have responsibility therefor.

Each of the Dealers and the Issuer has represented and agreed that Materialised Notes may only be issued outside France.

PRO FORMA FINAL TERMS FOR USE IN CONNECTION WITH ISSUES OF NOTES WITH A DENOMINATION OF AT LEAST €50,000 TO BE ADMITTED TO TRADING ON A REGULATED MARKET

Final Terms dated [●]

RTE EDF Transport S.A.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €6,000,000,000 Euro Medium Term Note Programme
of RTE EDF Transport S.A.

SERIES NO: [●]
TRANCHE NO: [●]

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 4 May 2010 which has received visa no. 10-109 from the *Autorité des marchés financiers* ("**AMF**") on 3 May 2010 [and the supplement to the Base Prospectus dated [●] which has received visa no. [●] from the AMF on [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing free of charge on the website of the AMF "www.amf-france.org", on the website of the Issuer "www.rte-france.com" and for inspection at the specified offices of the Paying Agents.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] which received visa n°[●] from the *Autorité des marchés financiers* ("**AMF**") on [●] [and the supplement to the Base Prospectus dated [●] which has received visa no. [●] from the AMF on [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date], which has received visa no. [●] from the AMF on **[●]** [and the supplement to the Base Prospectus dated [●] which has received visa no. [●] from the AMF on **[●]**], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplements to the Base Prospectuses dated [●] and [●]]. The Base Prospectuses [and the supplements to the Base Prospectuses] are for viewing free of charge on the website of the AMF "www.amf-france.org", on the website of the Issuer "www.rte-france.com" and for inspection at the specified offices of the Paying Agents.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.][63]

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63 Not applicable for issues of Notes the placement of which does not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive 2003/71EC.

1	Issuer:	RTE EDF Transport S.A.
2	(i) Series Number:	[●]
	(ii) [Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)]	[●]
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount of Notes admitted to trading:	[●]
	[(i)] Series:	[●]
	[(ii)] Tranche:	[●]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount (plus) accrued interest from [insert date] [*if applicable*]
6	Specified Denomination(s):	[●] [*one denomination only for Dematerialised Notes*]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[Specify/Issue Date/Not Applicable]
8	Maturity Date:	[*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9	Interest Basis/Rate of Interest:	[[●] per cent. Fixed Rate] [*specify reference rate*] [+/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other [*specify*]] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other [*specify*]] *(N.B. If the Final Redemption Amount is less than 100 per cent. of the nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
11	Change of Interest or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12	Put/Call Options:	[Issuer Call/Investor Put] [(further particulars specified below)]
13	(i) Status of the Notes:	Unsubordinated
	(ii) Date of corporate authorisations for the issuance of Notes obtained:	[●]

14	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	Fixed Rate Note Provisions	[Applicable/Not applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/or other (*specify*)] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year *[adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]*
	(iii) Fixed Coupon Amount[(s)]:	[●] per [●] in Nominal Amount
	(iv) Broken Amount[(s)]:	[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)]]
	(v) Day Count Fraction (Condition 5(a)):	[30/360 / Actual/Actual (ICMA) / ISDA / other]
	(vi) Determination Date(s) (Condition 5(a)):	[●] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
16	Floating Rate Provisions	[Applicable/Not applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]
	(iii) Interest Period Date:	[●] *(Not applicable unless different from Specified Interest Payment Dates)*
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(v) Business Centre(s):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/FBF Determination/ISDA Determination/ other (give details)]
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
	(viii) Screen Rate Determination:	
	— Reference Rate:	[●]
	— Interest Determination Date(s):	[●]
	— Relevant Screen Page:	[●]
	(ix) FBF Determination:	[●]

	— Floating Rate:	[●]
	— Floating Rate Determination Date (*Date de Détermination du Taux Variable*):	[●]
	(x) ISDA Determination:	
	— Floating Rate Option:	[●]
	— Designated Maturity:	[●]
	— Reset Date:	[●]
	(xi) Margin(s):	[+/-] [●] per cent. per annum
	(xii) Minimum Rate of Interest:	[●] per cent. per annum
	(xiii) Maximum Rate of Interest:	[●] per cent. per annum
	(xiv) Day Count Fraction:	[●]
	(xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
17	Zero Coupon Note Provisions	[Applicable / Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) Any other formula/basis of determining amount payable:	[●]
	(iii) Day Count Fraction:	[Not Applicable / [●]]
18	Index Linked Interest Note Provisions / other variable-linked interest Note Provisions	[Applicable / Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Index/Formula/other variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the interest due:	[●]
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv) Interest Determination Date(s):	[●]
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi) Interest Period(s):	[●]
	(vii) Specified Interest Payment Dates:	[●]
	(viii) Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day

		Convention/Preceding Business Day Convention/other (*give details*)]
	(ix) Business Centre(s):	[●]
	(x) Minimum Rate of Interest:	[●] per cent. per annum
	(xi) Maximum Rate of Interest:	[●] per cent. per annum
	(xii) Day Count Fraction:	[●]
19	Dual Currency Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate of Exchange/Method of calculating Rate of Exchange:	[*Give details*]
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]
PROVISIONS RELATING TO REDEMPTION		
20	Call Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[●] per Note of [●] Specified Denomination
	(iii) If redeemable in part:	[●]
	(a) Minimum Redemption Amount:	[●]
	(b) Maximum Redemption Amount:	[●]
	(iv) Notice period:	[●]
21	Put Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount each Note and method, if any, calculation of such amount(s):	[●] [●] per Note of [●] Specified Denomination
	(iii) Notice period:	[●]
22	Final Redemption Amount In cases where the Final Redemption Amount	(*If the Final Redemption Amount is less than 100 per cent. of the nominal value the Notes will be derivative securities for the*

	is Index-Linked or other variable-linked:	*purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.*)
	(i) Index/Formula/variable:	[*give or annex details*]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[●]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv) Determination Date(s):	[●]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi) Payment Date:	[●]
	(vii) Minimum Redemption Amount:	[●]
	(viii) Maximum Redemption Amount:	[●]
23	Early Redemption Amount	
	Early Redemption Amount(s) payable on redemption for taxation reasons, for or an event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	[Dematerialised Notes/Materialised Notes] (*Materialised Notes are only in bearer form*) [*Delete as appropriate*]
	(i) Form of Dematerialised Notes:	[Not Applicable/*if Applicable specify whether*)] [Bearer dematerialised form (*au porteur*)/ [fully/administered] Registered dematerialised form (*au nominative [pur/administré*])]
	(ii) Registration Agent:	[Not Applicable/if applicable give names and details] (*Note that a Registration Agent must be appointed in relation to Registered Dematerialised Notes only*)
	(iii) Temporary Global Certificate:	[Not Applicable/Temporary Global Certificate exchangeable for Definitive Materialised Bearer Notes on [●] (the "**Exchange Date**"), being 40 days after the Issue Date subject to postponement as provided in the Temporary Global Certificate]
	(iv) Applicable TEFRA exemption:	[C Rules/D Rules/Not Applicable] *(Only applicable to Materialised Notes)*
25	Financial Centre(s) or other special provisions relating to payments dates:	[Not Applicable/*give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 16(v) and 18(ix) relate*)]

26	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No/Not Applicable. *If yes, give details*]
27	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
28	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
29	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions [in Condition 1(d)] apply]
30	Consolidation provisions:	[Not Applicable/The provisions [in Condition 14(b)] apply]
31	*Masse* (Condition 11):	[Applicable/Not Applicable/Condition 11 replaced by the full provisions of the French *Code de commerce* relating to the *Masse*] (*Note that: (i) in respect of any Tranche of Notes issued outside France, Condition 11 may be waived, amended or supplemented, and (ii) in respect of any Tranche of Notes issued inside France, Condition 11 must be waived in its entirety and replaced by the provisions of French* Code de commerce *relating to the* Masse*. If Condition 11 (as it may be amended or supplemented) applies, or if the full provisions of the French* Code de commerce *apply, insert details of initial and alternate Representatives and remuneration, if any*)
32	Other final terms:	[Not Applicable/*give details*] (*When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)
33	Tax regime:	[If the Notes do not benefit from the withholding tax exception, set out the relevant tax regime]

DISTRIBUTION

34	(a) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(b) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
35	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
36	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[TEFRA D/ TEFRA C/TEFRA not applicable]
37	Additional selling restrictions:	[Not Applicable/*give details*]

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the 6,000,000,000 Euro Medium Term Note Programme of RTE EDF Transport S.A.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer

By:
Duly authorised

PART B – OTHER INFORMATION

1 RISK FACTORS

[Insert any risk factors that are material to the Notes being offered and/or listed and admitted to trading in order to assess the market risk associated with these Notes and that may affect the Issuer's ability to fulfil its obligations under the Notes which are not covered under "Risk Factors" in the Base Prospectus or any Supplement(s) to the Base Prospectus or documents incorporated by reference. If any such additional risk factors need to be included consideration should be given as to whether they constitute a "significant new factor" and consequently triggers the need for a Supplement to the Base Prospectus under Article 16 of the Prospectus Directive.] [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.][64].

2 LISTING

(i) Listing:	[Paris Stock Exchange (Euronext Paris)/other (*specify*)/None]
(ii) Admission to trading	[Application has been made for the Notes to be admitted to trading on [●] with effect from [●].] /[Not Applicable]
(iii) Estimate of total expenses related to admission to trading:	[●]

3 RATINGS AND EURO EQUIVALENT

Ratings:	The Notes to be issued have been rated: [S & P: [●]] [Moody's: [●]] [[Fitch: [●]] [[Other]: [●]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
Euro equivalent:	[Not Applicable/Euro [●]] (Only applicable for Notes not denominated in Euro)
The aggregate principal amount of Notes issued has been converted into Euro at the rate of [●], producing a sum of:	[●]

4 NOTIFICATION

[The *Autorité des marchés financiers* [has provided]/[has been requested to provide] the [names of the competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in

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64 If the final redemption Amount is less than 100 per cent. of the nominal value the Notes will be derivative securities for the purpose of the Prospectus Directive and the requirements of Annex 12 to the Prospectus Directive Regulation will apply.

accordance with the Prospectus Directive.]

5 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.]

[*Amend as appropriate if there are other interests*]

6 THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS

[*Where a statement or report attributed to a person as an expert is included in respect of the Issuer or the Notes, provide such person's name, business address, qualifications and material interest if any in the Issuer. If the report has been produced at the Issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part in respect of the Issuer of the Notes.*

*Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the Issuer shall identify the source(s) of the information.****]*** */[Not Applicable.]*

7 [FIXED RATE NOTES ONLY -YIELD

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

8 [*FLOATING RATE NOTES ONLY* - DESCRIPTION OF THE UNDERLYING, MARKET OR SETTLEMENT DISRUPTION AND ADJUSTMENT RULES

9 DESCRIPTION OF THE UNDERLYING

Need to include a description of the underlying on which the Floating Rate is based and of the method used to relate the two.

10 MARKET OR SETTLEMENT DISRUPTION

Need to include a description of any disruption or settlement disruption events that affect the underlying.

11 ADJUSTMENT RULES

*Need to include a description of the adjustment rules with relation to events concerning the underlying.****]***

12 *DERIVATIVES ONLY* – RETURN ON DERIVATIVES SECURITIES AND INFORMATION CONCERNING THE UNDERLYING[65]

13 EXERCISE DATE OR FINAL REFERENCE DATE]

Need to specify the exercise date or final reference date of the derivative securities.

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[65] Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

14 SETTLEMENT PROCEDURES FOR DERIVATIVE SECURITIES

Need to include a description of the settlement procedures of the derivative securities.

15 RETURN ON DERIVATIVE SECURITIES

Return on derivative securities:	[*Description of how any return on derivative securities takes place*]
Payment or delivery date:	[●]
Method of calculation:	[●]

16 INFORMATION CONCERNING THE UNDERLYING

The exercise price or the final reference price of the underlying:	[●]
A statement setting out the type of the underlying and details of where information on the underlying can be obtained:	
— an indication where information about the past and the further performance of the underlying and its volatility can be obtained	[●]
— where the underlying is an index:	[Applicable / Not Applicable]
● the name of the index and a description of the index if it is composed by the issuer. If the index is not composed by the issuer, where information about the index can be obtained:	[●]
— where the underlying is an interest rate:	[Applicable/Not Applicable]
● a description of the interest rate:	[●]
— others:	[Applicable/Not Applicable]
● where the underlying does not fall within the categories specified above the securities note shall contain equivalent information:	[●]
— where the underlying is a basket of underlyings:	[Applicable/Not Applicable]
● disclosure of the relevant weightings of each underlying in the basket:	[●]
A description of any market disruption or settlement disruption events that affect the	[●]

underlying:

Adjustment rules with relation to events concerning the underlying:]

17 [*DERIVATIVES ONLY* - REASONS FOR THE OFFER, USE OF PROCEEDS, TOTAL NET PROCEEDS AND TOTAL EXPENSES[66]

[(i)]	Reasons for the offer and use of proceeds:	[●] (*When different from making profit and/or hedging certain risks / See "Use of Proceeds" in the Base Prospectus*)
[(ii)]	Total net proceeds:	[●]
[(iii)]	Estimated total expenses:	[●]
		(N.B.: (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks regardless of the minimum denomination of the securities and where this is the case disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)]

18 [*DERIVATIVES ONLY* – POST ISSUANCE INFORMATION CONCERNING THE UNDERLYING[67]]

The Issuer [intends][does not intend] to issue any post-issuance information in connection with this issue of Notes.

[*If post-issuance information is to be reported, specify what information will be reported and where such information can be obtained*.]]

19 [*DERIVATIVES ONLY* - OTHER

Name and address of Calculation Agent:	[●]
Other markets on which securities of the same class of the Notes to be admitted to trading are already admitted to trading:	[●]
[Information on taxes on the income from the Notes withheld at source in the country where admission to trading (other than in France) is sought:	[●]]

20 OPERATIONAL INFORMATION

(iv)	ISIN Code:	[●]
(v)	Common Code:	[●]
(vi)	Any clearing system(s) other than Euroclear France, Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant	[Not Applicable/give name(s) and number(s) and address(es)]

66 Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

67 Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

	identification number(s):	
(vii)	Delivery:	Delivery [against/free of] payment
(viii)	Names and addresses of intial Paying Agent(s):	[●]
(ix)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(x)	Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment.	[Not Applicable/give names(s), address(es) and description]

GENERAL INFORMATION

(1) Application has been made to the *Autorité des marchés financiers* ("**AMF**") to approve this document as a base prospectus. Application will be made in certain circumstances to Euronext Paris for Notes issued under the Programme to be admitted to trading on Euronext Paris.

This Base Prospectus received the visa No. 10-109 on 3 May 2010 from the AMF. Euronext Paris is a regulated market for the purposes of the Directive 2004/39/EEC. The Final Terms applicable to each Series of Notes admitted to trading on Euronext Paris will be filed with the AMF.

(2) The Issuer has obtained all necessary corporate and other consents, approvals and authorisations in France in connection with the Programme.

The establishment of the Programme was authorised by a decision of the Executive Board (*Directoire*) of the Issuer dated 3 July 2006.

Any drawdown of Notes under the Programme, to the extent that such Notes constitute *obligations*, requires the prior authorisation of the Executive Board (*Directoire*) of the Issuer, with the prior authorisation of the Supervisory Board (*Conseil de Surveillance*), which may delegate its powers to its *Président* or to any member of the Executive Board (*Directoire*) of the Issuer.

Any drawdown of Notes under the Programme, to the extent that such Notes do not constitute *obligations*, falls within the general powers of the *Président* of the Executive Board (*Directoire*) of the Issuer or a *directeur général* of the Issuer.

Pursuant to a decision of the Executive Board (*Directoire*) of the Issuer dated 11 January 2010, issues of *obligations* have been authorised, as approved by a decision of the Supervisory board (*Conseil de Surveillance*) of the Issuer dated 11 December 2009, up to a maximum amount of Euro 1,500,000,000 of *obligations* from 1 January 2010 to 31 December 2010 (unless previously cancelled) and the Executive Board (*Directoire*) of the Issuer has delegated to Philippe Dupuis, member of the Executive Board (*Directoire*), the authority to issue *obligations* within the limits fixed by the Executive Board (*Directoire*) of the Issuer and determine the terms and conditions of the obligations.

(3) Except as disclosed in this Base Prospectus, neither the Issuer nor any member of the RTE Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during a period covering the previous 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or the RTE Group.

(4) There has been no significant change in the financial or trading position of the Issuer or of the Group since the date of the last published audited financial statements for the financial year ended 31 December 2009 of the Issuer or of the Group.

(5) There are no material contracts not entered into in the ordinary course of the Issuer's business, which could result in any member of the Issuer's Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.

(6) Notes will be accepted for clearance through the Euroclear and Clearstream, Luxembourg systems which are entities in charge of keeping the records. The Common Code and the International Securities Identification Number (ISIN) or the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

(7) The address of Euroclear is 1 boulevard du Roi Albert II, 1210 Bruxelles, Belgium and the address of Clearstream, Luxembourg is 42 avenue John Fitzgerald Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

(8) Dematerialised Notes will be inscribed in the books of Euroclear France (acting as central depositary). Dematerialised Notes which are in registered form (*au nominatif*) will be also inscribed either with the Issuer or with the registration agent.

The address of Euroclear France is 115 rue Réaumur, 75081 Paris Cedex 02, France.

(9) For so long as Notes may be admitted to trading on Euronext Paris, the following documents will be available, on the website of the *AMF*:

(i) the Final Terms for Notes that are listed and admitted to trading on Euronext Paris, and any other Regulated Market; and

(ii) this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus.

PERSON RESPONSIBLE FOR THE INFORMATION GIVEN IN THE BASE PROSPECTUS

In the name of the Issuer

To the best knowledge of the Issuer (having taken all care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Paris, 3 May 2010

RTE EDF Transport S.A.

Represented by Philippe Dupuis
Membre du Directoire

Autorité des marchés financiers

In accordance with Articles L.412-1 and L.621-8 of the French *code monétaire et financier* and with the General Regulations (*Réglement général*) of the *Autorité des marchés financiers* (AMF), in particular Articles 212-31 to 212-33, the AMF has granted to this Base Prospectus the visa No. 10-109 on 3 May 2010. It was prepared by the Issuer and its signatories assume responsibility for it. In accordance with Article L.621-8-1-I of the French *code monétaire et financier*, the visa was granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information it contains is coherent". It does not imply that the AMF has verified the accounting and financial data set out in it. In accordance with Article 212- 32 of the *Règlement général* of the AMF, all Notes issued or admitted pursuant to this Base Prospectus will result in the publication of the applicable Final Terms.

Registered Office of the Issuer

RTE EDF Transport S.A.
Tour initiale
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