



ANNUAL REPORT 2010

Contents

1. Composition of management bodies.....	2
1.1. Board of Directors	2
1.2. Daily management responsibilities	3
1.3. Auditor.....	3
2. Main events during the year.....	3
3. Outlook for 2011	6
4. Events after the end of the year	6
5. Special tasks completed by the auditors during the financial year	6
6. Notes to the annual accounts	7
6.1. Introduction	7
6.2. Balance sheet.....	7
6.3. Income statement.....	9
6.4. Profit for the financial year available for appropriation	11
7. Description of the risks and uncertainties facing the company	11
8. Research and development	12



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Annual Report

1. Composition of management bodies

1.1. Board of Directors

The Board of Directors has the following members:

- Mr Dominique Maillard, permanent representative of RTE EDF Transport SA and Chairman of the Board of Directors;
- Mr Roeland Goethals, Vice-Chairman of the Board of Directors;
- Mr Francesco Del Pizzo;
- Mr Daniel Dobbeni;
- Ms Alison Barbara Kay;
- Mr Karl-Wolfgang Neldner;
- Ms Brigitte Peyron;
- Mr Carlo Sabelli;
- Mr Christopher Train;

The general meeting of shareholders of 18 December 2008 appointed Ms Peyron, Mr Maillard, Mr Goethals and Mr Dobbeni as directors.

Ms Kay and Mr Train were appointed as directors on the basis of unanimous written decisions by the shareholders of 27 May 2009.

Mr Del Pizzo, Mr Neldner and Mr Sabelli were appointed by the general meeting of 26 November 2010.

The Board of Directors' meeting of 19 December 2008 appointed Mr Maillard as Chairman and Mr Goethals as Vice-Chairman of the Board of Directors, each for a period of three years.

None of the directorships are remunerated and all shall expire immediately after the ordinary general meeting for 2011.

The Board met five times in 2010 and considered technical, financial, economic and strategic issues.



1.2. Daily management responsibilities

The Board of Directors' meeting of 22 June 2009 appointed Mr François Boulet as head of operations, with the title Chief Executive Officer, effective from 1 September 2009 to 31 December 2011.

The Board of Directors' meeting of 22 June 2009 also appointed Mr Olivier Bronckart as Chief Operating Officer.

1.3. Auditor

The general meeting of 18 December 2008 appointed Klynveld Peat Marwick Goerdeler – Bedrijfsrevisoren/Réviseurs d'Entreprises, represented by Alexis Palm, as the auditor of the company for a period of three years, expiring at the ordinary general meeting of 2012 deciding on the annual accounts for the year ended 31 December 2011.

The remuneration for the auditor was fixed at €12,250.00 for the financial year, following indexation in line with the consumer price index.

2. Main events during the year

Coreso (Coordination of Electricity System Operators), which launched operations in February 2009, is the first technical coordination centre to be shared by multiple transmission system operators. Coreso has notably enhanced the operational coordination of transmission systems in the Central West Europe region in response to new challenges. The development of renewable energies, which are by nature intermittent, and the increase in cross-border exchanges within the European electricity market make electricity flows increasingly variable. In this area, Coreso has demonstrated a high level of reliability and expertise. Its added value for identifying risky situations for the electricity system, which can only be detected by having an overview extending beyond the national scope of each individual transmission system, has been crucial on several occasions.

Specifically, Coreso provides the control centres of participating transmission systems with forecasts about the security of systems within its observation zone. To that end, Coreso carries out security analyses, simulating various scenarios and suggesting corrective actions. Coreso coordinates exchanges between the various national control centres, which remain responsible for implementing these actions in their respective systems.

Improving operational services

Taking account of German wind generation:

Coreso developed and implemented tools and procedures enabling it to better understand the impact of the power forecast produced by wind power facilities in Germany. Coreso is now able to carry out security studies for the Central West Europe zone based on different wind generation scenarios. This enables it to verify the robustness of the results of its analyses. For instance, a forecasting error may be up to several thousand megawatts and the impact on the systems in countries neighbouring Germany are noticeable. It is necessary for those



countries to take these random circumstances into account. That is what Coreso does for its shareholders.

Implementation of an innovative intraday process:

In September, Coreso implemented an intraday process whose objective is to detect significant changes on the network in order to challenge analyses made the previous day. To that end, Coreso has defined a list of macro-indicators representing changes to parameters that can lead to significant fluctuations in flow. It is then up to the engineer on duty to assess the situation and perform the analyses needed to determine the level of constraints and the appropriate countermeasures. These countermeasures are then discussed and coordinated with the operators of national dispatching centres who then jointly decide whether or not to implement them.

Activities relating to market coupling

Coreso now provides two services for system operators in the Central West Europe area in connection with the D-1 market coupling mechanism.

Coreso began providing the D-2 Country Merge service on 1 April 2009. This entails collating the files provided by the transmission system operators (TSOs) on D-2 to create a single file that will be used by the TSOs to determine the capacities they will offer to the markets on D-1. This service has been extended, from 2 per day to 24 per day.

In addition, Coreso is one of the two hosts of the TSOs' common information system in connection with market coupling. The service started operations on 9 November 2010 using the Coreso IT systems.

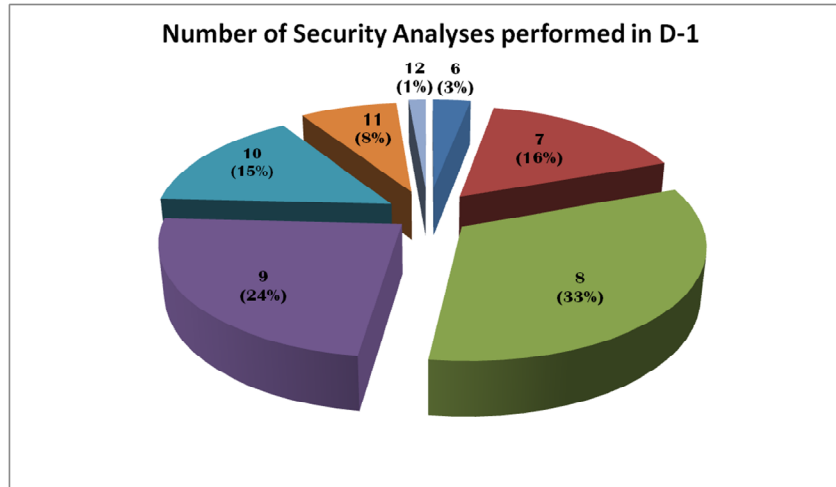
Expansion of the shareholder base

On 26 November 2010 the number of shareholders in Coreso rose from 3 to 5. Terna SPA and 50Hertz Transmission GmbH, the respective transmission system operators in Italy and the north and east of Germany, joined RTE, Elia and NGET. With this, Coreso significantly increased its monitoring area, which now covers 215 million inhabitants, i.e. 43% of the EU's population.

Within a European electricity market where exchanges at the borders are becoming crucial and where renewable energies are booming, Coreso's innovative coordination services have developed strongly since the company's creation. They are moving into a decisive new stage to continually ensure security of electricity supply and prevent major electricity-related incidents.

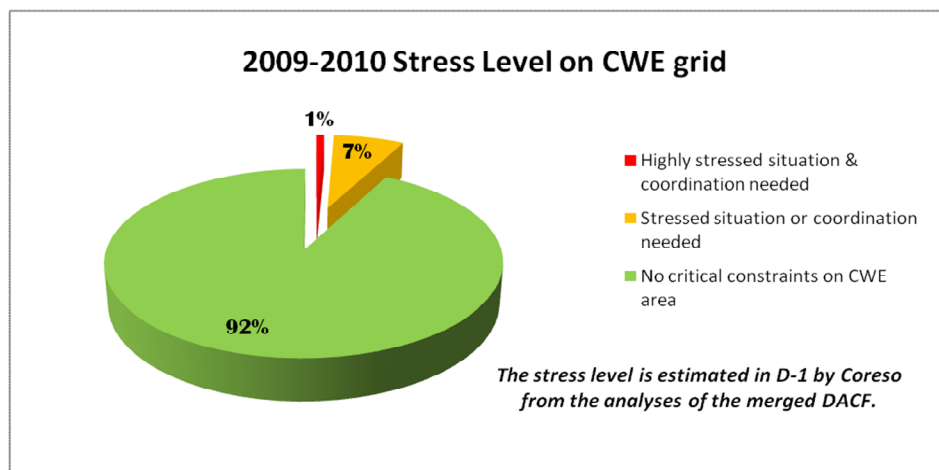
Operating results

The results for 2010 are continuing along the same lines as those for 2009. Coreso provided services every day. The day before (for the next day), Coreso was able to merge 24 files except the few days for which the TSOs were unable to provide some of those files (4 days out of 365). In all cases, Coreso was able to provide detailed analyses and suggest solutions if constraints were detected for a number of hourly points between 6 and 12 depending on requirements.



Thanks to their experience and extensive training, Coreso engineers are now able to suggest studies on variations by modifying scenarios they think are relevant. Accordingly, nearly 250 variations were produced on D-1 in order to analyse probable situations that generate risks.

The stress level in the Central West Europe area was a bit lower than in 2009. However, Coreso was able to detect and suggest solutions for two particularly tense days seen from the day before (for the next day): 5 May and 18 October. On each occasion coordination took place while taking into account the impacts at all TSOs involved (including those which are not Coreso partners) and an agreement was found on the basis of solutions suggested by Coreso.





3. Outlook for 2011

Expanding the action zone

The first part of 2011 will focus on training operators and updating IT tools. The objective is to be able to provide high-quality coordination services for an area that will cover systems ranging from France to eastern Germany and from the Netherlands to Italy.

The services provided for Great Britain will be expanded to take into account the arrival during the year of the BritNed link between the Netherlands and England. The development of IT tools should enable Coreso to perform security analyses for the GB grid in 2011.

Enhancement of intraday processes

2011 will see the launch of DADS, a tool for visualising the situation of the system in real time. This tool will also make it possible to easily detect significant variations in parameters between the forecast situation and the real-time situation. This will enhance Coreso's intraday process.

Crisis management

The new DADS tool will enable Coreso to have an expanded real-time view. In 2011 Coreso will develop a support service for TSOs' national dispatching centres in the event of major incidents impacting multiple countries. Although Coreso's primary mission is to prevent such incidents from happening in the first place, it will be able to provide a multinational view in order to help TSOs to effectively manage this type of incident when necessary.

4. Events after the end of the year

No significant events occurred after the end of the financial year.

5. Special tasks completed by the auditors during the financial year

No special tasks were entrusted to the auditors during financial year 2010.

6. Notes to the annual accounts

The previous year was the company's first financial year and covered 12.5 months.

6.1. Introduction

Accounting of activities

Key figures

In thousand €	31 December 2010	31 December 2009
EBITDA	569.97	331.83
EBIT	212.73	180.58
Net result (before taxes)	199.85	178.82
Net result (after taxes)	110.95	99.50
Solvency ratio	46.27%	45.47%
Liquidity ratio	56.75%	56.83%

Solvency = equity / total assets

Liquidity = current assets / short-term bonds

6.2. Balance sheet

Fixed assets

Fixed assets include the following:

In thousand €	2010	2009
Preliminary expenses	63.49	82.48
Intangible fixed assets	130.82	164.51
Property, plant and equipment	1,725.69	1,421.63
TOTAL FIXED ASSETS	1,920.00	1,668.62

The investments made in 2010 concern intangible fixed assets totalling €2.82 thousand and property, plant and equipment totalling €605.80 thousand.

Most of the investments consist of IT equipment used in the development of Coreso's activities.

The net book value of fixed assets was €1,920 thousand and includes cumulative depreciations at year-end 2010 totalling €357.24 thousand.



Current assets

'Trade debtors' accounts for €422.15 thousand and mainly relates to billings totalling €212.63 thousand as part of an operational services contract between Coreso and its shareholders. The remainder of €209.50 thousand represents other invoices issued that are not yet due.

'Other amounts receivable' relates mainly to recoverable foreign VAT totalling €138.16 thousand and recoverable taxes totalling €64.36 thousand.

Cash comprises liquidities worth €136.81 thousand.

Deferred charges and accrued income

This item mainly comprises operating expenses to be deferred to financial year 2011 (€77.02 thousand), such as rent, insurance, etc.

Equity

As at 31 December 2010, the share 'capital' amounted to €1,000 thousand, represented by 15,210 shares and fully paid-up upon the establishment of Coreso.

Following the positive result for financial year 2010 (€110.95 thousand), a €5.55 thousand appropriation to the legal reserve was booked. The remainder of the distributable profit (€105.40 thousand) has been carried forward.

During the financial year, a subsidy of €68.78 thousand was received from the European Union in connection with the Twenties project. This amount was booked as a subsidy and will be transferred to the results in proportion to the depreciation of the investments in question. An amount of €1.15 thousand has already been booked to the results for 2010.

Equity amounted to €1,278.09 thousand after appropriation of the 2010 results.

Debts

In 2010, the three initial Coreso shareholders increased their subordinated loan by €225 thousand. Consequently, the total loan at year-end 2010 was €975 thousand.

'Trade debts' at the end of 2010 totalled €170.23 thousand. They relate mainly to invoices not yet due totalling €61.93 thousand and invoices receivable totalling €84.57 thousand.

Amounts payable regarding taxes total €0.63 thousand and relate to the VAT return for December 2010.

Social security liabilities cover a number of provisions such as holiday allowances, bonuses and personnel insurance. The total amount for this item is €265.62 thousand.



Accrued charges and deferred income

This item mainly comprises subsidies receivable totalling €72.51 thousand.

6.3. Income statement

Operating income

Total operating income can be subdivided as follows:

In thousand €	2010	2009
Operational fees	2,858.42	3,325.95
Other operating income	595.05	136.32
Total	3,453.47	3,462.27

The reduction in 'Operational fees' is the result of the reduction in the invoicing base. Indeed, the previous year was influenced by extraordinary 'pre-operational' billings incurred during the Coreso start-up phase.

'Other operating income' encompasses income relating to the 'D-2 country merge' activity, the 'market coupling' activity and the recovery of withholding tax on personal income. The €458.73 thousand increase is due mainly to the fact that in 2010 the new 'market coupling' business was launched and the 'D-2 country' revenue reflects all of 2010¹.

¹ In 2009, the 'D-2 country' business generated revenue only starting on 1 April, the start-up date.

Operating expenses

The 'Services and other goods' section can be subdivided as follows:

In thousand €	2010	2009
Operating charges	1,075.59	797.77
RTE Elia Services Agreement	219.39	1,278.56
Total	1,294.98	2,076.33

Operating charges total €1,075.59 thousand for 2010 and relate to the costs of rent, consultants, IT maintenance, representation, etc.

The increase is mainly due to the increase in operating charges, maintenance and rent.

The 'RTE Elia Services Agreement' item consists of costs invoiced by Elia and RTE under various recurrent service provision contracts for Coreso. The decrease of €1,059.18 thousand is the result of extraordinary invoicing of pre-operational expenses in 2009.

Personnel expenses

This item comprises charges associated with remuneration, i.e. salaries, social benefits and social security costs. The change from €1,054.02 thousand (2009) to €1,588.44 thousand (2010) and is the result of the increase in the number of personnel from 10 to 15.

Depreciation

'Depreciation' of property, plant and equipment totals €357.24 thousand and is calculated according to the valuation rules approved by the Board of Directors, as indicated in the annual accounts.

Financial income

Financial income (€1.77 thousand) was generated by cash investments made in 2010. An amount of €1.15 thousand relating to the subsidy has been entered under this item.

Financial charges

Financial charges amounted to €15.80 thousand, of which €14.19 thousand pertains to a subordinated loan contracted with the shareholders totalling €975 thousand.

Taxes

In 2010, the pre-tax profit was €199.85 thousand. After applying notional interest and taking



into account rejected costs, Coreso's tax burden in 2010 was €88.90 thousand.

Net profit

For 2010, Coreso booked a net post-tax profit of €110.95 thousand.

6.4.Profit for the financial year available for appropriation

At the general meeting of 21 April 2011, the Board of Directors will propose the following distribution of profits:

In €	2010	2009
Profit for the financial year	110.95	99.50
Profit carried forward from the previous year	94.53	0.00
Appropriation to the legal reserves	5.55	4.97
Distribution of the dividend	0.00	0.00
Result to be carried forward	199.93	94.53

7. Description of the risks and uncertainties facing the company

The company's management identified and classified the risks to which Coreso may be exposed. These activities led to the establishment of the following overview setting out the most significant risks and uncertainties.

Financial risks

Cash management

Coreso's shareholders are also its main customers, thereby significantly reducing the risk of customer default.

Like any company, Coreso can sometimes face a lack of cash, especially in the growth periods because of the major investments made at that time. To avoid this eventuality, Coreso can take out a loan from its shareholders, thereby ensuring cash-flow security.

Tax audit risk

Although tax rules are applied with accuracy and precision, it may be that the company's own interpretation differs from that of the relevant authorities.



Operational risks

Inability to supply services

These risks mainly relate to the availability of IT tools. To minimise this risk, Coreso installed all its servers on the RTE regional dispatching site at Lomme, close to Lille (France). The site has a redundant power supply and equipped computer rooms. Moreover, a single service provider is entrusted with operation of Coreso's information systems to limit the number of intermediaries in the event of a problem.

Other operational risks

Coreso's liability is limited and the company has suitable insurance to cover other operational risks.

Risks associated with inefficient internal control mechanisms

Although Coreso pays very careful attention to management of its internal processes and the processes of subcontractors, subcontractors may have an impact – each in their own way – on the company's result.

Other risks

Like any company, Coreso is exposed to a whole range of risks, such as health and safety and HR risks, the risk of legal action and the risk of damage to its image.

Coreso realises that there may also be other risks of which the company is unaware. In its view, certain risks are limited, but may of course become more important.

8. Research and development

In 2010, Coreso drew up the specifications for a display and alert tool improving users' ability to track real-time changes in grid situations. This tool will be developed in 2011.

Coreso is also involved in preparing the TWENTIES project as part of the European Commission's Call 2009.7.1.1.

21 April 2011,

Roeland Goethals
Vice-Chairman

Brigitte Peyron
Director