BOARD OF DIRECTORS' MEETING OF 23 FEBRUARY 2018

SNCF Mobilités Group
31 December 2017

MANAGEMENT REPORT
REPORT ON CORPORATE GOVERNANCE
and
CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT STATEMENT
FOR THE ANNUAL FINANCIAL REPORT

La Plaine Saint-Denis, 23 February 2018,

We attest that, to the best of our knowledge, the consolidated financial statements have been prepared in accordance with the applicable accounting principles and give a true and fair view of the assets and liabilities and the financial position of the issuer as at 31 December 2017 and of the results of its operations for the year then ended, and that the accompanying management report fairly presents the changes in operations, results and financial position of the issuer and a description of its main risks and uncertainties.

The Chairman	Executive Vice-President, Performance
Guillaume PEPY	Mathias EMMERICH

31 December 2017

MANAGEMENT REPORT

IFRS In € millions

CONTENTS

SNCF MOBILITÉS GROUP IN 2017

SNCF Mobilités Group comprises EPIC SNCF Mobilités and its subsidiaries. EPIC is an industrial and commercial public institution governed by French law. It was created pursuant to the French Orientation Law on Domestic Transport (LOTI) and succeeded the entity formerly known as "Société Nationale des Chemins de fer Français," historically established under the decree-law of 31 August 1937.

The LOTI law was amended several times and most recently by law 2014-872 of 4 August 2014 relating to rail reform in France (the "Rail Reform Law"), coming into force on 1 January 2015 and completed by seven implementing decrees published in the *Journal Officiel* on 11 February 2015. Decree 2015-138 of 10 February 2015 covering the purpose, mandates and bylaws of SNCF Mobilités (the "Decree") also describes the administrative organisation of SNCF Mobilités, its financial, accounting and lands management and the economic and financial control exercised by the French State over the EPIC.

The Rail Reform Law created a Public Rail Group organised according to three economically integrated EPICs:

- SNCF Réseau: Réseau Ferré de France (RFF), SNCF Infra and Rail network operation and management were grouped within SNCF Réseau, and are responsible for managing, operating and developing the French rail network's infrastructure. It will guarantee fair access to the network for all rail companies.
- SNCF Mobilités (formerly "Société Nationale des Chemins de Fer Français"): grouping all the business segments offering mobility services, SNCF Mobilités carries out all passenger and freight transport activities as both network operator and stations manager.
- SNCF (parent company): created on 1 December 2014 as part of the reform and responsible for the Public Rail Group's strategic management, oversight, economic coherence, industrial integration and social unity.

1 MAJOR EVENTS OF 2017

1.1 NEW DEFINITION OF GROSS PROFIT

The SNCF Mobilités Group decided to modify the calculation of gross profit as at 1 January 2017.

Used provision reversals, initially included in gross profit, are now presented under "Net movement in provisions" in the income statement. The change in presentation resulted in a €161 million decrease in gross profit for the year ended 31 December 2017 (€125 million as at 31 December 2016) offset by an increase in "Net movement in provisions" for the same amount (see Note 1.2 to the consolidated financial statements).

1.2 SALE OF STVA

The SNCF Mobilités Group sold STVA in the second half of 2017.

As at 30 June 2017, and pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of this subsidiary were reclassified to "Assets classified as held for sale" and "Liabilities associated with assets classified as held for sale" in the statement of financial position. They have since been removed from the balance sheet. The sale generated a capital gain of €63 million recorded under the heading "Net proceeds from asset disposals" in the consolidated income statement. Detailed information is presented in Note 4.1.5. to the consolidated financial statements.

1.3 NEW SECTOR BREAKDOWN

The publication of Decree 2016-1468 on 28 October 2016 adjusted the positioning as from 1 January 2017 of SNCF Gares & Connexions within SNCF Mobilités by creating a business unit in its own right. Accordingly, segment reporting was modified to present this business unit separately. In addition, as the SNCF Voyageurs grouping no longer exists, the segments it comprised are also presented separately (see Note 3 to the consolidated financial statements).

1.4 BOND ISSUE

On 2 February 2017, SNCF Mobilités issued a 12-year €1 billion fixed-rate bond swapped at floating rates for half the amount. Both the bond and swap mature on 2 February 2029. Furthermore, SNCF Mobilités sold a swaption to revert to a fixed rate in the amount of €250 million with a maturity date of 26 February 2018. A second tranche of €300 million backed by a floating-rate swap was issued on 31 May 2017.

1.5 REDUCTION IN THE TERRITORIAL SOLIDARITY TAX (CST)

In a letter sent to the Chairman of SNCF Mobilités dated 13 February 2017, the French Prime Minister decided to reduce, as from 2017 and until 2022, the CST paid by SNCF Mobilités. The total reduction amounts to €420 million and has an impact on gross profit in the income statement.

This decision was made in the context of a reorganisation of Trains d'Equilibre du Territoire (TET) following the roadmap presented by the Government on 7 July 2015 and accompanied by a new 2016-2020 break-even agreement for the period. It is consistent with the recommendations of the French Court of Auditors of 13 February 2015 to reduce the weight of SNCF Mobilités' contribution to TET financing.

It is not offset by any increase in expenses for SNCF Mobilités or decrease in the financial compensation receivable from the French State with regard to TET, as the financial trajectory of the agreement signed with Intercités is not challenged.

As at 31 December 2017, considering the 2017 Finance Act amendment to take into account the French Prime Minister's letter, the CST charge amounts to €40 million, boosting gross profit by €50 million compared to the €90 million CST charge recorded as at 31 December 2016.

2 KEY FIGURES

In € millions	31/12/2017	31/12/2016(*)
Revenue	31,831	30,517
Gross profit	2,759	2,158
Current operating profit/(loss)	1,369	878
Operating profit/(loss) after share of net profit of companies consolidated under the equity method	1,705	1,238
Finance cost	-290	-301
Net profit/(loss) for the year attributable to equity holders of the parent	1,136	511
Recurring net profit/(loss) for the period attributable to equity holders of the parent	895	387
Cash from operations	2,054	1,475
Net investments (1)	-2,244	-1,961
Total investment (2)	-3,590	-3,392
Free cash flow (3)	184	-462
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	1,408	925
ROCE (4)	7.9%	5.2%
Employees	201,816	201,553

(*) Following the change in the gross profit definition, used provision reversals are now presented under "Net movement in provisions" (see Note 1.2 to the consolidated financial statements). In addition, the 2016 workforce was adjusted to take into account the new paid employee calculation method applied in 2017.

(1) Net investments are calculated by adding up (in € millions):	31/12/2017	31/12/2016
cash flow statement line items:		
- Purchases of intangible assets and property, plant and equipment	-2,482	-2,585
- Investment grants received	315	617
- New concession financial assets	-1,047	-769
- Cash inflows from concession financial assets	1,031	814
finance-leased investments described in Note 4.1.3 to the consolidated financial statements.	-61	-38
Total net investments	-2,244	-1,961

(2) Total investments are calculated by adding up (in € millions):	31/12/2017	31/12/2016
cash flow statement line items: - Purchases of intangible assets and property, plant and equipment - New concession financial assets	 -2,482 -1,047	 -2,585 -769
finance-leased investments described in Note 4.1.3 to the consolidated financial statements.	-61	-38
Total investments	-3,590	-3,392

(3) Free Cash Flow is calculated by adding up in € millions):	31/12/2017	31/12/2016
cash flow statement line items: - Cash from operations after net borrowing costs and taxes - Purchases of intangible assets and property, plant and equipment - Investment grants received - Disposals of intangible assets and property, plant and equipment - New concession financial assets - Cash inflows from concession financial assets - Impact of change in working capital requirement	 2,054 -2,482 315 336 -1,047 1,031 23	 1,475 -2,585 617 427 -769 814 -697
the change in tax WCR included in "Taxes paid (collected)" in the cash flow statement	-17	262
dividends received from entities consolidated under the equity method included in "Dividends received" in the cash flow statement	31	31
finance-leased investments described in Note 4.1.3 to the consolidated financial statements.	-61	-38
Free cash flow	184	-462

(4) ROCE or return on capital employed = the ratio between current operating profit after share of net profit of companies consolidated under the equity method and average capital employed.
The capital used in this calculation is the algebraic sum of equity (including non-controlling interests - minority interests) and net indebtedness. It is adjusted for asset impairment. The average with the prior year's capital employed gives the average capital employed.

In € millions	31/12/2017	31/12/2016
Net debt	7,914	7,974

3 SUBSEQUENT EVENTS

The main subsequent events are as follows.

3.1 DECISION OF THE PARIS APPEAL COURT

On 31 January 2018, the Paris Appeal Court ruled against EPIC SNCF Mobilités relating to claims filed by former employees. The Group duly noted the decision and is considering an appeal.

As the Group had taken into account the impacts of the penalty handed down by the Paris Industrial Tribunal on 21 September 2015 in its financial statements, the impacts of the ruling on the provision were immaterial as at 31 December 2017 (see Note 4.5.2).

3.2 NEW SECTOR BREAKDOWN

A new organisation into 6 business units was set up. The resulting sector breakdown is effective as of 1 January 2018 with the following modifications:

- The creation of a "Daily Mobilities" business unit that breaks down into three segments, Transilien, TER, and Keolis. Transilien and TER were previously combined with Intercités within the SNCF Transilien, TER, Intercités business unit. Keolis was presented as a separate business unit and segment.
- The creation of a "OUI SNCF Long-distance" business unit comprising the former "Voyages SNCF" business unit and Intercités that was previously included in the SNCF Transilien, TER, Intercités business unit.

3.3 MR SPINETTA'S REPORT ON THE FUTURE OF FRENCH RAIL TRANSPORT

On Thursday, 15 February 2018, Mr Spinetta submitted the report on the future of French rail transport commissioned by the French Prime Minister in mid-October 2017. In these last three months, Jean-Cyril Spinetta has carried out a wide-scale consultation in order to provide the French government with information for the preparation of "an overall strategy to overhaul the rail transport model in a market that is now open to competition, while preserving the mandates of an efficient public service," as set forth in his mission statement.

As explained by the French Transport Minister, Élisabeth Borne, this report is "one of the cornerstones" of the mobility law she will present to the *Conseil des ministres* in the spring. In the days immediately following the report's release, the French government launched an "initial consultation" with the trade unions, SNCF Management, the Regions and users.

The legal provisions to be ultimately adopted may have repercussions on the Group's financial statements.

3.4 ARAFER OPINION 2018-004 OF 22 JANUARY 2018

On 22 January 2018, ARAFER adopted an opinion on fees relating to the regulated services provided by SNCF Réseau in passenger stations for the 2018 service timetable. The issued opinion was favourable and had no impact on the Group's financial statements.

GROUP RESULTS AND FINANCIAL POSITION

1 GENERAL OBSERVATIONS ON GROUP RESULTS

In € millions	31/12/2017	31/12/2016(*)	Change 2017 vs. 2016	
Revenue	**31,831**	**30,517**	**1,314**	**4.3%**
Infrastructure fees	-4,431	-4,248	-183	4.3%
Purchases and external charges, excluding infrastructure fees	-12,890	-12,504	-386	3.1%
Taxes and duties other than income tax	-966	-1,042	76	-7.3%
Employee benefit expense	-11,206	-10,944	-262	2.4%
Other income and expenses	421	379	42	11.2%
Gross profit	**2,759**	**2,158**	**601**	**27.9%**
Depreciation and amortisation	-1,422	-1,442	20	-1.4%
Net movement in provisions	32	162	-129	-80.1%
Current operating profit/(loss)	**1,369**	**878**	**491**	**55.9%**
Net proceeds from asset disposals	302	138	165	119.4%
Fair value remeasurement of the previously held interest	31	26	5	18.3%
Impairment losses	-36	149	-186	-124.4%
Operating profit/(loss)	**1,666**	**1,191**	**475**	**39.9%**
Share of net profit/(loss) of companies consolidated under the equity method	39	47	-8	-17.0%
Operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method	**1,705**	**1,238**	**467**	**37.7%**
Net finance costs of employee benefits	-18	-21	3	-16.3%
Net borrowing and other costs	-272	-279	7	-2.6%
Finance cost	**-290**	**-301**	**11**	**-3.6%**
Net profit/(loss) before tax	**1,415**	**937**	**478**	**51.0%**
Income tax expense	-245	-443	198	-44.7%
Net profit/(loss) from ordinary activities	**1,170**	**494**	**676**	**136.9%**
Net profit before tax of transferred operations	-	-	-	n/a
Net profit/(loss) for the year	**1,170**	**494**	**676**	**136.9%**
Net profit/(loss) for the period attributable to equity holders of the parent	**1,136**	**511**	**625**	**122.2%**
Net profit/(loss) for the year attributable to non-controlling interests (minority interests)	33	-18	51	-289.8%
Recurring net profit/(loss) for the period attributable to equity holders of the parent (1)	**895**	**387**	508	131.1%

Gross profit / revenue	*8.7%*	*7.1%*
Current operating profit /revenue	*4.3%*	*2.9%*
ROCE (see definition in key figures)	*7.9%*	*5.2%*

(*) Following the change in the gross profit definition, used provision reversals are now classified under current operating profit or loss (see Note 1.2 to the consolidated financial statements).

(1) The Group discloses, internally and externally, a recurring net profit/(loss) for the period attributable to equity holders of the parent based on net profit/(loss) for the period attributable to equity holders of the parent adjusted for:

- impairment losses;
- transactions generating a P&L impact that is individually greater than €50 million in terms of absolute value and generally included in and/or divided up between "Fair value remeasurement of the previously held interest" and "Net proceeds from asset disposals";
- the Group's share in these various items recorded in companies accounted for under the equity method and included in "Share of net profit/(loss) of companies consolidated under the equity method";
- change in fair value of financial instruments included in "Net borrowing and other costs", when it exceeds €50 million in terms of absolute value;
- specific transactions involving financial instruments (restructuring, renegotiations or other) generating impacts exceeding €50 million in terms of absolute value on net borrowing costs;
- change in deferred tax assets recognised for SNCF tax consolidation entities in "Income tax expense";
- share of minority interests with regard to these various items and included in "Net profit/(loss) attributable to non-controlling interests (minority interests)".

This indicator better reflects net profit/(loss) for the year attributable to equity holders of the parent relating to the Group's recurring performance. It was calculated as follows at the year-end:

In € millions	Note (*)	31/12/2017	31/12/2016
Net profit/(loss) for the period attributable to equity holders of the parent		**1,136**	**511**
Impairment losses	4.3	36	-149
Included in "Fair value remeasurement of the previously held interest"			-26
Included in "Net proceeds from asset disposals"	4.1.5	-120	-68
Included in "Share of net profit/(loss) of companies consolidated under the equity method"			-4
Included in "Net borrowing and other costs" (changes in fair value)	6.1		
Included in "Net borrowing and other costs" (specific financial instrument transactions)			
Included in "Income tax expense"	7	-158	132
Included in "Net profit/(loss) attributable to non-controlling interests (minority interests)"			-8
Recurring net profit/(loss) for the period attributable to equity holders of the parent		**895**	**387**

(*) The references to the notes pertain to the consolidated financial statements.

1.1 COMPARABILITY OF FINANCIAL STATEMENTS

The comparability of the 2017 results with those of 2016 was impacted by the following changes:

In € millions			Impact on changes in revenue
SNCF TTI		**Changes in 2017 Group structure**	
		Acquisition of SNCF Combustible - indirect impact	-5
Voyages SNCF		**Changes in 2017 Group structure**	
		Takeover of RE4A	10
		Acquisition of LOCO2	0
		Acquisition of SNCF Combustible - indirect impact	0
		Exchange rate fluctuations	-42
SNCF Logistics	Geodis TFMM Ermewa STVA & Other	**Changes in 2016 Group structure (1)**	
		Loss of control of Akiem (Ermewa)	-21
		Takeover of Thalès Geodis Freight Logistics (Geodis)	13
		Changes in 2017 Group structure	
		Sale of Itnovem (TFMM)	-6
		Acquisition of Ateliers de Provence and Garages du Sud-Est (Ermewa)	2
		Sale of STVA	-51
		Sale of Compagnie des Conteneurs Réservoirs (Ermewa)	-3
		Acquisition of SNCF Combustible - indirect impact	-2
		Exchange rate fluctuations	-66
Keolis		**Change in 2016 Group structure (1)**	
		Acquisition of Le Cab	5
		Acquisition of Cars Gembloutois	1
		Changes in 2017 Group structure	
		Acquisition of Compagnie des Autobus Liégeois	4
		Acquisition of L2O	2
		Acquisition of Les Kangourous / Les Coccinelles	4
		Acquisition of Alfa Park	1
		Acquisition of Parkeren Roselare	0
		Acquisition of Keolis Santé	34
		Exchange rate fluctuations	-25
Corporate		**Change in 2016 Group structure (1)**	
		Loss of control of Akiem - indirect impact	9
		Changes in 2017 Group structure	
		Acquisition of SNCF Combustible	5
		Exchange rate fluctuations	0
Total Group structure and exchange rate impacts			**-131**

(1) Operations carried out in 2016 having an impact on 2016/2017 revenue trends

1.2 2017 RESULTS

1.2.1 Revenue

Consolidated revenue of the SNCF Mobilités Group amounted to €31,831 million for the year ended 31 December 2017, for an increase of €1,314 million (+4.3%) compared to 2016, attributable to:

- a Group structure impact for €3 million (*see 1.1*),
- a foreign exchange impact of -€134 million (*see 1.1*),
- an organic increase of €1,445 million (+4.7%) for the Group; the changes for the segments were as follows:

SNCF Transilien, TER and Intercités	+€200 million	+2.5%
Voyages SNCF	+€589 million	+8.6%
SNCF Gares & Connexions	+€49 million	+11.1%
SNCF Logistics	+€312 million	+3.1%
Keolis	+€293 million	+5.9%

1.2.2 Gross profit

Standing at €2,759 million in 2017, gross profit improved by €601 million, or 27.9%. Gross profit over revenue increased from 7.1% to 8.7% between 2016 and 2017.

Lost gross profit attributable to the labour strikes in the first half of 2016 was estimated at €131 million.

In € millions	31/12/2017	31/12/2016(*)	Change 2017 vs. 2016		Change 2017 vs. 2016 *on a constant Group structure and exchange rate basis*	
Revenue	31,831	30,517	1,314	4.3%	1,445	4.7%
Employee benefit expense	-11,206	-10,944	-262	2.4%	-291	2.7%
Purchases and external charges (excluding infrastructure fees, traction energy and fuel costs) and other income and expenses	-11,465	-11,135	-330	3.0%	-363	3.3%
Infrastructure fees	-4,431	-4,248	-183	4.3%	-214	5.0%
Traction energy and fuel prices	-1,003	-990	-14	1.4%	-23	2.4%
Taxes and duties other than income tax	-966	-1,042	76	-7.3%	75	-7.2%
Gross profit	2,759	2,158	601	27.9%	627	29.1%
Gross profit/revenue	*8.7%*	*7.1%*				

(*) Following the change in the gross profit definition, used provision reversals are now classified under current operating profit or loss (see Note 1.2 to the consolidated financial statements).

NB: The analyses concerning gross profit involve changes on a constant Group structure and exchange rate basis.

The €214 million increase in **infrastructure fees** (+5.0%) is largely related to the commissioning of phase 2 of the new East-European (July 2016), Sud-Europe-Atlantique and Bretagne – Pays de la Loire (July 2017) high-speed lines.

The €75 million (-7.2%) decrease in **taxes and duties other than income tax** was attributable for €50 million to the decrease in the territorial solidarity tax (CST), which dropped from €90 million in 2016 to €40 million in 2017 (see Note 1.5 Major events of 2017).

1.2.3 Current operating profit/(loss)

Current operating profit stood at €1,369 million, up by €491 million compared to 2016.

The revenue to current operating profit conversion rate thus rose from 2.9% in 2016 to 4.3% in 2017.

The increase in gross profit (+€601 million) was offset by the net movement in provisions: a net reversal of €32 million in 2017, compared to €162 million in 2016.

Depreciation and amortisation in 2017 would have increased by €408 million had no impairment been recognised (€430 million in 2016).

1.2.4 Operating profit/(loss)

Operating profit increased by €475 million, amounting to +€1,666 million.

Net proceeds from asset disposals in 2017 essentially comprised real estate disposals. The heading was also impacted by the €63 million gain generated by the STVA Group structure transaction (see Note 1.2 Major events of 2017).

The **fair value remeasurement of the previously held interest** heading was impacted in 2017 by the takeover of RE4A that was previously consolidated under the equity method. In 2016, the heading was mainly impacted by the loss of control in Akiem.

In 2016, **impairment losses** mainly comprised an impairment reversal of €273 million for the Gares & Connexions cash-generating unit and the impairment of Intercités assets for -€84 million.

1.2.5 Finance cost

The 2017 finance cost did not change significantly compared to the previous year.

1.2.6 Income tax expense

Income tax expense declined by €198 million between 2016 and 2017 The tax on rail company profits (TREF) stood at €226 million, compared to €252 million in 2016 (the expense recorded included a TREF adjustment of €26 million with respect to the 2015 net income). Fiscal year 2017 was impacted by:

- a €299 million increase in deferred taxes for EPIC SNCF Mobilités (see Note 7 to the consolidated financial statements);
- a €55 million increase in the deferred tax expense of Eurostar;
- a deferred tax expense of -€14 million in line with the rate reduction from 40% to 26% introduced by the US tax reform.

1.2.7 Net profit/(loss) for the year attributable to equity holders of the parent

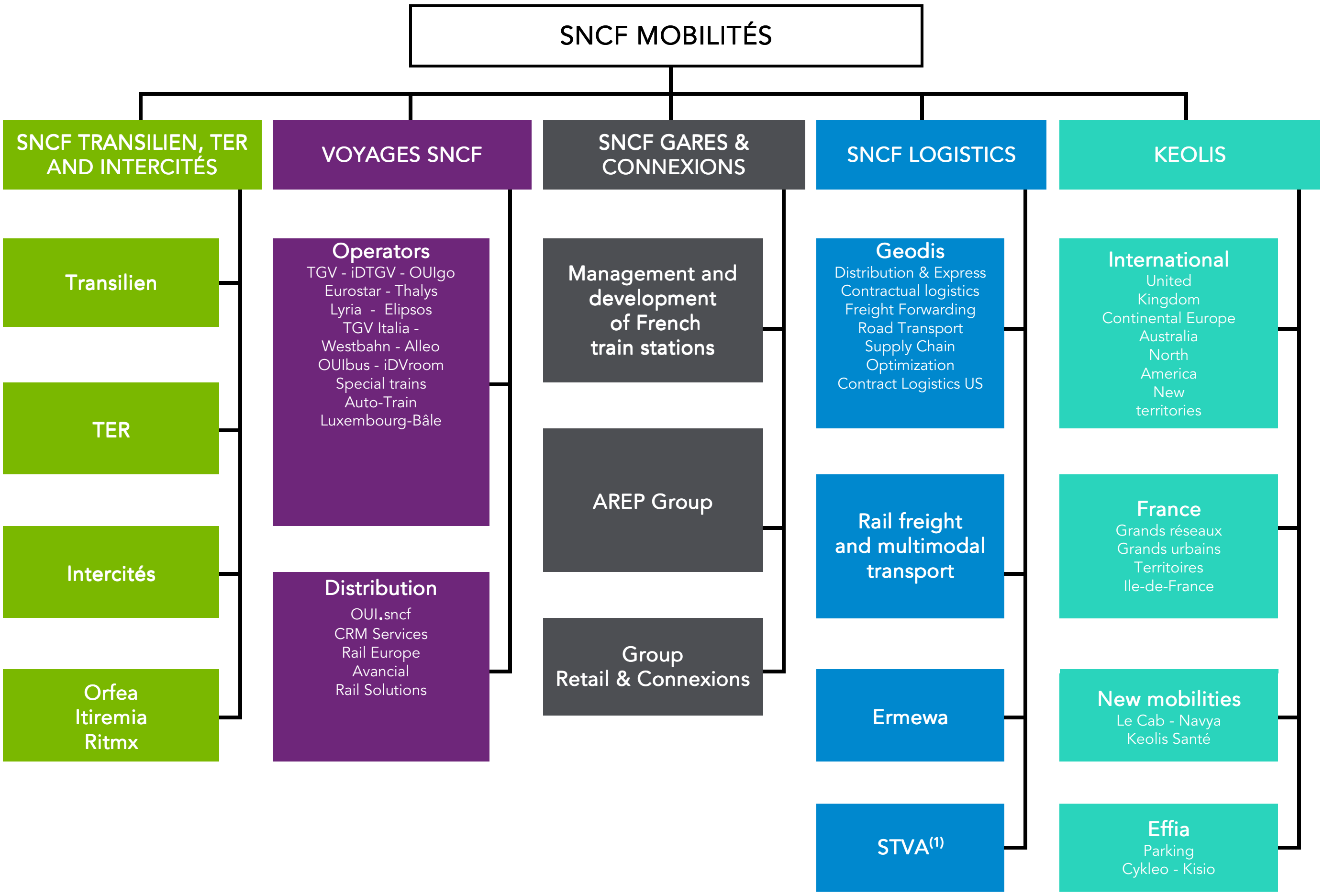
As a result of all these changes, the net profit attributable to equity holders of the parent was €1,136 million, compared to a €511 million profit in 2016, after recognition of a net income attributable to non-controlling interests (minority interests) of €33 million.

ROCE (calculated on current operating profit after share of net profit of companies consolidated under the equity method) increased from 5.2% to 7.9%.

2 ACTIVITIES AND RESULTS BY SEGMENT

SNCF Mobilités Group's activity is organised according to five business units backed by support functions: Voyages SNCF; SNCF Transilien, TER and Intercités; SNCF Gares & Connexions; SNCF Logistics; Keolis. Within these business units, SNCF Mobilités Group's activity is broken down into eight segments.

- Voyages SNCF, SNCF Transilien, TER et Intercités and SNCF Gares & Connexions each represent a segment;
- SNCF Logistics is broken down into four segments: Geodis, Rail freight and multimodal transport (TFMM), Ermewa and STVA.
- Keolis is a segment on its own.



Only the main subsidiaries are presented in this organisational chart and those that follow.

(1) subsidiary sold in the second half of 2017.

Contributions to revenue, gross profit, current operating profit, current operating profit after share of net profit of companies consolidated under the equity method and net investments of the Group's components break down as follows (the financial data per segment shown in the table below and the tables on the following pages are presented as a Group contribution):

In € millions	SNCF Transilien, TER and Intercités	Voyages SNCF	SNCF Gares & Connexions	SNCF Logistics	Keolis	Corporate	SNCF Mobilités
External revenue	8,071	7,373	493	10,218	5,295	380	31,831
Gross profit	496	1,178	220	407	305	152	2,759
Current operating profit/(loss)	255	837	114	179	57	-72	1,369
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	255	839	114	187	82	-69	1,408
Net investments	-368	-798	-209	-417	-272	-180	-2,244

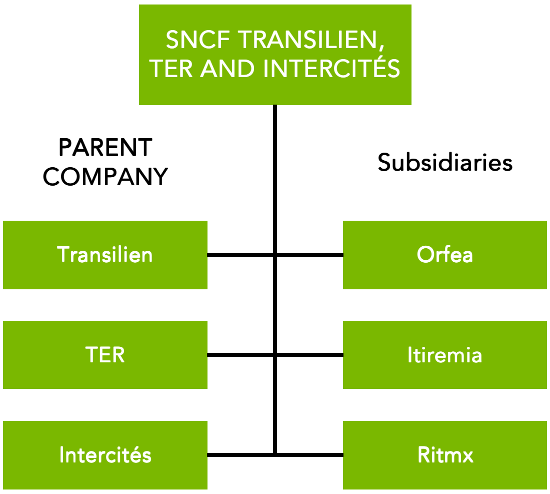
Unless stated otherwise, the analyses of results by segment are not restated for Group structure and foreign exchange impacts.

SNCF Mobilités management monitors the external revenue generated by each segment (group contribution) and not the revenue generated between each segment. The revenue presented in the analyses by segment is therefore external revenue.

However, the gross profit/revenue indicator presented by segment is calculated based on revenue between segments since it is not relevant based on revenue contributed.

Revenue between segments represents the total internal and external revenue presented in Note 3.1 to the consolidated financial statements.

2.1 SNCF TRANSILIEN, TER AND INTERCITÉS



SNCF Transilien, TER and Intercités offer local transport services, medium-distance links (Intercités), rail transport regulated services (TER, Transilien), and services covering passenger transport (Itiremia, Ritmx) and housing for group employees (Orfea).

In € millions	2017	2016(*)	Change
External revenue	8,071	7,876	195
Gross profit	496	468	29
Gross profit / revenue at SNCF Transilien, TER and Intercités level	*6%*	*5.6%*	
Current operating profit/(loss)	255	319	-64
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	255	319	-64
Net investments	-368	-152	-216

(*) Following the change in the gross profit definition, used provision reversals are now classified under current operating profit or loss (see Note 1.2 to the consolidated financial statements).

Highlights

Transilien

- Following its Board of Directors' meeting of 11 January 2017, the Syndicat des transports d'Île-de-France (STIF) announced key decisions for Transilien, including:
    - The order of 71 new trains for the RER E and D lines. Alstom, in a consortium with Bombardier, will design and supply this new generation of double-deck trains. This new type of train with no separation between cars was specifically designed for mass transit in Île-de-France.
    - The adoption of the main principles for the creation of the RER D 2019 annual service. As of this year, the future timetable will be jointly drafted by elected representatives and passenger associations.
- Amendments to the contract between Transilien and the STIF were adopted in May; they cover the summer renovations of the RER A and C lines, the Île-de-France charter on the treatment of passengers and the creation of a ticket that can be used during periods of high pollution.
- Fiscal year 2017 was also marked by the ongoing rolling stock renewal (order of 83 Regio 2N trains for the N and D lines in addition to the aforementioned order for the RER E and D lines) and the infrastructure renovation program designed to improve the Transilien network's operation and meet the steadily increasing level of passenger traffic.

TER

- Three new agreements were signed in 2017, with the Auvergne Rhône-Alpes, Normandy and Pays de la Loire regions; in the latter two regions, the new agreements come into force in 2018.
- The year was also marked by improved service quality following implementation of the CAP TER 2020 transformation plan and the delivery of 60 new Régiolis and Regio2N trains.

Intercités

- The 2016-2020 Trains d'Équilibre des Territoires agreement was signed on 27 February 2017 between the French State and the Agence de financement des infrastructures de transport de France (AFITF). This agreement, which takes into account changes in the TET scope, reflects the French State's determination to ensure that operations break even economically over the term of the agreement. Efforts on the part of the Intercités operator in terms of productivity, transparency and commercial revitalisation are also included.
- The French State confirmed its role as Organising Authority on six backbone day lines (Paris-Orléans-Limoges-Toulouse, Paris-Clermont-Ferrand, Bordeaux-Toulouse-Marseille, Nantes-Bordeaux, Toulouse-Hendaye and Nantes-Lyon) and two night lines (Paris Briançon and Paris-Albi/Rodez). The French State also pledged to renew all rolling stock by 2025, for a total cost of around €3.5 billion. A financing agreement signed between the French State, AFITF and SNCF Mobilités confirmed the acquisition of 30 Coradia Liner Alstom trains for €360 million.

2017 results

- Revenue

2017 revenue was up by €195 million (+2.5%) compared to 2016. On a constant Group structure basis and excluding the counter-effect of the 2016 strikes, revenue growth totalled +€85 million (+1.1%): the increase for Transilien (+€71 million / +2.5%) is primarily due to the rise in contributions paid by Île-de-France Mobilités (revaluation of indices) and the increase in activity. The improvement for TER (+€ 72 million / +1.8%) arises from the increase in the rail offering and direct receipts, in part retroceded to the Organising Authorities. Intercités revenue declined (-€56 million / -5.7%), mainly due to the lower contribution over the year.

- Gross profit

Gross profit for SNCF Transilien, TER and Intercités rose by €29 million (+6.2%) between 2016 and 2017. Excluding the counter-effect of the 2016 strikes, it declined by €19 million: the decrease concerns TER (-€27 million), whose margin was impacted by the reduction in contributions from the Regions and Intercités (-€13 million), for which the lower contribution was only partly offset by cost savings. Conversely, the increase in Transilien activity and the impact of favourable non-recurring items had a positive impact on its gross profit, which rose by €23 million.

- Current operating profit/(loss)

Current operating profit declined by €64 million. The increase in gross profit and the decrease in depreciation and amortisation charges (impacted by the Intercités asset impairments of 2016) were more than offset by the net movement in provisions: a net charge of €37 million in 2017, compared to a net reversal of €102 million in 2016.

- Net investments

The net investments of SNCF Transilien, TER and Intercités rose substantially by €216 million, compared to 2016, including €223 million for TER: the grants received to acquire new rolling stock in 2017 fell sharply compared to 2016 (numerous grants had been received in advance at the end of the previous fiscal year).

2018 outlook

Transilien

Third year of the 2016-2019 agreement with Île-de-France Mobilités characterized by:

- Significant expectations in terms of transport demand and service quality (punctuality and comfort);
- A major investment programme (€1.2 billion in equity) under a 4-year contract with the organising authority;
- The first impacts of the ambitious Île-de-France Mobilités policy to accelerate rolling stock renewals and renovations.

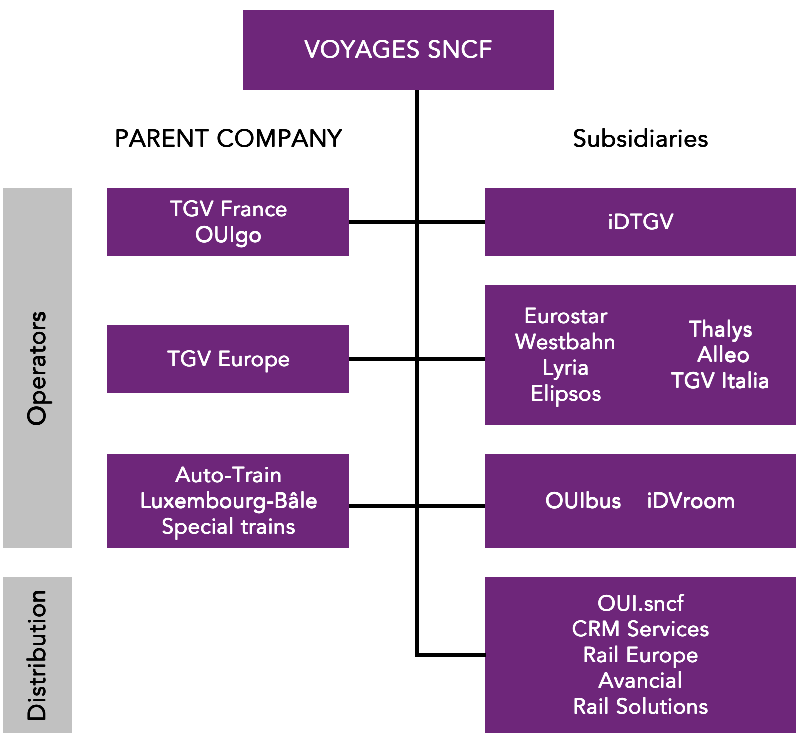
TER

- Significant contractual challenges with the finalisation of new agreements for Occitanie and Bourgogne Franche Comté, the negotiation of agreements covering Hauts de France, Nouvelle Aquitaine and Bretagne and ongoing discussions to reach an agreement with the Provence-Alpes-Côte d'Azur region;
- Acceleration of the impacts expected from the CAP TER 2020 transformation plan to gain market shares, improve service quality and production strength and lower operating costs.

Intercités

- Guarantee covering the offering's fundamentals through improved production and greater reliability, particularly for the Paris Limoges Toulouse line, the successful commissioning of the new Régiolis rolling stock and the roll-out of Wi-Fi on day trains with the support of the French State;
- The introduction of a new Intercités organisation and new operating methods to successfully reposition the activity by focusing on a more standardised product and a new services project, "Intercités 2020".

2.2 VOYAGES SNCF



Voyages SNCF offers its customers:

- door-to-door passenger transport services in France and Europe through its TGV, iDTGV, OUIgo, Eurostar, Thalys, Lyria, OUIbus and iDVroom activities;
- travel-related products: train and airline tickets, car rental and hotel accommodation in particular.

In € millions	2017	2016(*)	Change
External revenue	7,373	6,816	557
Gross profit	1,178	624	555
Gross profit / revenue at Voyages SNCF level	*14.7%*	*8.3%*	
Current operating profit/(loss)	837	230	607
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	839	232	607
Net investments	-798	-733	-65

(*) Following the change in the gross profit definition, used provision reversals are now classified under current operating profit or loss (see Note 1.2 to the consolidated financial statements).

Highlights

- On 29 May 2017, to entice an additional 15 million passengers by 2020, SNCF revealed its high-speed strategy; two very different yet complementary solutions offered to passengers via the site voyages-sncf.com. Both have distinct assurances: OUIgo offers high-speed travel at low prices while TGV offers the best in travel, combining comfort, service and connectivity.
    - OUIgo aims to multiply its traffic by 5 between now and 2020; by then it should represent 25% of high-speed traffic with a national coverage spanning 30 destinations and a fleet of 34 trains.
    - TGV has become a customer promise called inOUI, with three distinctive features that will be rolled out by 2020: on-board Internet to stay on-line when travelling and benefit from new services and content, more accessible train managers thanks to platform boarding and new customer relationship tools and a new modern and elegant white livery for trains, marking the improvement in interior comfort (new and refurbished trains).
    - voyages-sncf.com has become OUI.sncf. The Group's digital sales engine and networking hub has become more intuitive and customised.
- The commercial launch on 2 July 2017 of the TGV Bretagne and Océane offerings, serving 6 regions, has made life easier for French passengers thanks to new travel times and services. The successful launch has been marked by better-than-expected summer passenger traffic.
- On 26 September, Voyages SNCF launched two new TGV inOUI services: Business Première and Wifi. Business Première is a premium free services offering (simpler and more flexible purchasing, special and priority welcome in the Salons Grands Voyageurs and when boarding, seat selection on reservation, comfort of new Océane trains, personalised on-board contact, Internet connection and à la carte services before and after the trip). inOUI offers Wifi to all passengers, with an enhanced portal offering new functionalities. 80% of passengers will be able to connect by the end of 2017.

2017 results

- Revenue

Voyages SNCF revenue rose by €557 million (+8.2%) despite unfavourable Group structure impacts and negative exchange rate fluctuations which impacted revenue by -€10 million and -€42 million, respectively. At constant Group structure and exchange rates, Voyages SNCF revenue increased substantially by €589 million (+8.6%). Excluding the counter-effect of the 2016 strikes, revenue remains high (+€522 million or +7.6%). Grande Vitesse France rose by +€404 million / +9.3% due to the impact of the marketing policy, the launch of LGV Atlantique, the growth of OUIgo, and a positive economic outlook. Europe rose by +€177 million / +9.8% following the gradual return of foreign passengers and the commissioning of phase 2 of the East-European high-speed line.

- Gross profit

Gross profit rose by €555 million; the sharp increase in traffic revenue, control of costs with the implementation of performance plans, and the positive impacts of external events (decrease in the territorial solidarity tax, receipt of insurance compensation) absorbed the increase in infrastructure fees for high-speed lines.

- Current operating profit/(loss)

The positive trend for the current operating profit of Voyages SNCF (+€607 million) is primarily attributable to gross profit and the net movement in provisions: a net reversal of €47 million in 2017, compared to €1 million in 2016.

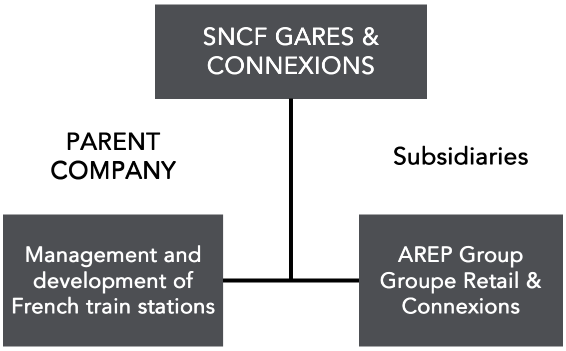
- Net investments

Net investments amounted to €798 million in 2017, compared to €733 million in 2016. The increase was mainly driven by Eurostar's rolling stock purchases and, to a lesser extent, rolling stock renewals undertaken by Thalys.

2018 outlook

- Favourable economic growth, amplified by a turnaround in international markets and new offerings for Atlantique, OUIgo from Paris stations, Eurostar (opening of the London Amsterdam route via Brussels) and Thalys (new price and service offering).
- Ongoing roll-out of the inOUI label, a new TGV travel experience that is more comfortable, personalised and connected.

2.3 SNCF GARES & CONNEXIONS



The purpose of SNCF Gares & Connexions is to introduce innovative services into stations, while inventing new areas of mobility for towns and cities. Its main subsidiaries are the AREP group (architecture and urban planning) and the Retail & Connexions group (commercial enhancement of stations).

In € millions	2017	2016(*)	Change
External revenue	493	443	49
Gross profit	220	198	22
Gross profit / revenue at Gares & Connexions level	*17.2%*	*16.0%*	
Current operating profit/(loss)	114	98	16
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	114	97	18
Net investments	-209	-219	10

(*) Following the change in the gross profit definition, used provision reversals are now classified under current operating profit or loss (see Note 1.2 to the consolidated financial statements).

Highlights

- Following the July opening of the Bretagne - Pays-de-la-Loire and Sud-Europe-Atlantique high-speed lines, SNCF Gares & Connexions inaugurated the new station in Lorient and the historic refurbished concourse of the Bordeaux Saint-Jean station, an area that was fully redesigned after six months of renovations.
- In addition, the development of the Multimodal Exchange Hubs continued with the inauguration of the Grenoble and Montbéliard hubs.

2017 results

- Revenue

SNCF Gares & Connexions rose by €49 million (+11.1%) mainly due to the development of construction and research activities and the growth of the subsidiaries.

- Gross profit

Gross profit increased by €22 million between 2016 and 2017. The increase was also driven by the subsidiaries and the construction and research activities.

- Current operating profit/(loss)

Current operating profit increased by €16 million; added to the increase in gross profit is that of the net movement in provisions (net reversal of €13 million in 2017, compared to €2 million in 2016). However, depreciation and amortisation charges rose by €17 million, impacted by the reversal of asset impairments recognised in 2016.

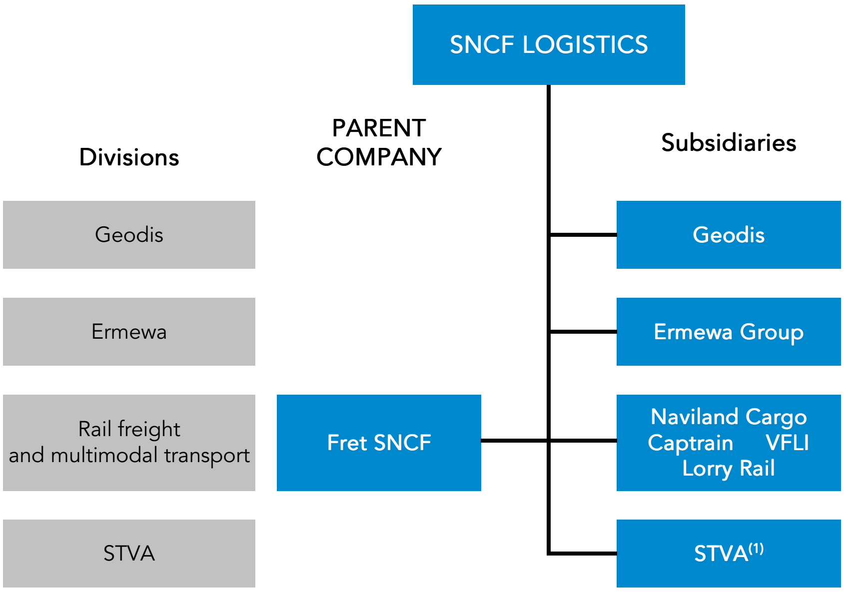
- Net investments

There were no major changes in the net investments of SNCF Gares & Connexions.

2018 outlook

- ARAFER's opinion on the expected 2018-2019 rates in the first half of 2018.
- Pursuit of the commercial momentum for station concessions and fees in order to fund investments and enhance the level of service offered to passengers.
- High level of investment expected in 2018 for several major sites: Paris-Austerlitz, Paris-Montparnasse and Paris-Lyon.

2.4 SNCF LOGISTICS



(1) subsidiary sold in the second half of 2017.

SNCF Logistics includes a full range of transport and freight logistics businesses.

	2017						2016(*)	Chg.
In € millions	Geodis	TFMM	Ermewa	STVA	Other	Total		
External revenue	8,093	1,525	332	268	0	10,218	10,040	179
Gross profit	271	-89	220	7	-3	407	429	-21
Gross profit / revenue at SNCF Logistics level						*4.0%*	*4.2%*	
Current operating profit/(loss)	198	-117	100	1	-3	179	161	18
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	201	-116	103	2	-3	187	177	10
Net investments	-125	-89	-199	-4	-0	-417	-385	-32

(*) Following the change in the gross profit definition, used provision reversals are now classified under current operating profit or loss (see Note 1.2 to the consolidated financial statements).

Highlights

Geodis

- Geodis strengthened its partnership with Lego by signing two new contracts, the first involving the maritime transport of virtually all the toy manufacturer's flows and the second concerning the Danish company's e-commerce logistics in North America.
- Geodis and Ford signed a 3-year contract for the transportation of spare parts between Germany and Greece: since the start of the year, Geodis has organised daily delivery rounds between the Ford warehouses in Cologne and Dormagen in Germany and the Geodis warehouse in Athens.
- In South Korea, Geodis will manage logistics for the new BMW auto parts distribution centre. The German manufacturer hopes that this complex will become the main Asia-Pacific platform for its spare parts.
- The contract between Geodis and Prénatal in the Netherlands was renewed for three and a half years; it now includes e-commerce logistics from a single warehouse in Almere (Netherlands).
- Geodis has been operating Kenzo's global logistics from France since March. Through this five-year partnership, Kenzo will be able take advantage of the specialist retail fashion expertise of Geodis, which is responsible for the reception, storage and preparation of the fashion brand's products. Geodis is also supporting Kenzo in the development of its e-commerce sales channel in addition to the management of raw materials, quality control and product compliance.

TFMM

- SNCF Logistics acquired a 45% stake in BLS Cargo, the freight subsidiary of BLS. This new partnership between two major rail freight players will strengthen the business model of the European north-south corridor.
- SNCF Logistics and Traxens launched the Digital Freight Train, a new generation of highly innovative freight trains. Thanks to the installation of interconnected devices and sensors on the wagons, a very extensive range of new high value-added services can be provided to all sector players (tracking, security, etc.).

Ermewa

- In January, Akiem announced the acquisition of the German group mgw Service, a major player in electric and diesel locomotive maintenance in Europe. This external growth transaction will enable Akiem to continue its expansion in Europe and reinforce its leasing with maintenance offering.

STVA

- STVA won a major international contract with Renault Dacia; the agreement concerns all vehicle flows between Slovenia and Germany (45,000 vehicles) and rail flows between Pitesti in Romania and Neuseddin in Germany (19,000 vehicles).

2017 results

- Revenue

2017 revenue was up €179 million (+1.8%) compared to 2016. It was affected by:

  - a Group structure impact for -€67 million, which is described in Note 1.1 Comparability of the financial statements,
  - a foreign exchange impact for -€66 million.

On a constant Group structure and exchange rate basis, revenue rose by 3.1% (+€312 million).

Geodis reported growth of €243 million (+3.1%). All business lines are posting growth, with the exception of Supply Chain Optimization, following a change to the IBM contract. Freight Forwarding grew substantially thanks to a rise in volumes processed, and Contract Logistics due to contract wins in France and internationally.

Rail Freight and Multimodal Transport rose by €54 million (+3.6%); excluding the counter-effect of the 2016 strikes it is steady, with a decrease for Fret SNCF (mainly for cereals transport), stability for other rail transport operators, and growth for Multimodal Transport (combined).

The revenue generated by Ermewa and STVA rose by €3 million (+1.1%) and €12 million (+4.7%), respectively.

- Gross profit

Gross profit declined by -€21 million; after taking into account Group structure and foreign exchange impacts, the gross margin increased by €18 million. The change is primarily related to the counter-effect of the 2016 strikes.

- Current operating profit/(loss)

Current operating profit increased by €18 million; the decrease in gross profit is more than offset by the net movement in provisions (net reversal of €63 million in 2017, compared to €26 million in 2016).

- Current operating profit/(loss) after share of net profit of companies consolidated under the equity method

This heading was primarily impacted by the changes in Group structure, including the takeover of Thalès Geodis Freight Logistics and the loss of control of Akiem.

- Net investments

SNCF Logistics investments rose by €32 million compared to 2016, amounting to €417 million. After taking into account Group structure and foreign exchange impacts, investments rose by €89 million: increase in operating investments (logistics surface areas) for Geodis, delivery of wagons for the Calais-Orbassano rail motorway and investments in wagons and containers by Ermewa.

2018 outlook

Geodis

- Improvement in the rate at which growth is being converted to profitability, particularly in Freight Forwarding.
- Development in key zones: US, Germany, Benelux, Asia.
- Productivity continues to improve in the various business lines.

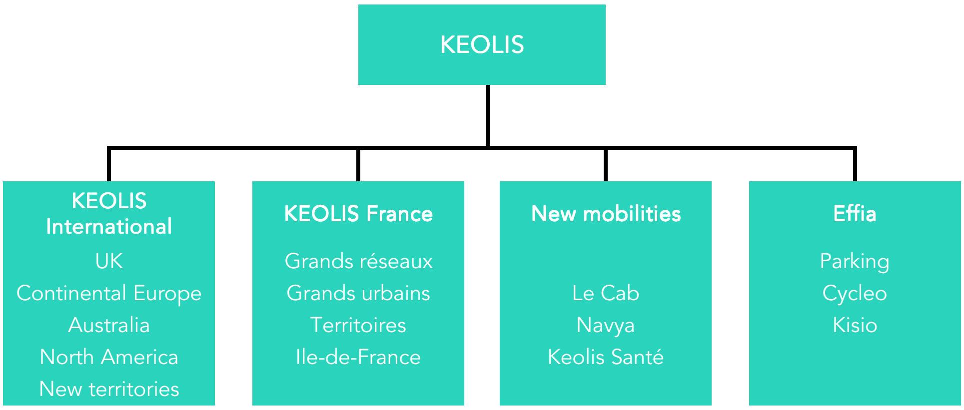
TFMM

- Ambitious growth for Naviland (+10% versus 2017, particularly for the Navitrucking activity and certain strategic focal points).
- Continuing ramp-up of the Calais-Le Boulou line and launch of the Calais-Orbassano line.

Ermewa

- Huge sales momentum with the continued delivery in 2018 of numerous wagons and containers undertaken in 2017.
- Commercial roll-out of the connected wagon and the Ermewa digital strategy.

2.5 KEOLIS



Keolis is a mass transit operator in sixteen countries worldwide. Its expertise covers all modes of transportation (train, bus, car, metro, tramway, ferries, bicycles), and the management of interconnection points (stations, airports) and parking.

In € millions	2017	2016(*)	Change
External revenue	5,295	4,978	318
Gross profit	305	276	29
Gross profit /revenue at Keolis level	*5.6%*	*5.4%*	
Current operating profit/(loss)	57	41	16
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	82	67	15
Net investments	-272	-264	-8

(*) Following the change in the gross profit definition, used provision reversals are now classified under current operating profit or loss (see Note 1.2 to the consolidated financial statements).

Highlights

- Keolis and Île-de-France Mobilités have signed 20 bus network operating contracts in Île-de-France. These four-year contracts, covering the period from 2017 to 2020, will generate a combined revenue of approximately €750 million, thus enabling Keolis to strengthen its position as a benchmark for mobility in France's number one region.
- Outside Île-de-France, Keolis won the public service delegation contract for the Côte Basque Adour agglomeration for a period of 6 years and 9 months; the group also won the aggressive Greater Besançon tender. Keolis contracts were also renewed in Lille, Rennes, Caen, Amiens and Quimper.
- Keolis strengthened its presence in Belgium by acquiring Compagnie des Autocars Liégeois on 31 January 2017, while Effia acquired Alfa Park in April and Parkeren Roeselare in September (15,000 parking spaces).
- Continuing on the international front, the commercial year was rich with several aggressive and defensive tenders and the opening of new networks: inaugurations of Manchester (tramway, UK), Aarhus (tramway, Denmark), Teutoburger-Wald-Network (rail, Germany), Zwenzwoka and Almere (rail and bus, the Netherlands), gain of Foothill (bus, US), launch of Newcastle (multimodal, Australia), renewal of Melbourne, extension of Gold Coast (tramway, Australia), launch of Hyderabad (underground, India), gain of Doha (underground, Qatar), and gain of Pudong underground (China).
- Keolis created Keolis Santé with the acquisition of Douillard and Intégral (France) and an alliance with Jussieu Secours: with revenue of approximately €70 million and 1,650 employees, Keolis is now the leading medical transporter in France.

2017 results

- Revenue

2017 revenue was up by €318 million (+6.4%) compared to 2016. This trend breaks down as follows:

  - a Group structure impact of €50 million, which is detailed in Note 1.1 Comparability of the financial statements,
  - a foreign exchange impact of -€25 million.

At constant Group structure and exchange rates, Keolis revenue increased by €293 million (+5.9%). The growth is driven by international activity, specifically Continental Europe, North America, Australia and the United Kingdom.

- Gross profit

Gross profit for Keolis rose by €29 million. Excluding Group structure and foreign exchange impacts, the item rose by €22 million, mainly in France, with a strong base performance for Grands Réseaux (Lille, Lyon, Bordeaux and Rennes).

- Current operating profit/(loss)

Keolis' current operating profit improved by €16 million; the gross profit increase was partly offset by the €17 million rise in depreciation and amortisation.

- Net investments

There were no major changes in the item compared to 2016

2018 outlook

In France:

- Continued leadership in urban transport.
- Targeted acquisitions in the intercity market now being consolidated and preparation of the market's opening in Île-de-France.

International business:

- Priority granted to a turnaround in profitability.
- Start-up of the Yarra Trams MR4 contract (Australia).
- In 2018, boost the performance level of contracts launched in 2017: Manchester (UK), Almere (Netherlands), Zwenzwoka (Netherlands), Aarhus (Denmark), TWN (Germany) and Newcastle (Australia).

For new mobilities

- Continuing development of Keolis Santé through acquisitions.
- Pursuit of the partnership with Navya with respect to autonomous vehicle testing (Autonom Cab testing in France and the US.).

3 NET INVESTMENTS AND NET DEBT

3.1 NET INVESTMENTS

In € millions	31/12/2017	31/12/2016	Change	
Net investments	-2,244	-1,961	-283	+14%
Disposals	336	427	-91	-21%
Investments, net of disposals	**-1,908**	**-1,534**	**-374**	**+24%**

Net investments stood at -€2,244 million as at 31 December 2017, an increase of €283 million compared to 2016. The change is explained by the substantial decrease in grants received by TER to acquire new rolling stock (numerous grants had been received in advance at the end of the previous fiscal year).

Disposals declined by €91 million compared to 2016 and mainly involved real estate.

3.2 GROUP NET DEBT

In € millions	31/12/2017	31/12/2016	Change
Non-current debt	14,608	14,305	303
Non-current receivables	-4,037	-4,545	508
Net non-current debt used to calculate net debt	**10,571**	**9,760**	**811**
Current debt	4,693	3,991	702
Current receivables	-7,350	-5,777	-1,573
Net current debt used to calculate net debt	**-2,657**	**-1,786**	**-871**
Net debt	**7,914**	**7,974**	**-60**
Gearing (Net debt / Equity)	*1.5*	*1.7*	

Net debt stood at €7,914 million as at 31 December 2017, for a gearing (Net debt / Equity) of 1.5 (1.7 as at 31 December 2016). Net debt as a percentage of gross profit decreased from 3.7 as at 31 December 2016 to 2.9 as at 31 December 2017.

Net debt was impacted by the following movements in 2017:

Opening net debt	**7,974**
Cash from operations	-2,054
Net investments	2,244
Disposals	-336
Dividends received from companies consolidated under the equity method	-31
Group structure transactions	107
Change in operating WCR	-23
Dividends paid	129
Change in fair value, amortised cost, translation difference	-133
Change in tax WCR	17
Other	20
Closing net debt	**7,914**

3.3 FINANCING SOURCES AND DEBT MANAGEMENT

Non-current and current debt rose €303 million and €702 million, respectively.

These changes were essentially due to:

- the issue of new bonds for +€1,428 million;
- the change in fair value of financial liabilities for -€488 million.

Current receivables increased by €1,573 million, while non-current receivables decreased by €508 million.

These changes were essentially due to:

- the increase in cash and cash equivalents for +€1,834 million;
- the decrease in deposits paid for -€229 million;
- the change in fair value of financial assets for -€390 million.

EPIC SNCF Mobilités is responsible for managing most of the Group's net debt, carrying 88% of the Group's external debt at the year-end.

The SNCF Mobilités Group's long-term debt was rated as follows by the main rating agencies:

	Long-term rating	Outlook	Report date
Standard & Poor's	AA-	Stable	7-Jul.-17
Moody's	Aa3	Stable	29-Sep.-17
Fitch Ratings	AA	Stable	19-Oct.-17

3.4 GROUP EXPOSURE TO MARKET RISKS AND TERMS OF USE OF FINANCIAL INSTRUMENTS

The management of market risks is governed by a general framework, approved by the SNCF Mobilités' Board of Directors, setting out the management principles for parent company risks that may be hedged by financial instruments.

This general framework defines the principles governing the selection of financial products, counterparties and underlyings for derivative instruments.

More specifically, the general framework defines risk limits for the management of euro and foreign currency cash balances and long-term net indebtedness.

In addition, it describes the delegation and decision-making system and the reporting and control system and its frequency (daily, twice monthly, monthly and annually).

The breakdown of the strategy implemented is described in Note 6.2 to the consolidated financial statements.

4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND RATIOS

In € millions	31/12/2017	31/12/2016
Goodwill	2,339	2,373
Intangible assets	1,776	1,783
Property, plant and equipment	13,546	12,803
Non-current financial assets	5,474	5,988
Equity investments	671	653
Deferred tax assets	969	872
Non-current assets	**24,775**	**24,472**
Operating assets	7,588	7,516
Current financial assets	1,074	1,348
Cash and cash equivalents	6,394	4,584
Current assets	**15,056**	**13,448**
Assets classified as held for sale	1	1
TOTAL ASSETS	**39,831**	**37,921**
Share capital	3,971	3,971
Consolidated reserves	188	-30
Net profit/(loss) for the year	1,136	511
Equity attributable to equity holders of the parent	**5,295**	**4,453**
Non-controlling interests (minority interests)	134	130
Total equity	**5,428**	**4,582**
Non-current employee benefits	1,572	1,577
Non-current provisions	1,164	1,151
Non-current financial liabilities	15,883	15,481
Deferred tax liabilities	373	416
Non-current liabilities	**18,991**	**18,625**
Current employee benefits	97	104
Current provisions	175	222
Operating payables	10,446	10,395
Operating liabilities	**10,717**	**10,721**
Current financial liabilities	4,693	3,992
Current liabilities	**15,410**	**14,713**
Liabilities associated with assets classified as held for sale	1	1
TOTAL EQUITY AND LIABILITIES	**39,831**	**37,921**
Gearing (Net debt / Equity)	*1.5*	*1.7*
Net debt / Gross profit	*2.9*	*3.7*

The statement of financial position recorded the following major changes in 2017:

- A €743 million increase in net property, plant and equipment primarily due to:
  - acquisitions, net of disposals, for +€2,140 million;
  - depreciation, amortisation and impairment, net of reversals, for -€1,680 million;
  - the acquisition of Pirco for +€139 million;
- An increase in equity attributable to equity holders of the parent, which mainly includes the net profit for the period (€1,136 million), the dividend paid to EPIC SNCF (-€110 million), the change in fair value of cash flow hedges (€51 million), the actuarial gains and losses on post-employment benefit plans (-€17 million) and the change in translation differences (-€132 million).
- A breakdown of financial assets and liabilities is shown in Note 6 to the consolidated financial statements.

5 FINANCIAL RELATIONS WITH THE FRENCH STATE, SNCF RÉSEAU AND LOCAL AUTHORITIES

SNCF Mobilités receives:

- public service orders (as is the case with any public service agent or supplier to the French State and local authorities) in a monopoly legislative and regulatory framework;
- operating and investment grants primarily received for the activities of SNCF Transilien, TER and Intercités.

5.1 PUBLIC SERVICE ORDERS

The table below shows the Group revenue generated with SNCF Réseau, Regions, Île-de-France Mobilités and the French State.

In € millions	31/12/2017	31/12/2016	Change
Asset maintenance	131	132	0
Work	49	23	26
Other services	4	4	0
Total SNCF Réseau	**185**	**159**	**26**
Compensation for regional rates	415	509	-94
Services for the Organising Authorities	4,577	4,391	186
Total Regions and Île-de-France Mobilités	**4,992**	**4,900**	**92**
Socially-motivated prices	0	15	-15
Defence	152	145	6
Trains d'Equilibre du Territoire (TET)	308	356	-48
Total French State	**460**	**517**	**-58**
TOTAL	**5,636**	**5,576**	**61**

Work for SNCF Réseau mainly comprised services performed by SNCF Gares & Connexions.

5.2 GRANTS AND PUBLIC CONTRIBUTIONS OBTAINED FROM THE FRENCH STATE AND GOVERNMENT AUTHORITIES

Public contributions granted to the Group by the French State and government authorities are presented in the following table:

In € millions	31/12/2017	31/12/2016	Change
Operating grants	42	50	-8
Cash inflows from concession financial assets	1,031	814	217
Investment grants relating to intangible assets and PP&E	315	617	-302
Total	**1,388**	**1,481**	**-93**

Payments received for concession financial assets and investment grants received:

SNCF Mobilités receives investment grants, primarily from local authorities, to finance its non-current assets, particularly rolling stock.

In accordance with IFRIC 12, grants received as part of a concession are presented in the statement of financial position as a deduction from intangible assets or financial assets, according to the applicable model, following the analysis of each concession agreement. With regard to concession financial assets, the grants received are considered as a means of reimbursing such assets.

In the other cases, investment grants received are deducted from intangible assets and property, plant and equipment in the balance sheet. In the income statement, they are recorded in operating profit or loss (as a deduction from depreciation and amortisation) according to the estimated economic life of the corresponding assets.

6 EMPLOYEE MATTERS

6.1 WORKFORCE

	31/12/2017	31/12/2016 restated (1)	31/12/2016 published	Change vs 31/12/2016 restated		Change on a constant Group structure basis vs 31/12/2016 restated	
SNCF Transilien, TER and Intercités	**50,559**	50,468	46,845	+0.2%	91	+0.2%	91
Voyages SNCF	**24,460**	25,466	23,523	-4.0%	-1,007	-4.2%	-1,074
SNCF Gares & Connexions	**4,078**	4,020	3,688	+1.5%	59	+1.5%	59
SNCF Logistics	**49,956**	52,370	51,568	-4.6%	-2,414	-0.9%	-452
Including the Geodis division	***39,388***	*39,294*	*39,344*	*+0.2%*	*94*	*+0.2%*	*94*
Keolis	**61,070**	57,168	55,757	+6.8%	3,903	+3.5%	2,027
Corporate	**11,694**	12,062	12,336	-3.1%	-368	-3.2%	-387
TOTAL	**201,816**	201,553	193,718	+0.1%	264	+0.1%	264

(1) restated for the new paid employee calculation method

Changes in Group structure over the year that significantly impacted the change in the average workforce were as follows:

- SNCF Logistics: sale of STVA (-1,931).
- Keolis: acquisitions of Keolis Santé +1,596, and Les Kangourous / Les Coccinelles +227.

On a constant Group structure basis, the Keolis workforce rose by 2,027 (+3.5%) mainly due to international contract wins, notably in Manchester (United Kingdom), Newcastle (Australia) and Utrecht (the Netherlands).

The change in the workforce of subsidiaries in recent years mainly reflects the changes in Group structure:

	2017	*2016 restated (1)*	*2016 published*	*2015*	*2014*	*2013*
Parent company	92,178	94,680	87,615	90,429	154,272	155,371
Subsidiaries	109,639	106,873	106,103	105,723	91,491	89,200
TOTAL	**201,816**	**201,553**	**193,718**	**196,152**	**245,763**	**244,570**

(1) restated for the new paid employee calculation method

6.2 MAIN AGREEMENTS SIGNED IN 2017

The following collective agreements were signed with representative trade union organisations (date of signature in brackets):

- agreement covering the introduction of a flat rate salary for a given number of days per year (17 March 2017);
- agreement covering telecommuting (7 July 2017);
- agreement covering electronic voting for the elections of employee representatives in the Works Council and employee representatives within the Public Rail Group (18 September 2017);
- agreement covering modernised communications resources made available to the trade unions, Joint Labour-Management Committee and Works Councils of the Public Rail Group (17 November 2017).

These agreements are applicable within the Public Rail Group.

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

1 INTERNAL CONTROL AND RISK MANAGEMENT

In October 2013, SNCF Mobilités (formerly Société Nationale des Chemins de fer Français) presented a business plan, **Excellence 2020**. The plan's objective is to make the SNCF Mobilités Group the world's leader in passenger and freight mobility services by 2020. It is based on three priorities:

- **Daily transport**, in order to offer better public service at a lower cost to local authorities;
- **International development** with the goal of gradually reaching 40% of revenue generated;
- **Expanded use of digital and door-to-door solutions** to offer customers a personalised service that combines a variety of transport modes.

Control measures have been introduced so as to guarantee risk management in this changing context.

1.1 THE INTERNAL CONTROL SYSTEM:

1.1.1 The internal control system's fundamentals:

1.1.1.1 The definition and objectives of internal control

For the SNCF Mobilités Group, the internal control system applies to the entire aforementioned Group structure and seeks to ensure:

- Compliance with laws and regulations;
- Implementation of the instructions and directions given by Executive Management;
- Proper functioning of internal processes, especially those relating to the protection of its assets;
- Reliability of financial information.

In general terms, it contributes to control over its activities, the efficiency of its operations and efficient use of its resources Therefore, the scope of internal control is not limited to a set of procedures or to accounting and financial processes

However, as with any control system, internal control cannot provide an absolute guarantee that the company's objectives as described above will be achieved, but rather reasonable assurance regarding the management of material risks.

1.1.1.2 The framework used

The SNCF Mobilités Group relies on a reference framework published by the AMF (French securities regulator) in January 2007 and updated in July 2010. This reference framework identifies five components:

- An organisational structure with a clear definition of responsibilities, suitable resources and competencies that is supported by appropriate information systems, procedures, tools and practices;
- In-house dissemination of relevant and reliable information;
- A risk management system to identify, analyse and manage the main risks identified;
- Control activities proportionate to the challenges;
- Ongoing monitoring of the internal control system.

1.1.2 Internal control and risk management procedures

As one of the internal control system's objectives is to prevent and manage the risks arising from the company's activity, the SNCF Mobilités Group has opted to coordinate the work carried out by internal control, risk management and internal audit.

1.1.2.1 The internal control system

The SNCF Mobilités Group has defined the organisation of internal control. The governance principles are as follows:

- The Direction Générale de l'Audit et des Risques (DGAR) (Audit and Risk Directorate), in its role as ultimate administrator, manages the overall system for the SNCF Group scope by determining the general guidelines. It also assesses the common tools and methods it provides to the players involved;
- Each business line is responsible for the internal control within its scope and is coordinated by the SNCF Mobilités Finance Department, which manages the overall system and the internal control approach for the SNCF Mobilités Group scope.

Accordingly, a roadmap was signed by the CFO of SNCF Mobilités and co-signed by the Director of the DGAR within EPIC SNCF that reports directly to the Co-Chair, who responsible for the SNCF Group's administrative governance. It is based on five focal points:

- Internal control design, organisation and coordination;
- Definition of process management terms and conditions;
- Consolidation of the control environment;
- Assessment of the management of key control points;
- Reporting.

In order to guarantee a reasonable level of assurance regarding operations management, the SNCF Mobilités Group relies on a network of managers and correspondents who steer internal control in the various entities.

The SNCF Mobilités Group's Internal Control Steering Committee, created in 2015, meets with the internal control managers on a periodic basis. This committee, which is coordinated and steered by the SNCF Mobilités Finance Department, prepares the roadmaps by Activity based on the roadmap defined by the DGAR.

Using the internal control tool, self-assessment campaigns can be conducted for all the SNCF Mobilités Group entities. The tool can also be used to define an internal control checkpoints database that covers all the processes featuring in the AMF reference framework implementation guide, as well as the various "control environment" components. In addition, based on the results, and in line with the process benchmarks, collective and individual actions plans can be defined and best practices shared.

The summary of recommendations presented to the Audit and Risk Committee by the auditors as part of their internal control work is followed up by the Finance Department, and a report is presented to the Committee.

1.1.2.2 The risk management system

The overall organisation of risk management is based on the "three lines of defence model" as defined by the French Audit and Internal Control Institute (IFACI) and the French Business Assurance and Risk Management Association (AMRAE):

- The first line of defence consists of each entity's management chain;
- The second line of defence comprises transversal support tools that encourage best practices.
- The third line of defence is shaped by internal audit, which independently assesses the level of risk management.

Within the SNCF Mobilités Group, the risk management system relies on a network of risk managers in the various entities tasked with identifying risks and the bearers of such risks, and following up the treatment plans defined for their respective scopes.

The mapping of major risks by entity is prepared and updated annually by the network of risk managers within the SNCF Mobilités Group entities. The consolidated mapping of the SNCF Mobilités Group's major risks is formalised by the DGAR and submitted to the Executive and Audit and Risk Committees of SNCF Mobilités.

Each major risk is assigned to a sponsor who is a member of the SNCF Mobilités Group's Executive Committee. The sponsor ensures that risks are correctly analysed and assessed and steers the action plans.

1.1.2.3 The internal audit system

The following year's audit plan is determined by SNCF Mobilités at the year-end. Internal audits fall within the framework of the SNCF Mobilités audit plan, which is centred on a risk-based approach. The approach is discussed with the DGAR.

It is submitted to the SNCF Mobilités Group's Audit and Risk Committee and approved by the Executive Committee.

Following the implementation of the rail reform law, SNCF Mobilités concluded an agreement, with respect to the shared functions cited in Article 5 of Decree 2015-137 dated 10 February 2015, concerning the performance of the aforementioned operations at the DAGR, whose certification by the IFACI in June 2006 was renewed in 2015.

In 2017, twenty-two operations were performed, including eight covering information system security. Reports along with recommendations for improvement were submitted to the managers concerned. They are systematically covered in a DGAR memo which is sent to the Chairman of the SNCF Mobilités Group's Board of Directors.

The results of the audits and self-assessment campaigns are regularly discussed with the SNCF Mobilités Group's auditors.

In addition to the audits assigned to Direction Générale de l'Audit et des Risques (DGAR) (Audit and Risk Directorate), compliance audits are carried out, primarily for the scope of subsidiaries to guarantee the compliance of self-assessment campaign results.

1.1.3 Control environment;

1.1.3.1 Institutional control environment

SNCF Mobilités operates in a complete institutional control environment related to its status as a public company and parent to a sizeable group of companies.

SNCF Mobilités is subject to the control of:

- The French Court of Auditors;
- The French Government Commissioner;
- The French Economic and Financial Verification Mission for Transport (MCEFT)
- The French Government Shareholding Agency (APE)
- Its line ministries (transport, budget and economy);
- The French Rail and Road Regulatory Body (ARAFER);
- The French public institution of railway safety (EPSF);
- The French securities regulator (AMF);
- The Banque de France (BDF).

The accounts of the SNCF Mobilités Group are audited by two statutory auditors appointed by the French Minister of Economy and Finance, following consultation with the Board of Directors' Audit and Risk Committee. Each subsidiary is audited by at least one of the two statutory auditors. The mandate of the statutory auditors was renewed in 2014.

The various individuals cited above are tasked with verifying that SNCF Mobilités' obligations are met, particularly in the area of accounting and finance.

In addition, SNCF Mobilités Group has adopted European Regulation 537/2014 covering audit reform, which came into force in June 2016. This reform defines a new framework for statutory auditor engagements, particularly regarding the rotation of audit firms and signatory partners, tenders and the list of prohibited non-audit services.

SNCF Mobilités is also subject to controls in connection with its activities as an operator in the passenger rail transport services sector on the part of transport organising authorities (Syndicat des Transports d'Ile-de-France, regional councils, etc.). These controls cover the material and financial conditions governing the performance of services.

Finally, law 2014-872 of 4 August 2014 specifies the role and tasks of ARAFER and EPSF. It also creates two new authorities that complete the institutional environment in which SNCF Mobilités is developing as EPIC of the SNCF Group:

- the French High Committee for the National Rail Transport System, an information and consultation body for stakeholders regarding the major issues of the national rail transport system;
- the French Network Operators' Committee, a standing consultation and cooperation body between the national rail network manager, SNCF Réseau, and users.

1.1.3.2 The SNCF Mobilités control environment

The directives system:

The directives system was set up within SNCF Mobilités so as to provide the EPIC stakeholders with all the rules, recommendations and information they require to conduct their activity. The system is also available to other EPICs of the *SNCF Group*.

Organisation of operational and functional responsibilities:

Following the publication of Decree 2016-1468 on 28 October 2016 which sets out a new positioning for the station management activity, SNCF Gares & Connexions is considered and monitored as a business unit in its own right. As from 1 January 2017, the SNCF Mobilités Group is now organised according to the following five business lines: SNCF Transilien, TER and Intercités, Voyageurs SNCF, SNCF Gares & Connexions, SNCF Logistics and Keolis.

Within these business units, eight operating segments are regularly examined by the SNCF Mobilités Executive Committee in order to assess their performance and allocate resources. Comparative information has therefore been restated. These segments, which target different customers and sell separate products and services, are as follows:

- SNCF Transilien, TER and Intercités: local transport activities of the Group encompassing medium-distance links (Trains d'Équilibre du Territoire - Intercités), rail transport regulated services (TER, Transilien, etc.), and additional services covering passenger transport (Itiremia, Ritmx) and housing for Group employees (Orfea).
- Voyages SNCF: door-to-door passenger transport services in France and Europe (TGV, Ouigo, Eurostar, Thalys, Lyria, Ouibus, iDVROOM, etc.) and distribution of travel-related products.
- SNCF Gares & Connexions: dedicated to the development and operation of all stations and the non-discriminatory welcome of all operators.
- SNCF Logistics comprising:
    - Geodis: a European operator with a worldwide scope which proposes management solutions covering all or part of the logistics chain (Supply Chain Optimization, Freight Forwarding - air and sea, Contract Logistics, Distribution & Express, Road Transport, Contract Logistics US).
    - Rail freight and multimodal transport: activities of rail transport operators, combined transport operators and freight forwarders carried out by several companies (Fret SNCF, VIIA, Naviland Cargo and Forwardis).

    - o Ermewa Group: long-term management and leasing of rail transportation equipment (specialised wagons, tank containers, locomotives, mainline locomotives or shunters).
    - o STVA: multimodal logistics for new and used finished vehicles.
- Keolis in charge of mass transit in fifteen countries worldwide. Its expertise covers all modes of transportation (train, bus, car, metro, tramway, ferries, bicycles), and the management of interconnection points (stations, airports) and parking.

These segments rely on common support functions (Corporate), which combine the holding company activities of SNCF Participations, the service provider activities of SNCF Mobilités Group (equipment, real estate functions and other transversal services) and certain operating subsidiaries.

Certain processes for EPIC SNCF, EPIC SNCF Réseau and EPIC SNCF Mobilités are pooled within the SNCF Group in accordance with the Rail Reform Law and implementing decrees. This mainly involves the following services: steering, group support, HR, medical and employee services, work environment, accounting, information systems and real estate.

Conduct and integrity rules:

Directors representing EPIC SNCF, SNCF Mobilités, SNCF Réseau, as well as Geodis and Keolis make up a group ethics committee. The purpose of this committee is to validate ethics and conduct actions and adopt the ethics guidelines proposed by the Ethics and Conduct Office.

The objective of the SNCF Mobilités Ethics approach, which is patterned after that of the SNCF *Group,* is to define individual and collective professional conduct criteria and create the SNCF Mobilités Group's ethical identity based on these values.

This approach is based on the SNCF *Group's* ethics charter, which was approved following deliberation by the EPIC SNCF Supervisory Board on 3 November 2016. The charter describes the five ethical values and the eleven resulting principles of conduct. These principles should be known by all employees, whatever their status and function, and guide their professional conduct on a daily basis, particularly on anti-corruption, protection of the Group's human capital, compliance with competition law and anti-fraud.

The indispensable complement of the new charter is the whistle-blowing procedure, steered by the Ethics and Conduct Office within the EPIC SNCF, under which employees can confidentially express their concerns regarding any failings they have witnessed. This whistle-blowing can lead to investigations.

The Ethics and Conduct Office provides group employees with fact sheets that outline risk situations and offer advice and recommendations on the best conduct to adopt.

1.2 MANAGEMENT OF MAIN RISKS

1.2.1 Operating risks relating to safety and security

1.2.1.1 Safety-related risks

The SNCF Group is developing a safety policy whose objective is to ensure:

- For customers and the community, a service with the expected level of safety;
- For its partners and personnel, a guarantee of safety in their procedures.

SNCF Mobilités is fully engaged in the General Safety policy implemented by the Public Rail Group, which seeks to attain safety excellence and serve as an acknowledged international reference for both occupational and operational safety.

The purpose of this policy is to:

- Ensure the highest level of safety;
- Affirm that beyond being the top priority, safety is a company value;
- Introduce a renewed safety culture;
- Draw inspiration from best practices in rail and other industrial sectors.

The six focal points of the PRISME safety policy are applied within SNCF Mobilités.

1. Develop a Proactive behaviour so that employees effectively contribute to the continuous improvement system by signalling any incidents and precursors of which they are aware to their supervisors;

2. Introduce Risk management to prioritise actions and focus energies;

3. Manage Interfaces between the entities so as to work in a safety chain in which each link is essential and connected, including partners and subcontractors;

4. Simplify procedures and documentation so as to guarantee systematic application by the operators while giving meaning to the action;

5. Create Managerial conditions so that employees are personally involved in their actions and decisions, and at their level of responsibility, to reduce accident risk (severity and occurrence) to a maximum;

6. Develop the most innovative tools and Equipment to provide each employee with a work environment and technological resources that are safe.

To ensure simplified and tightened safety management, the Public Rail Group's General Director of Safety reports directly to the SNCF EPIC Management Board and the chairs of SNCF Réseau and SNCF Mobilités. Safety coordination thus improves interface safety.

Rail operational safety:

SNCF Mobilités respects and values the regulatory obligations defined by the States where it conducts its activities. The organisation and management it sets up to meet these obligations are subject to the corresponding national safety authorities (in France, the French public institution of railway safety - EPSF), so that safety certificates can be issued for rail company activities. Safety systems, sub-systems and measures are defined and designed with a safety requirement that is specific to SNCF Mobilités and in compliance with national and European regulatory frameworks. Their implementation is authorised by the corresponding national safety authorities.

SNCF Mobilités has a Safety Management System (SMS) that covers the scope of its rail operational safety management. This System is subject to the EPSF, which issued a safety certificate to SNCF Mobilités on 25 June 2015. It was renewed for five years as of 1 July 2016.

SNCF Mobilités prepares an annual safety report with respect to the safety certificate, which is transmitted to the EPSF no later than 30 June the following year. The EPSF assembles the annual reports of all the rail companies and infrastructure managers to prepare an annual safety report covering the French National Rail Network (RFN) before 30 September the following year. This report is communicated to the European Railway Agency (ERA).

In addition, SNCF Mobilités continues to play a major role in ensuring that safety requirements are respected when there are changes at the European level, while contributing to the development of rail transport.

The regulatory framework in France is largely based on the French Transportation Code, as well as law 2006-10 of 5 January 2006, which transposes the "second rail package" European directives into French law. It also comprises decree 2006-369 of 28 March 2006 relating to the mandates and bylaws of the EPSF and decree 2006-1279 of 19 October 2006, relating to rail traffic safety and rail system interoperability, amended by decree 2010-814 of 13 July 2010. The ORTF law of 8 December 2009 established the French Rail and Road Regulatory Body (ARAFER), whose powers were strengthened following publication of law 2014-872 covering rail reform, amended by order 2015-855.

In order to comply with these regulatory obligations, the SNCF Mobilités Group entities involved in rail activity have developed specific measures.

The organisation and management of the company's operational safety, comprising the transporter and Entity Responsible for Maintenance mandates, are defined in a national directive that is respected by the SNCF Mobilités Group entities concerned, and specifically by the subsidiaries of Ermewa and STVA.

The safety management system is continuously adapted to benefit from identified areas of progress and take into account service realities and changes, as well as regulatory developments.

A specific closure process ensures the quality of the safety policy implementation. Specifically, the process comprises:

- Strict and regular competency and aptitude controls for the 70,000 safety employees, in compliance with the 7 May 2015 order relating to essential safety tasks;
- Procedure application controls and quality of management;
- Structured feedback at all levels: institution, regional, national.

To consolidate the steering of the subsidiaries and investments of SNCF Mobilités while including the appropriate management of rail activity safety, a directive was drawn up in January 2008. It specifies the guidelines applicable by the Division Executive Directors in order to consider safety in the steering of their group scope, and includes an evaluation guide relating to the main safety management processes.

In addition to the measures specific to the SNCF Mobilités Group, EPIC SNCF carries out common mandates, as cited in Article 5 of decree 2015-137, for SNCF Mobilités, among other entities.

Within EPIC SNCF, three departments contribute to the risk management system relating to rail operational safety:

- **The System Safety Department** – which carries out the safety functions, contributes to the renewal of the SNCF Group's safety practices and culture, coordinates the PRISME programme, and builds relations with other rail sector entities (ERA, EPSF, other national or foreign rail companies);
- **The Safety General Inspectorate,** which is responsible for random inspections, risk response for the company as a whole, the identification of low-level signals, and risk anticipation and warning. To achieve these tasks, it relies on the Safety Channel tool;
- **The Safety Audit Department (DAS), a DGAR entity,** whose main task is to **constantly assess** the level of safety in the establishments and various entities of SNCF Mobilités and specifically the performance of safety **operational procedures** and the quality of their **management** from a **compliance** perspective.

With respect to safety audits, SNCF Mobilités has concluded an agreement for the performance of safety audits with the aforementioned DAS, which has been ISO 9001:2008 certified by AFNOR. The number of audits and the entities concerned are determined as part of the annual planning, which is based on an audit plan defined under the contractual authority of SNCF Mobilités, which extends over two years for national audits and four years for regional audits. These directive audits are included in the audit plans presented to Audit and Risk Committee of SNCF Mobilités.

This mainly involves:

- National operational safety audits (ASNO), which are periodic compliance audits.
- Thematic safety audits which, under the sponsorship of the Product, Activity or Business line managers of the establishments, assess the effectiveness of preventive or corrective measures initiated following national audits, and process, site or product compliance.
- Personnel safety audits concurrently with ASNOs;
- Design audits, which assess the aptitude of a system or the capacity of a product or process to satisfy the mandated safety requirements and objectives.

Occupational health and safety

The company has launched an ambitious programme for the managerial transformation of occupational health and safety, based on substantial management actions to reduce the severity and frequency of work accidents. SNCF has begun work on developing occupational health and safety leadership.

The safety train's national tour, which criss-crossed France in the spring and was visited by 15,000 Public Rail Group employees, renewed risk awareness and strengthened the safety culture;

The "rules that save" were defined for all employees with certain specificities adapted to certain business lines; they will serve to mitigate and protect against the most common major risks.

The Safety Audit Department also includes a national Occupational Health and Safety audit division, which regularly assesses, in the establishment itself, the quality of the management and operational control of risks in terms of occupational health and safety. This approach is deployed under the sponsorship of each of the three Public Rail Group's EPICs. The audit and evaluation method is in line with the requirements of the French Labour Code, which facilitates the use of the audit findings. It is thus possible to perpetuate the use of the results and strengthen occupational health and safety management over the long term.

The Occupational Health and Safety policy of SNCF Mobilités is driven by Multi-year Prevention Guidelines rolled out annually in the form of action and result targets in each of the Division and Activity Directorates, which see to its implementation in the establishments and the related entities of their hierarchical scope. These guidelines serve as a base for the preparation of Safety Action Plans for the Divisions, Activities and Business Lines and their establishments, mainly reflected in:

- Occupational Health and Safety Action Plans (PASST);
- Annual programmes covering Occupational Risk Prevention and the Improvement of Working Conditions (PAPACT).

The occupational health and safety policy of SNCF Mobilités is managed by the SNCF Mobilités Safety Department in concert with the Divisions, Activities and Business Lines, overseen by coordination and steering bodies and in tandem with the Safety Directorate (DGS).

The organisation and management of the Health and Safety process are defined by the EPIC Mobilités EF 00011 framework "Occupational Health and Safety – mandates, responsibilities and general management principles."

The framework presents the Safety management delegations for all the Divisions, Activities and Business Lines of SNCF Mobilités. They enable the organisation and steering of occupational risk prevention, determination of objectives, implementation of prevention measures and verification of efficiency for their scope of activity.

The establishment Directors assume the employer's responsibilities within the meaning of the French Labour Code. They are responsible for the implementation of Occupational Health and Safety management, compliance with the French Labour Code, application measures of a transversal nature, and national documents published by SNCF Mobilités, or the Division, Activity or Business Line to which the establishment belongs.

Road safety:

The SNCF Mobilités Group has positioned itself as a major player in passenger and freight road transport. Faced with growing volumes of passenger road traffic, the rise in incivilities and the hazards of road travel, safety has become a major challenge for the road activity managed by SNCF Voyageurs, SNCF Logistics and Keolis.

As part of its risk management policy, fatal road traffic accidents have been identified as the major risk of the road transport activity.

The analysis of this risk in terms of the transport and freight logistics activity was characterised by risk mapping and consideration of the risk exposure factors and control focal points. To support the satisfactory results of this analysis, an approach geared towards continuous improvement or specific actions at the local level is implemented.

As part of the work on the passenger transport scope:

- Safety management action plans were launched;
- Legal recommendations covering outsourcing were formulated;
- The consolidation of management practices and the prevention of fatal road traffic accidents involving passengers or third parties, in addition to the gathering of feedback were pursued and reinforced at Keolis. By way of example, a national campaign was rolled out to raise awareness concerning car passengers and seat belts. This campaign follows up the results of the field survey conducted by the French Road Prevention Association. It received the support of the French National Association for Educational Transport in Public Education (ANATEEP) and the French National Federation of Passenger Transport (FNTV). It was extensively broadcast and relayed by various media outlets. Keolis has also undertaken to reduce road accident risk with the French Ministry of road construction and safety by signing a charter relating to a "National appeal for road safety" on 11 October 2016.

1.2.1.2 Fire safety risks

The organisation and management of fire safety within SNCF Mobilités is formalised in two national frameworks, which specify the mandates and responsibilities of the various players that manage fire safety issues, whether they are part of the responsibility chain or act as experts or advisors.

In addition to the technical and regulatory requirements relating to building construction and maintenance, property fire safety requires significant management involvement in order to achieve the following objectives:

- Ensure there are safety measures to counter the risks of fire and panic for all persons occupying sites regardless of their function;
- Protect property, optimise risk management and anticipate the conditions in which the company's activities can continue under any circumstances, so as to guarantee service continuity and avoid financial losses;
- Limit the risks of fire spreading to third parties and damage to the environment.

Each Division, Activity, Domain, Department, Region and Establishment Director is responsible, as an employer or operator, as the case may be, for the property fire safety of the premises within his or her scope of responsibility. Directors are mainly responsible for implementing directives, and appointing a fire safety manager, and a national fire safety correspondent, who acts as intermediary for SNCF Immobilier and SNCF Gares & Connexions. At each half-yearly property fire safety review, the Director presents an update covering the fire safety management of his or her entity.

1.2.1.3 Personal and property safety risks

The scope of safety risks ranges from incivilities to terrorist attacks. Their consequences vary in nature:

- Loss of human life;
- Aggression of customers, personnel or shoppers in stations;
- Economic:
    - o loss of revenues, relating to fraud, either directly, or by the disaffection of customers who consider that travelling with fraudsters is a matter of annoyance if not insecurity;
    - o deterioration or even destruction of facilities;

- Damage to the Group's image, which can also be a precursor to revenue losses if the rail system seems unable to protect against delinquency and the terrorist risk.

The terrorist threat level remains high throughout the country and potential operating methods are diversifying once again.

In view of these threats, the Security Department's response in 2017 specifically covered:

- The reinforcement of canine explosive detection resources;
- The implementation of the Savary law that broadens the powers of surveillance agents;
- An increase in video patrols and the capacities of the video protection system;
- And the introduction of measures to defend against ramming vehicles in the most vulnerable stations.

Lastly, the SNCF Mobilités Group's will to develop internationally has naturally increased the number of foreign operations. The Security Department has adopted a structure that pilots the security aspect of foreign travel for its personnel so as to safeguard their security and the company's know-how.

Situated at ÉPIC SNCF under the law of 4 August 2014 covering rail reform, the Security Department is responsible for anti-terrorism issues, in liaison with the Division Directors (Security Management Committee by customer division). It has cooperated closely with the SNCF Mobilités entities in the fight against fraud, the deployment of Vigipirate measures and related plans, metal theft and incivilities.

1.2.2 Information system risks

Group operations rely heavily on information systems. A security failure or breach in one of the systems could damage the Group's reputation and have a negative impact on its financial performance.

The acceleration of the company's digital transformation has undeniably boosted performance, but this has been accompanied by the growing dependence of the Group's business lines and activities on information systems, which accentuate the impacts of a major system failure on operational production and therefore the security risks of these information and telecom systems. Added to this "IS dependency" phenomenon is a substantial reinforcement of the national and European regulatory framework that are obliging companies, including the SNCF Group, to implement sustained compliance initiatives in regard to critical systems and data, and specifically personal data.

The Spring cyber-attacks in 2017 reinforced the determination of the national (ANSSI) and European authorities to better supervise these digital activities and strengthen the resilience of major companies and governments. With respect to cyber-security governance, the SNCF Group has made this issue a top priority since 2015 through its information system security (ISS) management committee, which steers the major projects relating to this problem.

The ISS rules are defined by the SNCF Group's information system security policy via IS security principles articulated in a general framework and based on risk management according to a continuous improvement principle and legal and regulatory compliance.

To implement these directives, the Group Information System Security Officer (ISSO) coordinates a network of ISSOs positioned in the three EPICs and their subsidiaries. Each ISSO manages his or her cyber security activity through an analysis of ISS risks, proposes the actions and resources needed to reduce these risks, and monitors the related action plans.

Control in this matter falls within the scope of the ISS supervisory function reporting to the Audit and Risk Department, which carries out a yearly controls plan covering the cyber security of the business line activities, and conducts technical tests so as to ensure application compliance and the effectiveness of the IS security operational rules for the Group scope.

In addition to technical solutions, human vigilance is often the last and undoubtedly best safeguard against cyber attack attempts. Awareness-raising actions for users and projects were pursued and reinforced so that cyber security best practices become a daily reality. Several information campaigns on ISS risks and best practices were conducted in 2017 as part of the "Attitude 3D" programme.

1.2.3 Energy-related risks

Due to the far-reaching changes in the energy sector, the Group is faced with financial and industrial challenges for its future organisation. To respond to these issues, the Group has rolled out an ambitious Energy policy driven by the Energy Department which reports to the Performance Department. The policy's objectives are to:

- Improve energy performance (consumption/activity) by 20% and carbon performance (GHG emissions/activity) by 25% between 2015 and 2025;
- Reduce exposure to market volatility and use of fossil fuels by signing long-term contracts with renewable energy producers;
- Develop a hybrid TER Régiolis;
- Install electric batteries to store and use braking energy, the first step towards "removing the combustion engine" following the example of the automotive industry.

Since September 2016, an Energy Strategic Committee has organised and coordinated this policy's implementation.

SNCF Energie's risk governance is primarily based on a Risk Committee whose purpose is to steadily control the level of risk and – where necessary – validate the risk mitigation methods considered by line managers.

This is a supervisory body which is not entitled to make management decisions: only the SNCF Energie line managers are authorised to define how they implement their actions in accordance with the recommendations and limits/requirements imposed by the Risk Committee. It supports the other corporate governance bodies but does not supersede any of them.

This supervisory body is made up of the following persons:

- A member responsible for management pricing: SNCF Energie Executive Management;
- A member responsible for operational management: SNCF Energie Front Office manager;
- A member in charge of finance who can measure and direct the financial impacts of the activity: SNCF Energie Financial Management;
- Several shareholder and customer representatives who can assess and qualify risk taking with regard to SNCF Energie's activity (currently the Risk Committee members who are not part of SNCF Energie are: SNCF Mobilités Group Executive Vice-President for Performance, SNCF Mobilités Group Chief Financial Officer, SNCF Mobilités Group Financing and Treasury Director, SNCF Mobilités Group Purchasing Director and SNCF Mobilités Group Energy Director).

The Risk Committee can appoint other members depending on the issues covered.

Its role is to:

- Define and adapt the Risk Management Policy;
- Ensure that the SNCF Energie Risk Management Policy is validated by the governance bodies;
- Determine price and volume limits (coverage rate) to take into account for each year of delivery;
- Validate risk mitigation solutions in the event of limit overruns (validation of one-off overruns, correction or even modification of limits);
- Validate the set-up of new operations, taking into account the various risk factors that such operations could generate.

It meets on a quarterly basis. A decision report is validated at each Risk Committee. Risk Committee decisions may be immediately enforced by SNCF Energie.

1.2.4 Strategic risks

SNCF Mobilités operates in an environment under full institutional control related to its status as a public company (State-owned industrial and commercial institution incorporated under French law) and parent to a sizeable group of companies. Its activities require numerous administrative authorisations that can be difficult to obtain, or, when obtained, can be subject to conditions that may become considerably more stringent. SNCF Mobilités is therefore generally exposed to legislative, regulatory and government policy changes that could have a significant impact on its legal status. It is also exposed to other similar changes that can generate labour instability or legal uncertainty that may impact demand for its products or services and have negative repercussions on its activities or business. Changes in the French Republic's rating or outlook could also have repercussions for SNCF Mobilités.

Pursuant to the rail reform law of 4 August 2014, a strategic framework agreement (*Public Rail Group framework agreement*) was signed between SNCF and the French State on 20 April 2017. Updated every three years for a ten-year term, this framework agreement includes operating agreements (also called "performance contracts") between SNCF Mobilités and the French State, and between SNCF Réseau and the French State.

In accordance with Article L. 2141-3 of the French Transportation Code, on 20 April 2017 SNCF Mobilités signed a ten-year performance contract (multi-year performance contract between the French State and SNCF Mobilités) (updated every three years) with the French State. This contract sets out objectives involving service quality, a financial trajectory, public rail service development and regional planning, among others. The financial trajectory included in this performance contract reiterates that of the 2017-2026 strategic plan prepared in this context in the second half of 2016.

SNCF Mobilités cannot guarantee that the performance contract will not change in the future, and will not comprise more restrictive requirements for SNCF Mobilités, particularly of a financial nature, compared to those currently incumbent upon it. Furthermore, this financial trajectory may also be called into question by several factors of uncertainty. Among the various factors mentioned in the performance contract are:

- The impacts of current or future discussions on changes in the Voyages and Intercités business models;
- The transposition of the fourth Rail Package that will define the procedures for the sector's opening to competition that will have a potential impact on SNCF Mobilités' various activities, thereby adding to what is currently contained in the performance contract financial trajectory. SNCF Mobilités may no longer be able to maintain its market share and generate margin growth, with impacts on its strategy and earnings. Each activity has therefore launched customer loyalty and winback programmes depending on its market characteristics.

The contract specifies that the trajectory may be updated once this situation has been stabilised.

Any transport incidents or accidents are likely to tarnish SNCF Mobilités' image. Other risks involving SNCF Mobilités' activities (including outside the transport sector in the strictest sense) that may damage its reputation have also been identified. Any business loss resulting from damage to SNCF Mobilités' reputation could have a negative impact on its operating income and financial position.

As a regulated activity, Gares & Connexions must regularly obtain approval from ARAFER for the *Document de Référence des Gares* that sets the rates for the services it delivers. Accordingly, the financial situation partly depends on the decisions rendered by this regulator.

The French government's report on the development of passenger rail station management to the French Parliament in accordance with Law 2014-872 of 4 August 2014 on the new rail system reform in France (the Rail Reform Law) published on 5 August 2014 in the *Journal Officiel* that is supposed to go public within two years of the Rail Reform Law has not yet been made public as of the date of this *Base Prospectus*. In July 2016, ARAFER published a study on the matter including several scenarios for station transfer and management, including the removal of Gares & Connexions from the SNCF Mobilités scope.

Digital transformation is driven by the Digital Department. There is increasing regulation for an open data approach (Lemaire and Macron law), thereby creating a risk of disintermediation. The risk is managed by being able to incorporate digital technology into business processes and be selective when it comes to projects.

It is highly critical given the web giants involved. The group's response involves the roll-out of Oui.sncf, the data warehouse and the multimodal mobility PDA.

1.2.5 Financing risks

The SNCF Mobilités Finance Department is responsible for managing the Group's financing risk. It defines and implements the policy that deals with financing, cash management and the management of risks that may be hedged by financial instruments. It guarantees the company's financial interests vis-a-vis public and private third parties, banks and financial markets. It is also responsible for most of the financing and cash management functions of the subsidiaries.

Market risk is managed by the Financing and Treasury Department, which reports to the SNCF Mobilités Finance Department, within a general framework covered in a document approved by the Audit and Risk Committee on 19 November 2013 and the SNCF Mobilités Chairman that primarily focuses on interest rate, foreign currency, counterparty and liquidity risks.

The general principles for the management of risks that may be hedged by financial instruments focus on the use of plain cash products.

Weekly, quarterly, monthly (for the attention of the Financing and Treasury Director and/or CFO) and annual (for the attention of the Audit and Risk Committee and the Board of Directors) reports are prepared to verify compliance with the main management rules and monitor the activity's economic performance. Inspectors reporting to the Financing and Treasury Department check procedural compliance and report data.

In the course of its activities, SNCF Mobilités may be exposed to financial risks:

- Interest rate risk: certain SNCF Mobilités Group debts bear interest at floating rates that are generally indexed to a market benchmark index such as the EURIBOR. Any interest rate hike would increase its financing costs and the cost of refinancing its current debt or obtaining new means of financing. The SNCF Mobilités Group uses derivative instruments to actively manage its interest rate risk and minimise its impact. It also monitors interest rate fluctuations. However, should the SNCF Mobilités Group fail to minimise these fluctuations, they may have a negative impact on its financial position and operating income;
- Foreign currency risk: the SNCF Mobilités Group operates internationally and is exposed to the foreign exchange risk arising from transactions denominated in foreign currencies, mainly USD and GBP. Foreign currency risk exists when future sales transactions or recognised assets or liabilities are denominated in a currency that differs from the functional currency of the company that carries out the transaction. For the SNCF Mobilités Group, foreign currency risk mainly involves USD and GBP sales. The SNCF Mobilités Group may also be exposed to exchange rate fluctuations in connection with foreign investments. The SNCF Mobilités Group uses derivative instruments to hedge or limit the risk of currency fluctuation relating to these transactions. There is no guarantee that future exchange rate fluctuations will not have a major negative impact on SNCF Mobilités Group's activities, financial position or operating income;
- Risk relating to marketable securities: the SNCF Mobilités Group invests a portion of its assets in securities issued by various companies, government bonds and monetary funds. The failure by one of these companies or governments to make repayments according to the planned schedule for these securities or a significant decline in their market value and/or equity market volatility could have a major negative impact on the SNCF Mobilités Group;
- Liquidity risk: the SNCF Mobilités Group carefully manages liquidity risk by ensuring that it has sufficient liquidities and negotiable securities depending on SNCF Mobilités' current financing agreements. The financial markets may nevertheless encounter periods of liquidity shortage or volatility. If the SNCF Mobilités Group is unable to access the financial markets or other financing sources at competitive rates over an extended period, its financing costs may increase and it may have to reassess its strategy. Any of these events could have a major negative impact on SNCF Mobilités Group's activities, financial position or operating income;

- Counterparty risk: the SNCF Mobilités Group is exposed to credit risk due to its relations with banks, other credit institutions and its clients. The credit risk with credit institutions stems from the deposits or derivative instruments held with such companies. The SNCF Mobilités Group manages this risk by limiting its relations to companies which satisfy a minimum rating and have internal procedures. The control and signalling procedures adopted by SNCF Mobilités for its counterparty risk exposure were strengthened in 2008 and SNCF Mobilités did not suffer any impact at that time.

Generally, SNCF Mobilités cannot guarantee full coverage, especially in the event of major interest and exchange rate fluctuations. Interest rate risk is, however, limited by the substantial proportion of fixed-rate bonds in its bond portfolio.

The future departure of the United Kingdom from the European Union may have a negative impact on the SNCF Mobilités Group. Negotiations have begun to determine the future terms of the relationship between the United Kingdom and the European Union, particularly the terms of commercial trade between the United Kingdom and the European Union. The Brexit impact will depend on the UK's future agreements to retain access to EU markets, either during the transition period or on a more permanent basis. Brexit may have a negative impact on the European and world economy and market conditions, and may generate instability in international financial and foreign exchange markets, and in particular pound sterling or euro volatility. Furthermore, Brexit may give rise to legal uncertainty and even contradictory laws and regulations.

1.2.6 Compliance risks

1.2.6.1 Legal and insurance risks

The SNCF Mobilités Legal Department manages legal risks as part of its duties that mainly involve protecting the SNCF Mobilités Group’s interests and securing its activities by providing support, advice and expertise.

The SNCF Mobilités Legal Department is responsible for providing legal advice and monitoring SNCF Mobilités’ litigation proceedings.

It is assisted by the Group Legal Department that forms part of EPIC SNCF, particularly the legal expertise centre whose role is to carry out common legal tasks for the entire SNCF Group, whether in transversal legal areas (labour law, insurance, property law, legal documentation) or locally through regional legal delegations. The SNCF Mobilités Legal Department ensures the management and consistency of the SNCF Mobilités legal policy within the legal divisions of SNCF Mobilités’ Activities and Domains.

More specifically, the SNCF Mobilités Legal Department is responsible for the following duties:

- Ensure legal needs specific to the SNCF Mobilités Group’s governance;
- Support and safeguard in legal terms the operating activities of SNCF Mobilités;
- Identify, anticipate and prevent legal risks and manage litigation involving SNCF Mobilités;
- Coordinate the services provided by the SNCF Legal Expertise Centres for SNCF Mobilités;
- Ensure the backing of the SNCF Mobilités Business Commitment Committee when legally analysing files;
- Coordinate the business of the legal divisions within SNCF Mobilités Group Activities and Domains and its subsidiaries;
- Coordinate and roll out the SNCF Mobilités Group compliance programme in line with the various SNCF Mobilités Group and PRG players.

It covers the following legal scopes: business law, company law, contract law, national and international contract law, complex contractual arrangements, financing transactions, collective proceedings, out-of-court settlements, set-up of mandates and delegations of authority, national and international law, group accidents, civil and criminal liability, criminal proceedings, rail transport policies, anti-fraud, safety, rail operation safety, competition and regulations, healthcare and work safety, employer responsibility, environment, personal data law and the roll-out of the SNCF Mobilités Group compliance programme pursuant to:

- Law 2016-1691 of 9 December 2016 on transparency, the fight against corruption and modernisation of economic life (Sapin II Law);
- EU regulation 2016/679 of the European Parliament and Council of 27 April 2016 (GDPR);
- International sanctions;
- Competition law.

This activity's organisation was one of the measures undertaken by the SNCF Mobilités Legal Department in 2017.

The SNCF Mobilités Legal Department coordinates the network of Legal Directors within the SNCF Mobilités Group Activities and Domains for whom it mainly provides advice and expertise.

To coordinate the treatment of litigation within the *SNCF Group*, the SNCF Mobilités Legal Department contributes to the Group Legal Committee (GLC), bringing together the Legal Directors of the three EPICs under the coordination of the *SNCF Group* Legal Director who works within EPIC SNCF. The GLC meets to discuss "*SNCF Group*" legal matters, any disputes within the *SNCF Group* and manages and coordinates the drafting of lawyer listing and cost and fee reduction policies.

The duties carried out by the SNCF Mobilités Legal Department in 2017 include:

- Advice and support as contract manager for the Group Purchasing Department to secure SNCF Mobilités' procurement procedures and the PRG multi EPIC contracts, and for SNCF Mobilités' project managers to monitor contracts and to further update the corresponding legal documents and deeds with respect to regulatory changes;
- Drafting of a SNCF Mobilités major legal risk mapping.

Legal risks are also managed in assignments relating to dispute management, contract risk control and insurance policy.

The contract litigation activity monitored by the SNCF Mobilités Legal Department recorded 8 pre-contractual summary proceedings and 11 proceedings based on the merits.

The SNCF Mobilités Legal Department also focuses on civil liability or criminal litigation involving SNCF Mobilités entities or employees, as well as the group accidents at Brétigny, Denguin, Saint Aunes, Eckwersheim and Millas in conjunction with the SNCF Group Legal Department.

Contract Risk Control and Quality Department

Contract risk control has been contractualised with EPIC SNCF for the shared assignments specified in Decree 2015-137. The SNCF Mobilités Group obtains the preliminary opinions of the Contract Risk Control and Quality Department for market transactions and contractual commitments that are similar to public contracts. This shared function reports to the Group Legal Department. The Contract Risk Quality Department provides assurance that the procedures for awarding a public contract or other contracts are fair, the financial terms and conditions obtained are acceptable and the contractual clauses safeguard the interests of the SNCF Mobilités Group.

Insurance

Regarding insurance, the SNCF Mobilités Group entities are covered on the market for major risks challenging their civil liability or impacting their assets. This risk coverage extends to the operating losses arising from damage to their assets.

SNCF Mobilités has assigned the management of its insurance to EPIC SNCF under the shared services agreement pursuant to application decree 2015-137. All insurance policies are therefore subscribed in the name and on behalf of the SNCF Mobilités Group by EPIC SNCF. These form part of the SNCF Group insurance policy managed by the Risk and Insurance Department within the SNCF Group Legal Department at EPIC SNCF.

The insurance policy is assigned to the Risk and Insurance Department in order to optimise coverage at Group level and contain costs while benefiting from competitive pricing conditions and a better guarantee due to the mutualisation within *SNCF Group*.

The main insurance schemes covering SNCF Mobilités Group entities are:

- The "Major Risk Civil Liability" scheme, renewed via a call for tenders on 1 October 2014;
- The "Automobile Fleet" scheme, renewed via a call for tenders on 1 January 2015;
- The "Construction Civil Liability" scheme reorganised on 1 January 2015 to take into account the Rail Reform;
- The "Property Damage" scheme which will be renewed via a call for tenders as from 1 January 2017 for a period of 3 years, renewable over 2 more years

Similarly, claims management was assigned to EPIC SNCF under a services agreement. This involves a regional network of 8 interregional General Insurance divisions incorporated into the Group Legal Department, responsible for the amicable management of claims and basic responses to insurance queries.

In addition to the mechanisms existing within the SNCF Mobilités Group, a reinsurance captive, "SNCF Re", was created in 2012 in order to reinsure part of the SNCF Group's damage risks. This transfer of risks safeguards SNCF Group earnings with coverage and deductibles tailored to its specific financial capacities and risks, while curbing the rate increases requested by insurers who see a decline in their share of potential risk.

1.2.6.2 Risks of non-compliance with regulation and competition rules

The SNCF Mobilités Group strives to set up focal points regarding regulation mechanisms and competition rules. The SNCF Group Ethics Charter therefore promotes compliance with laws governing competition and regulation.

Training, information and awareness-raising initiatives concerning competition and regulation laws are undertaken in the company's different Activities and Domains, either at random or pursuant to the commitments undertaken with the French Competition Authority regarding the Voyages activity. These training and awareness-raising initiatives focus on the applicable legal rules and how the company must cooperate if subject to an inspection by a regulatory authority. The Audit and Risk Department conducts one-off audits to check compliance with competition law principles.

To ensure fair treatment for rail operators, numerous initiatives are undertaken internally and in conjunction with ARAFER to enforce sectoral law, particularly accounting separation rules, access to service facilities and the confidentiality of the information that service facility operators have to manage during their assignments.

In this respect, it bears mentioning how EPIC depends on the rates for the operation of the national rail network that are determined according to the legal framework and discussions between ARAFER and SNCF Réseau.

In order to cover the risk of a major breach in competition regulations in France and worldwide, Geodis set up a compliance programme ("competition framework") that was incorporated into its ethics charter, issued to all employees and is available on the Geodis Intranet.

The competition framework comprises a good practices guide and the necessary rules of conduct that each employee must always observe.

In particular, this guide prohibits any exchange of anti-competition information between companies operating in the same market and highlights the risks for the company should it undertake such practices.

To prevent such a risk, employees are prohibited from joining professional organisations and participating in work without the prior authorisation of the Group's General Secretary.

Should an employee attend a meeting authorised by the General Secretary, he or she must observe in writing the corresponding rules in the competition framework that provide for a warning and removal procedure should illicit topics be discussed at these meetings.

Finally, Geodis has an Ethics and Compliance Director who reports to the Geodis General Secretary, who is mainly responsible for monitoring these matters.

Keolis strives to be exemplary in terms of business ethics and legal and regulatory compliance. The Keolis group policy is defined by the business conduct ethics guide and the procedures specific to the tendering response procedure. The guide lists the requirements and issues involved in observing free and lawful competition under the legal and regulatory framework governing the Group's entities. In this context, the Keolis Group has drafted factsheets to assist employees with their activities and set up a regulatory watch, taking into account the necessary need for vigilance.

1.2.6.3 Ethics risks

Following the strengthening of legislation with the Sapin II Law, the SNCF Mobilités Group pursued its compliance strategy in 2017 to bolster its current risk management.

Corruption risks were mapped and those populations exposed to such risks were identified by all activities and domains. For those persons with the most exposure, training is offered by the Ethics and Conduct office.

To assess clients, suppliers and intermediaries, the Ethics and Conduct Office, with the help of the SNCF Mobilités Legal Department, drafted a due diligence questionnaire to be completed by future co-contractors. This questionnaire, which is to be completed ahead of the pre-contractual phase, will enable group activities and entities to better understand the level of integrity of any potential business partner and limit the risks of involvement in any illicit activities.

Finally, a draft code of conduct, defining and illustrating the different types of conduct to avoid as they may represent acts of corruption or influence peddling, was drafted within the Ethics and Conduct Office with the help of the SNCF Mobilités Legal Department. This code of conduct is to be adopted within the Public Rail Group and will covered by a support framework. Subsidiaries can adopt in full or in part further changes to the code of conduct while making the necessary adjustments in accordance with the nature of their activities.

In developing its business internationally, SNCF Mobilités is required to carry out activities in numerous countries which could increase the risk of practices that are prohibited or contrary to the code of ethics.

SNCF Logistics, which is exposed to this risk in connection with its activities, the clients for whom it works and its geographical coverage, drafted a corruption risk mapping for each Division and itself, and assessed the maturity of existing anti-corruption mechanisms.

In preparing their internal control plan, gradual compliance with the Sapin II Law is planned. Each division has defined in a roadmap of the anti-corruption mechanisms to set up according to its risk exposure and the challenges and issues it faces.

The initiatives undertaken in 2017 within SNCF Logistics are in keeping with these roadmaps. Examples of these initiatives are employee training and awareness-raising, the set-up of warning mechanisms and the tightening of supplier due diligence procedures.

In 2013, the Keolis Group launched its compliance programme. This programme breaks down into three components: strict compliance with free and lawful competition, prevention of corruption and fraud and the protection of personal data. In 2016, Keolis mapped its corruption risks, thereby anticipating one of the Sapin II Law measures. The group also rolled out an e-learning programme for all its executives. Compliance initiatives are covered in an annual assessment prepared by the Ethics & Compliance Director and presented to the Ethics & Compliance Committee. Following this presentation, where necessary, a Compliance programme improvement plan is drafted for implementation in the following year.

The SNCF Group Purchasing Department, the Keolis and Geodis Purchasing Departments and the Ethics and Conduct Office finalised a set of clauses applicable to all SNCF Group supplier contractual, qualification or listing reports. The purpose of these clauses is to ensure that suppliers comply with the Group's ethical commitments and that they, their own suppliers and subcontractors observe the applicable laws, particularly with regard to anti-corruption, child labour or employee safety. This set of clauses called the Supplier Charter meets Sapin II requirements on the prevention of and fight against corruption. Suppliers are asked to observe the SNCF Group's commitments shown in its ethics charter that was adopted at the end of 2016.

1.2.6.4 Environmental risks

There are many types of environmental risk: water and marine life pollution, soil pollution, air pollution, neighbourhood nuisances (noise, odours, dust, waste, etc.), impacts on biodiversity or overconsumption of resources. They may arise in the course of operating activities, projects or even through involvement with contractual service providers. These risks have varied impacts: economic, image, etc. Environmental management is defined within the Public Rail Group by a dedicated framework which specifies the roles and responsibilities of the various PRG entities in a context marked by the increasing environmental responsibility of companies. These responsibilities are also present in the delegations of authority of managers. The resulting organisation is based on the principles of the international standard ISO 14001 and therefore incorporates a global management system for operational and organisational missions.

In 2016 and 2017, a major initiative was undertaken to break down the general framework and deliver common rules to environmental players and managers using environmental management support frameworks - principles and tools, consideration of the environment in engineering contracts, operation of Installations Classified for Environmental Protection and "Water Act" facilities in and close to railway rights-of-way and finally environmental management of multi-occupied sites without engineering works.

For each institution (or similar entity), Environmental Management Systems are rolled out according to procedures tailored to each business line or geographical area. For industrial sites, the ISO 14001 certification is required by each business line.

The Sustainable Development Department (SDD) within SNCF EPIC is responsible for monitoring the PRG's environmental management. It coordinates the environmental network through general committees for the PRG and SNCF EPIC as well as specific committees: training, water, circular economy/waste, etc. Certain processes are managed at Group level such as strategic and regulatory monitoring, environmental event classification and rating, employee training and work on environmental competencies and environmental data sharing and archiving using common Group IT tools.

1.2.6.5 Client data protection risks

SNCF Mobilités has an Information Technology and Civil Liberties correspondent. He ensures compliance with the rules governing the protection of employee, client and supplier personal data.

The General Data Protection Regulation (GDPR) will come into effect on 25 May 2018. In France, it will replace the Data Protection Act (*Loi Informatique et libertés*) and strengthen personal data legislation.

The new provisions reinforce the rights of individuals to their data and impose requirements together with strong penalties in the event of a breach (up to 4% of global annual revenue). The SNCF Mobilités Group has enhanced its procedures to ensure data traceability.

A project team was set up to build a personal data mapping and identify the data processing that is most at risk, based on CNIL methodology. The aim is to organise internal processes to ensure this traceability.

1.2.6.6 US tax reform risks

A recent tax reform in the USA may have impacts for the SNCF Mobilités Group activities. It introduces certain positive changes such as the reduction in the federal corporate income tax from 31% to 21% (to which is added each State tax rate). It also introduces several constraints such as the decrease in the limits for tax losses (from 100% to 80%), a limit in the deduction of financial expenses and the potential taxation of intragroup flows.

A working group was set up by tax department between Geodis, Keolis and the Voyages division, to assess and comply with these risks.

The compliance and proper management of the tax expense may transform our organisation in order to process cross-border flows.

1.2.7 Purchasing and Supplier risks

The identification and assessment of purchasing risks were included in the Public Rail Group purchasing governance policy. Three priority focal points were identified:

- The application of public order principles;
- Compliance with "Corporate Social Responsibility" (CSR) commitments by our suppliers;
- The anticipation of supplier default risks that may harm both performance and security.

The Group purchasing department manages the major purchases made by the SNCF Mobilités Group based on an organised risk identification and management process.

Furthermore, each year, the Equipment purchasing department reviews the risks impacting its annual internal control plan within its purchasing scope.

Finally, supplier CSR maturity is regularly assessed by the Group purchasing department with the potential roll-out of improvement plans.

1.2.8 Risks relating to SNCF Immobilier's activities

In accordance with the rail reform law 2014-872 of 4 August 2014, SNCF Immobilier was set up to pool together all the shared functions relating to the management, development and valuation of the Public Rail Group real estate assets (excluding assets assigned to stations and infrastructures). It forms part of EPIC SNCF.

SNCF Immobilier is currently responsible for the entire SNCF Mobilités real estate process which has formalised contractually all the services carried out on its behalf (proprietary maintenance, administrative and accounting follow-up of invoices, contractual formalisation of divestments, etc.) and was organised in order to fulfil the objectives of its strategic plan.

SNCF Immobilier rolled out its internal control system by implementing self-assessment strategies in its subsidiaries, Regional Property Departments and the Ile-de-France Property Department.

In connection with risk management, SNCF Immobilier analyses the main risks relating to its activity and rolls out action plans.

1.2.9 Risks relating to the sector's technical complexity

SNCF Mobilités operates in a technically complex sector. Unforeseen technical problems may result in service disruption and a fall in the punctuality of rail transport services. A decline in punctuality could hinder service quality, thus resulting in a loss of clients which could have a direct impact on financial performance.

1.2.10 Risks relating to climatic conditions

Natural disasters or extreme weather conditions, whether or not due to climate change, may have a negative impact on SNCF Mobilités' operations and financial performance. Such events may lead to physical damage to assets, temporary closure of the transport infrastructure, temporary lack of suitable labour, temporary revenue loss and temporary or long-term shortage of products and services from suppliers. These factors may cause other disruptions and have a negative impact on operations and financial performance.

1.2.11 Risks relating to the Public Rail Group's social cohesion

The rail human resources and cohesion department has an HR risk mapping which is regularly updated. It is analysed during the various HR department committee meetings. Risks are dealt with in line with the company's primary issues while distinguishing between structural risks specific to the HR function (loss or lack of competencies, professional development of HR players, etc.), risks involving projects in line with HR transformation projects as well as conjectural and liberalisation risks.

2 INTERNAL CONTROL RELATING TO THE PREPARATION AND TREATMENT OF FINANCIAL AND ACCOUNTING INFORMATION

2.1 DEFINITION, OBJECTIVES AND SCOPE

Financial and accounting internal control covers the processes which supply accounting data: production of financial information, accounts closing and reporting measures.

The application scope of the internal control procedures relating to the preparation and treatment of financial and accounting information includes the parent company and all the subsidiaries in the consolidated financial statements ("the Group"). The control procedures are tailored to the size and activities of the various entities.

2.2 FINANCIAL AND ACCOUNTING ORGANISATION MANAGEMENT PROCESS

2.2.1 General organisation

SNCF Mobilités Group financial and accounting information is produced by the Finance Department. It coordinates the SNCF Mobilités Group accounts closing with the help of the head office, division and subsidiary financial and accounting departments.

Consolidated reporting is prepared on a monthly basis (except in January and July). An interim financial report comprising a set of condensed financial statements is published as of 30 June followed by a limited review report by the group auditors. Full audited financial statements for the year ended 31 December are also published.

The quality of the half-year and annual financial statements is backed by the audited 31 May and 30 November pre-closings.

The EPIC's accounting entities and subsidiaries have the necessary expertise for:

- Bookkeeping, for headings whose accounting is not shared within accounting shared services centres;
- Formalised review of their accounts, and the production of their individual financial statements (where necessary) and financial reporting for the Group.

The Divisions coordinate the financial and accounting tasks of the subsidiaries and accounting entities within their scope, particularly by transmitting the instructions issued by the Finance Department. The Divisions also produce an income statement, balance sheet, statement of changes in equity and the corresponding analyses. These components are the divisions' financial reporting base for the SNCF Mobilités Corporate entity and give rise to monthly management reviews (except for January and July results).

The Statutory Auditors notify the Division and activity CFOs of the audit, limited review and internal control procedures that they have carried out within the subsidiaries and accounting entities. Summaries are then prepared for the Finance Department and presented to the Audit and Risk Committee. As was the case last year, the Finance Department presented a summary on the follow-up of measures implemented in response to the major internal control recommendations issued by the statutory auditors.

Pursuant to the rail reform law 2014-872, separate French GAAP financial statements are prepared and published at the trade and companies register at the same time as the EPIC SNCF Mobilités parent company financial statements. These separate financial statements comprise a balance sheet and income statement presented in columns in order to distinguish between passenger transport activities and the passenger transport activities covered by a public service agreement, freight rail transport activity (Fret SNCF), service facility operators and station management activity (SNCF Gares & Connexions) as well as other activities, the eliminations of internal flows between these separate activities and a total corresponding to the EPIC SNCF Mobilités parent company financial statements.

Furthermore, separate IFRS management accounts are prepared every year by the EPIC SNCF Mobilités activities/domains. At minimum, they comprise a balance sheet and income statement and are covered by a statutory auditors' attestation. Since 2012, for reasons of financial transparency, the separate management accounts of SNCF Gares et Connexions and Fret SNCF have been published at sncf.com.

Furthermore, SNCF Mobilités has a formalised commitment process involving a representation letter from the divisions' CFOs and financial managers on the faithful representation and fairness of the financial information they produce.

The Finance Department is responsible for the final production of the SNCF Mobilités parent company financial statements and the SNCF Mobilités Group consolidated financial statements. It ensures compliance with prevailing accounting standards and may request adjustments to the financial statements produced by the Divisions.

The Finance Department conducts the IFRS consolidation of the SNCF Mobilités Group in the BFC consolidated software package and uses a reconciliation procedure implemented via an Internet portal Fenics to manage intragroup transactions.

2.2.2 SNCF Group shared functions

Since 1 July 2015, following the roll-out of the rail reform, EPIC SNCF Mobilités has outsourced the accounting treatment of a certain number of accounting processes to SNCF. These tasks are managed by the Optim'Services Accounting Production Department and SNCF Immobilier.

These processes concern Trade Payable Accounting, Payroll and Social Security Accounting, Trade Receivable Accounting relating to shared processes, Expense Claim Accounting and real estate accounting. These shared departments record accounting entries directly in the SNCF Mobilités financial statements.

2.2.3 Standards and chart of accounts

The SNCF Mobilités Group publishes its consolidated financial statements in accordance with IFRS.

These standards are broken down into a set of accounting rules and methods (the "standards manual"). This manual applies to all group entities and is constantly updated. The rules and methods are regularly updated, taking into account the changes in IFRS standards and interpretations. The Accounting Standards and Projects department within the financial control department constantly monitors new standards under preparation and facilitates its standards-setting correspondents.

The standards manual is then broken down into operational procedures per division.

The Accounting Standards and Projects department is responsible for the implementation of new standards IFRS 9 Financial Instruments, IFRS 15 Revenue from contracts with customers and IFRS 16 Leases, with the assistance of the standard-setting correspondents.

Project and steering committees and a project unit dedicated to the operational implementation of IFRS 16 were set up to better apply these new standards to the Group consolidated financial statements.

2.2.4 Management tools

SNCF Mobilités relies on a management cycle whose objective is to determine and monitor the level of economic and financial ambition per business and activity. The businesses and activities then break down the objectives within their scope by steering their own entities (subsidiaries, EPIC institutions, etc.).

Executive Management, assisted by management control within the SNCF Mobilités Finance Department, coordinates the process using various management process components. This process includes:

- The business plan which defines the Group's 5-year and 10-year strategies and relies on a financial model designed to coordinate key financial indicators. The division business plans are reviewed and used to set objectives, particularly in terms of profitability, investment financing and changes in net financial debt;
- The Y+1 budget, reviewed in November/December, and approved by the Board of Directors before 31 December, which determines the objectives for the following year;
- An annual forecast in the autumn which is used to update the current year budget data and serves as a basis for the following year's budget.

Monthly management reviews used to continuously monitor changes in the performances of businesses and activities ensure that they meet their set objectives.

2.3 FINANCIAL AND ACCOUNTING INFORMATION REPORTING

In coordination with EPIC SNCF, the SNCF Mobilités Finance Department monitors the SNCF Mobilités Group's financial reporting requirements, and keeps up-to-date with financial information and standards compliance obligations.

These requirements are met using the closing instructions transmitted by the SNCF Mobilités Finance Department to the entities, specifying the key process dates and the required form and substance relating to the financial statements and management report.

In 2013, a collaboration tool was set up in order to facilitate exchanges with its various contacts and centralise the documentation relating to the standards and consolidation manual within the SNCF Mobilités Group.

The SNCF Mobilités Finance Department centralises and monitors the reports sent by the SNCF Mobilités Group entities to produce the Group's financial statements in accordance with accounting standards.

The financial information published by the SNCF Mobilités Group is available at the website www.sncf.com, including the SNCF Mobilités Financial Report and the EPIC SNCF Mobilités financial statements.

SNCF Mobilités also has the following three share issue programmes, for which the base prospectuses and updates can be consulted online at the following address: http://www.sncf.com/fr/finance/amf.

- Euro Medium Term Notes (EMTN) programme;
- Negotiable European Commercial Paper programme (NeuCP);
- Euro Commercial Paper programme (ECP).

In addition to the tasks performed by the SNCF Mobilités Finance Department, the SNCF Finance Department coordinates the financial reporting of the three EPICs and monitors the financial reporting requirements of the *SNCF Group*.

Chairman of the Board of Directors

CHALLENGES AND OUTLOOK

After a difficult 2016 (strikes, terrorist attacks, mediocre French economic climate), 2017 was marked by a turnaround in activity in a more favourable economic context.

All SNCF Mobilités' activities reported improvements in 2017, due to the development of new passenger offerings (OUIgo, TGV Max and Atlantique), the solid momentum of Geodis' operations, despite intense pressure on the profits of all freight forwarders, and the contract renewals and wins at Keolis in France and internationally.

The transformation is ongoing with ambitious plans, in particular the Cap TER plan, whose objective is to change tack to propose integrated and attractive offers, customise and digitise services and offer reliable travel with competitive production costs. Furthermore, a new Voyages strategy aims to roll-out a focused general high-speed offering combining a low-cost offer (OUIgo) and a high added-value solution (TGV inOUI).

Tight financial control has enabled SNCF Mobilités to generate free cash flow and reduce its net debt despite a record level of investment.

The 2018 outlook should benefit from ongoing passenger momentum in France and the turnaround in international traffic. However, priority will be given to sales promotion measures, faster productivity gains and continuous strict financial management. These proactive initiatives will be rolled out while pursuing three major priorities: growth of mass transit, international business and digital innovation.

SNCF Mobilités has set up three schemes designed to meet its 2018 priority objectives: ensure **safety** for all with the **PRISME** programme, increase the **robustness** of the service promised to customers with the **H00** programme and improve passenger **information** reliability with the **FIRST** programme.

Breakdown by business unit

At Voyages SNCF, 2018 will be marked by change with the doubling of the OUIgo offering and the gradual transformation of the TGV inOUI lines, the preparation of future high-speed lines. Revenue growth will also be sustained by the ramp-up of OUI.sncf distribution.

At TER, the expected impacts of the CAP TER 2020 transformation plan have increased in terms of market share gains, in a context of ongoing contract negotiations and recovery of the Intercités lines in the Centre, Grand Est, Occitanie and Nouvelle Aquitaine regions.

At Transilien, priority is given to improving passenger information and the renewal of rolling stock by 2026.

The sales momentum **at Intercités** has been boosted by enhancing current offers, developing tourist activity and marketing the "Trains +" offering.

The changes undertaken **at SNCF Gares & Connexions** are ongoing based on the commercial momentum for station concessions and fees. The year 2018 will be marked by investments in major sites such as Paris Austerlitz, Paris Montparnasse and Paris Lyon. In addition, the new pricing model is still under discussion with ARAFER, whose opinion on the 2018-2019 rates is expected in the first half of 2018.

At Keolis

In France, the challenge is to maintain its leadership in urban transport and successfully launch the new contracts won in 2017.

Internationally, priority is given to recovering profitability with the ongoing plan in Boston, the ongoing turnaround at Keolis Transit America and the roll-out of recovery plans in Germany, Sweden and at Govia Thameslink Railway in the United Kingdom.

New Mobilities were marked by the growth of Keolis Santé, with new acquisitions or by the Navya partnership involving autonomous vehicle testing.

At SNCF Logistics

Geodis sustained ambitious growth between 2017 and 2018, with an improvement in terms of gross profit.

FRET launched a commercial offering based on optimised train capacity. The moderate growth for Rail Transport is largely driven by German and Italian firms, whereas Multimodal Transport continues to deploy rail motorways.

Ermewa has enjoyed very significant sales momentum and rolled out its digital strategy with connected wagons while pursuing its external growth strategy.

31 December 2017

REPORT ON CORPORATE GOVERNANCE

IFRS In € millions

CONTENTS

1. The Board of Directors

1.1 Board composition

Following the implementation date of the rail system reform and pursuant to implementation decree 2015-138, the Board comprised 18 members including, in addition to the SNCF Executive Board chairman:

- four representatives of the French State;
- two persons chosen by the French State on the basis of their competencies;
- 5 persons chosen by SNCF to represent it;
- 6 employee representatives;

They are appointed for a five-year term of office.

The appointment as SNCF Management Board Chairman carries with it the appointment as Chairman of the SNCF Mobilités Board of Directors (Art. L. 2102-9 of the rail reform law 2014-872 of 4 August 2014).

The Government Commissioner or, in his absence, the Assistant Government Commissioner, the head of the Transport Economic and Finance Control Office or his representative and the Secretary of the Joint Labour-Management Committee have an advisory seat on the Board of Directors.

The Board Secretary and certain Executive Committee members have a seat on the Board. At the request of the Chairman and depending on the agenda, certain SNCF managers or their representatives also have a seat on the Board.

Diversity policy

In accordance with the Law 2011-103 of 27 January 2011 on the balanced representation of men and women within Boards of Directors or Supervisory Boards and professional equality, over 44% of the members of the SNCF Mobilités Board of Directors are women. This figure exceeds the target set out by the Copé-Zimmermann Law.

Furthermore, the vast majority of Board members (72%) have proven professional experience in one of the company’s business sectors.

Four Board members have proven competencies in CSR, two of whom have acquired extensive knowledge thanks to their certification as Director from the French Institute of Directors and Sciences Po.

These indicators, which have gradually risen since 2012, demonstrate the proactive diversity policy rolled out by the Chairman regarding the composition of the SNCF Mobilités Board of Directors.

List of Board members, their terms of office and functions:

In accordance with Order 2017-1162 of 12 July 2017 on the various simplification and clarification measures regarding corporate reporting requirements, all the terms of office and functions exercised in all companies by each corporate officer during the year are presented hereafter:

French State representatives:

Guillaume PEPY

- Chairman of the SNCF Management Board
- Chairman of the SNCF Mobilités Board of Directors
- Independent director of Suez

François-Régis ORIZET

Date of appointment to the Board of Directors: 16 July 2015

- Deputy Chairman
- French State representative appointed at the recommendation of the Transport Minister
- Member of the French General Council for the Environment and Sustainable Development
- Government commissioner for the Grand port maritime de Guyane
- President of environmental authority operations in Martinique, Guadeloupe and Saint-Pierre et Miquelon.

Nicole GONTIER

Date of appointment to the Board of Directors: 16 July 2015

- French State representative appointed at the recommendation of the minister in charge of Sustainable Development
- Member of the French General Council for the Environment and Sustainable Development
- Coordinator of the Paris Regional General Inspectorate Operation – Paris Regional Inspection Operation

Solenne LEPAGE

Date of appointment to the Board of Directors: 29 November 2012

- French State representative appointed at the recommendation of the Economy Minister
- Director of holdings - Agence des participations de l'Etat
- Director of ADP
- Director of Air-France KLM
- Director of RATP

Sophie MANTEL

Date of appointment to the Board of Directors: 16 July 2015

- French State representative appointed at the recommendation of the Budget Minister
- Department Head, Assistant to the Budget Director - French Ministry of the Economy, Finance and Employment
- Government commissioner to the Board of Directors of La Française des Jeux
- Director of PMU
- Director of La Poste
- Director of Naval Group (formerly DCNS)

Directors chosen by the French State on the basis of their competencies;

Marc DEBRINCAT

Date of appointment to the Board of Directors: 25 February 2008

- Appointed as representative of the users of passenger or freight rail transport
- Legal Director of FNAUT
- Partner at SAS Relations Urbaines, architectural and urban planning agency, Lyon

Philippe SEGRETAIN

Date of appointment to the Board of Directors: 16 July 2015

- Appointed for his expertise in the protection of the environment and mobilities

Directors chosen as SNCF representatives:

Béatrice COSSA-DUMURGIER

Date of appointment to the Board of Directors: 27 October 2017

- Chief Executive Officer, Personal Investors, BNP Paribas
- Chairwoman of Sharekhan, stockbroker, Mumbai
- Director of Banca Nazionale del Lavoro, Italy

Mercedes ERRA

Date of appointment to the Board of Directors: 16 July 2015

- Co-founder of BETC
- Executive Chairwoman of Havas Worldwide
- Chairwoman of the Boards of Directors of the Museum of Immigration History and the Palais de la Porte Dorée since 2012.
- Joint President of the French Committee of Human Rights Watch.
- Leader of the project to promote the Strategic Committee of the "Advertising" sector
- Vice-Chairwoman of the Board of Directors of the French National Commission for UNESCO
- Director of Accor Group, Fondation du Collège de France, Fondation France Télévisions, Fondation Elle, Théâtre du Châtelet and Opéra-Comique.

Christophe FANICHET

Date of appointment to the Board of Directors: 23 January 2017

- Advisor to the Chairman of the SNCF Management Board

Marie SAVINAS

Date of appointment to the Board of Directors: 29 July 2016

- SNCF Chief Human Resources Officer

Laurent TREVISANI

Date of appointment to the Board of Directors: 29 July 2016

- SNCF Executive Vice-President
- Member of the GROUPE KEOLIS S.A.S. Supervisory Board
- Director of VSC GROUPE
- Member of the ORIENT EXPRESS Supervisory Board
- Member of the SNCF-C6 Executive Committee

- Member of the ECOMOBILITE VENTURES Strategic Committee
- Member of the GEODIS SA Supervisory Board
- Director of EUROSTAR INTERNATIONAL LIMITED

Directors appointed by employees:

Nathalie BONNET

Date of appointment to the Board of Directors: 16 July 2015

- Employee representative (sponsored by SUD Rail)

Laurent COOPER

Date of appointment to the Board of Directors: 16 December 2015

- Employee representative (sponsored by CGT)

Pascal LANZILLOTTI

Date of appointment to the Board of Directors: 11 March 2013

- Employee representative (sponsored by CFDT)
- Director to the Boards of Directors of SICF and Novedis

Véronique MARTIN

Date of appointment to the Board of Directors: 11 March 2013

- Employee representative (sponsored by CGT)

Thierry MARTY

Date of appointment to the Board of Directors: 11 March 2013

- Employee representative (sponsored by UNSA-Ferroviaire)
- Director of Rails & Histoire (French Railway History Association)

Xavier PORTAL

Date of appointment to the Board of Directors: 16 December 2015

- Employee representative (sponsored by CGT)
- Director to the Boards of Directors of SICF and Novedis

1.2 Board duties and powers

Pursuant to Article 14 of Decree 2015-138 of 10 February 2015 on the duties and bylaws of SNCF Mobilités, the Board of Directors defines the SNCF Mobilités general policy and determines the strategies for the Group represented by SNCF Mobilités and its subsidiaries in accordance with the requirements of the performance contract signed with the French State.

The Board has the following duties:

- "It determines the general structure of the State-owned institution and the group that it represents with its subsidiaries";
- "It decides on the acquisition, extension or disposal of financial investments, as well as the creation or disposal of subsidiaries." It appoints, at the Chairman's recommendation, the SNCF Mobilités representatives on the Boards of Directors of its subsidiaries";
- "It approves general policies and general business and investment programmes, forecast income and expense reports, the parent company financial statements and the consolidated financial statements of the Group represented by SNCF Mobilités and its subsidiaries";
- "It determines, subject to the provisions of Book V of Decree 2015-138 of 10 February 2015, the general conditions for concluding contracts and agreements and the general rules on the use of cash and reserves";
- "It adopts the business plan and approves the performance contract mentioned in Article 5 of the aforementioned decree";
- "It authorises, under terms and conditions that it shall determine, the conclusion of agreements provided for by Article 6 of Decree 2015-137 of 10 February 2015 on the duties and bylaws of SNCF and the Transport Economic and Finance Control Office";
- "It approves the annual management report";
- "It authorises, under terms and conditions that it shall determine, the conclusion of loans, contracts, agreements and mandates, acquisitions, classifications, declassifications, disposals, exchanges and constructions of buildings, temporary occupation of the public land managed by SNCF Mobilités, acquisition or sale of leases to all properties; more generally, it sets out the conditions in which SNCF Mobilités manages its assets, in line with the strategies defined within the public rail group; it accepts or refuses donations or bequests";
- "It is kept informed of the business plans of the subsidiaries which are more than 50% owned directly or indirectly by SNCF Mobilités; it is kept up-to-date on these companies' general business and investment programmes, their budgets and accounts". The Board of Directors may delegate to its Chairman, with the option to sub-delegate, some of its powers, provided that he or she acts within the framework of the institution's programmes and the limit of the expenses recorded in its budgets, and reports on management to the Board".

The Board also delegated some of its powers to the Director of Stations in accordance with Article 25 of Decree 2015-138 of 10 February 2015.

1.3 Board operating procedures

The SNCF Mobilités Board of Directors holds at least six ordinary shareholders' meetings per year. It may also hold an extraordinary shareholders' meeting, at the request of the Government Commissioner, the majority of Board members or at the initiative of its Chairman.

Pursuant to Article 18 of Decree 2015-138 of 10 February 2015 on the duties and bylaws of SNCF Mobilités, the agenda and the documents needed to understand the matters on which the Board of Directors has been called to deliberate are sent to the directors and Government Commissioner ten days prior to the date of the meeting. If this deadline is not observed, the matter can only be kept on the agenda with the approval of the Government Commissioner.

During the nine ordinary and extraordinary shareholders' meetings held in 2017, the following topics were submitted:

Strategy:

- Keolis strategic plan;
- Update on the TGV business model;
- Information on the transfer of SNCF Combustible from EPIC SNCF to EPIC SNCF Mobilités;
- SNCF Mobilités' position in relation to the sector's opening to competition;
- SNCF Logistics global strategy;
- Presentation of the report on rail system solidity by the Expert Committee;
- Update on the roll-out on of the CAP TER 2020;
- Update on the Equipment Department's strategy;
- General presentation of the SNCF Immobilier housing policy and the structuring of operations in order to sell the portfolio of real estate assets held by ICF NOVEDIS;
- French rail freight situation in France.

Finances, accounts, budget:

- 2018 budget;
- Presentation and approval of the 2016 parent company and consolidated financial statements;
- Closing balance sheet of SNCF Mobilités' separate financial statements as at 31/12/2016;
- Presentation of SNCF Mobilités' financial statements as at 30 June 2017;
- Payment of SNCF Mobilités dividends to SNCF: terms and conditions;
- Group financing: setting of annual limits on the powers of the Chairman with regard to financing and the granting of guarantees, endorsements and securities.

Investments, development:

- SNCF Logistics scope transaction: backing of STVA;
- Plans to redevelop Gare du Nord station (Paris Nord 2024);
- Update on the IBM contract;
- Information on ongoing scope transactions;
- SNCF Logistics industrial project and scope transaction.

Agreements:

- Agreement no. 2 of the accessibility master development plan;
- Renewal of the Normandy agreement;
- Renewal of the Auvergne-Rhône-Alpes TER agreement;
- Renewal of the Pays de la Loire TER agreement;
- Framework agreement between the Occitanie region and SNCF Mobilités determining the organisational principles of the future TER operating agreement;
- Agreement for the transfer of Intercités lines to TER Grand Est;
- EOLE project: financing agreement no. 3.

Operations:

- Regular updates on the safety of operations and on the initiatives of the Safety Working Group;
- Presentation of the 2016 annual safety report;
- Presentation and follow-up of the Rob.In (*Robustesse et Information*) programme.

Sustainable development, accessibility and ethics:

- Ethics and Conduct Office activity report;
- Presentation of the CSR report.

Human Resources:

- Update on the SNCF Mobilités job and skills planning agreement (GPEC) for 2021.

The Board also examined the following files:

- Conclusions of the CCGPF experts on the TET agreement;
- Presentation of the Board's self-assessment results;
- Set-up of an Appointments and Remuneration Committee and updating of the Board of Directors Internal Regulations;
- Appointment of a SNCF Mobilités director to the SNCF Habitat Board of Directors;
- Appointment of Mrs. Francine ANTONI as CEO of SNCF Combustible.

Finally, the Board was kept informed on a monthly basis by the Chairman of the main events involving the SNCF Mobilités Group.

For each meeting, it has an operating report containing information relating to EPIC production quality and analysis of the products, earnings and financial position of the company and the SNCF Mobilités Group.

1.4 Specialised committees

The SNCF Mobilités Board of Directors has five committees and a commission responsible for preparing the decisions submitted to the Board and completing its information:

Audit and Risk Committee is responsible for reviewing the annual and half-year financial statements, risk mapping, the annual internal audit work programme and the report on corporate governance, internal control and risk management; It met five times to discuss the following files:

- Presentation and approval of the 2016 parent company and consolidated financial statements;
- Presentation of SNCF Mobilités' financial statements as at 30 June 2017;
- Closing balance sheet of SNCF Mobilités' separate financial statements as at 31/12/2016;
- Documents stipulated in the Law of 1 March 1984 on preventing business difficulties;
- Report stipulated in Article L 621-18-3 of the French Monetary and Financial Code (Article 122 of the Financial Security Act) for the year ended 31 December 2016;
- 2016 activity report of the Audit and Risk Department;
- Information on the public issue by syndication under the SNCF Mobilités EMTN (Euro Medium Term Notes) programme;
- Information on SNCF Mobilités' internal control;

- Treasury and activity report on the financial markets in 2016;
- Statutory Auditors' 2017 audit plan;
- 2016 insurance and claims report;
- Adoption of Article 17 of the Sapin II Law: verification on the implementation of eight corruption risk prevention measures;
- Change in the management rule relating to the financial expense rate of the activities;
- Information on Information System security;
- Changes in accounting standards;
- 2018 budget;
- 2018 audit plan;
- Risk mapping update;
- 2017 Statutory Auditors' report on internal control;
- 2017 balance sheet and pre-approval of Services other than Statutory Audit procedures for 2018.

The Contracting Committee is consulted on contractual commitments involving public contracts and their amendments which amount to more than €15 million for service agreements and €40 million for supply and engineering work contracts, including when they arise from a framework agreement. In 2017, the Committee met eleven times to rule on the reliability of procedures and the economic conditions governing contracts:

- 8 files falling under the competence of the Board of Directors;
- 16 files falling under the competence of the Chairman or the relevant Executive Committee member.

Were presented for information purposes:

- Presentation of the Purchasing Excellence programme;
- Update on the development of the SNCF Mobilités payment system;
- Update on the follow-up of the RER NG contract;
- Update on the on-board catering contract;
- Information on the 2018-2019 draft amendment to the agreement governing the transport of French Defence Ministry personnel;
- Update on the contracts with no quantity commitment falling under the competence of the SNCF Mobilités Contracting Committee.

The Passengers Committee is responsible for monitoring rail transport agreements between local authorities, public institutions and SNCF Mobilités, and more generally overall passenger problems. It met eight times in 2016 to discuss the following files:

- Amendments to extend the TER operating agreements: Pays de la Loire, Languedoc-Roussillon, Midi-Pyrénées;
- Plans to extend and redevelop Lyon Part-Dieu station;
- Plans to redevelop Gare du Nord station;
- Transilien financing agreement for the T12 Express Massy – Evry tramway;
- Transilien: Financing agreement with the STIF for the acquisition de 83 Regio2N trains;
- Léman Express: presentation of the cooperation agreement between CFF and SNCF;
- Update on the TGV business model;
- Update on the SNCF Voyages strategy for long-distance buses;

- Amendment and financing agreement for the acquisition of 9 Regio 2N trains in the Ile-de-France region
- 2018 amendment to the Brittany TER agreement.

The Transport and Logistics Committee is responsible for reviewing the activity and strategies of the SNCF Logistics business unit. It met six times to discuss the following files:

- SNCF Logistics and rail freight transport division operating report;
- Geodis CSR strategy;
- Connected freight train;
- French rail freight situation in France.

The Tenders Committee is responsible for reviewing and issuing an opinion on the commercial offerings presented by SNCF Mobilités according to the thresholds defined by the Board of Directors in terms of business contracts in its delegation of authority to the Chairman and by Group companies, prior to their approval by the respective governance bodies. For the latter, only major files that may have an impact on the strategy of subsidiaries are reviewed.

The Tenders Committee met twice in 2017 to deliberate on the following files:

- Presentation of Keolis' main files for 2017 and feedback on the responses to calls for tenders in 2016;
- Response to the call for tenders for the Riyadh underground by Keolis;
- Keolis' response to the call for tenders for a rail franchise in Wales.

The Appointments and Remuneration Committee is informed of and reviews the plan to replace Executive Committee members and the general principles applied to determine their compensation. The Appointments and Remuneration Committee submits to the Board of Directors a list of persons to be put forward to the SNCF Supervisory Board for the appointment of directors representing SNCF, as stipulated in Article 9 of Decree 2015-138 on the duties and bylaws of SNCF Mobilités. It met twice to discuss the following files:

- Managerial reorganisation following the departure of Mrs. Florence Parly;
- New SNCF Mobilités organisational chart.

2. Delegation of authority system

The SNCF Mobilités delegation of authority system is based on the following chain:

- The Board of Directors delegates some of its powers - with the option to sub-delegate - to its Chairman and, for station management, the Director of Stations;
- The Board of Directors' Chairman then delegates some of its powers to the Executive Vice-President for Performance, the General Director for Safety, the TER CEO, the SNCF Voyages and Transilien CEOs and the SNCF Logistics CEO, with the option to sub-delegate. The delegations granted by the Board of Directors and the Chairman as well as those granted by his deputies are published in the SNCF Mobilités Official Gazette available on the website sncf.com in the Group profile section (order of 25 June 2015).

Within the subsidiaries, the responsibilities and commitment limits rely on a system comprising delegations of authority, delegations of commitment and mission statements.

Furthermore, SNCF Mobilités has set up a system for the approval and monitoring of commitments. The purpose of this system is to better manage and monitor these commitments and provide an integrated vision. It covers the contracts (public contracts, commercial contracts, etc.), investments, partnerships, agreements and financial assistance of SNCF Mobilités and the companies over which it exercises control in accounting terms.

Four types of committee were set up:

- The Business Commitments Committee;
- The Transversal Commitments Committee;
- The Division or Activity Commitments Committees;
- The Real Estate Commitments Committee which rules on transactions involving the SNCF Mobilités Group's assets proposed by SNCF Immobilier.

3. Multi-year performance contract between the French State and SNCF Mobilités

This Performance Contract governing the SNCF Mobilités strategies for the period 2017-2026 was approved by the Board of Directors on 16 December 2016 and signed on 20 April 2017.

Article L 2141-3 of the French Transportation Code, amended by the Law 2015-990 of 6 August 2015, provides for the conclusion of a ten-year agreement between SNCF Mobilités and the French State. This contract determines in particular the objectives assigned to the Company in terms of service quality, financial trajectory, public rail service and rail freight development, regional planning, and response to the transport needs of the population and economic players. It defines seven strategic objectives that SNCF Mobilités should follow in the performance of its duties over the contractual period:

1. Give absolute priority to rail safety;

2. Enhance the competitiveness of passenger transport services in terms of adaptation of the offering, service quality and costs;

3. Modernise stations to offer better service quality and contribute to the development of intermodality and urban redevelopment;

4. Continue the turnaround in freight;

5. Develop human capital;

6. Contribute to energy transition and sustainable mobility;

7. Control the financial trajectory.

This contract may be revised every three years over its term to take into account any major changes in the SNCF Mobilités strategic environment.

Chairman of the Board of Directors

4. Company officer compensation

With regard to company officer compensation, the EPICs fall within the scope of Article 3 of Decree 53-707 of 9 August 1953 on the French State's control over national public companies, as amended by Decree 2012-915 of 26 July 2012. This decree sets out the terms and conditions for determining and publishing company officer compensation:

- their gross compensation is capped;
- the compensation and benefits of any kind relating to their activity as well as any compensation or benefits payable or likely to be payable in the event of a cessation of activity or a change in their position or subsequent thereto, are verified;
- decisions or approvals from competent ministers are made public.

The company officer compensation shown in the table below corresponds to the gross taxable compensation. Directors carry out their duties free of charge.

Year ended 31/12/2017	Amounts paid						Amounts due			
In € thousands	Fixed compensation	Annual variable compensation	Deferred/multi-year variable compensation	Exceptional compensation	Benefits in kind	Sub-total	Termination benefit	Non-compete benefit	Supplementary pension	Total
Pépy Guillaume Board Chairman										
Due										
Paid	450				1	451				
Total compensation						451				451

Year ended 31/12/2016	Amounts paid						Amounts due			
In € thousands	Fixed compensation	Annual variable compensation	Deferred/multi-year variable compensation	Exceptional compensation	Benefits in kind	Sub-total	Termination benefit	Non-compete benefit	Supplementary pension	Total
Pépy Guillaume Board Chairman										
Due										
Paid	450				1	451				
Total compensation						451				451

31 December 2017

SNCF Mobilités GROUP CONSOLIDATED FINANCIAL STATEMENTS

IFRS – In € millions

9, rue Jean-Philippe Rameau 93212 Saint-Denis Cedex

CONTENTS

CONSOLIDATED INCOME STATEMENT

In € millions	Note	31/12/2017	31/12/2016(*)
Revenue	3	31,831	30,517
Purchases and external charges	3	-17,321	-16,752
Employee benefit expense	3	-11,206	-10,944
Taxes and duties other than income tax	3	-966	-1,042
Other operating income and expenses	3	421	379
Gross profit		**2,759**	**2,158**
Depreciation and amortisation	4.1.4	-1,422	-1,442
Net movement in provisions	4.5	32	162
Current operating profit/(loss)		**1,369**	**878**
Net proceeds from asset disposals	4.1.5	302	138
Fair value remeasurement of the previously held interest	4.2	31	26
Impairment losses	4.3	-36	149
Operating profit/(loss)		**1,666**	**1,191**
Share of net profit/(loss) of companies consolidated under the equity method	4.2	39	47
Operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method		**1,705**	**1,238**
Net borrowing and other costs	6.1	-272	-279
Net finance costs of employee benefits	5.3	-18	-21
Finance cost		**-290**	**-301**
Net profit/(loss) before tax from ordinary activities		**1,415**	**937**
Income tax expense	7	-245	-443
Net profit/(loss) from ordinary activities		**1,170**	**494**
Net profit/(loss) from discontinued operations, net of tax	4.2	0	0
Net profit/(loss) for the year		**1,170**	**494**
Net profit/(loss) for the period attributable to equity		**1,136**	**511**
Net profit/(loss) for the year attributable to non-controlling interests (minority interests)		33	-18

(*) Following the change in the gross profit definition, used provision reversals are now presented under “Net movement in provisions” (see Note 1.2 to the consolidated financial statements).

The share capital comprises a contribution from the French State and not shares. Furthermore, the Group does not fall within the scope of IAS 33 "Earnings per share." For these two reasons, no earnings per share was calculated or presented in the Group consolidated financial statements.

Notes 1 to 10 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions	Note	31/12/2017	31/12/2016
Net profit/(loss) for the year		**1,170**	**494**
Other comprehensive income:			
Change in foreign currency translation		-144	-219
Tax on change in foreign currency translation		-6	17
		-150	*-203*
Change in value of available-for-sale assets	6	10	-1
Tax on change in value of available-for-sale assets		0	1
		10	*-1*
Change in fair value of cash flow hedges	6	63	-20
Tax on change in fair value of cash flow hedges		-6	-7
		57	*-27*
Share of recyclable other comprehensive income of companies consolidated under the equity method		-27	2
Total recyclable other comprehensive income/(loss)		**-110**	**-229**
Actuarial gains and losses arising from employee defined benefit plans	5	-4	-64
Tax on actuarial gains and losses arising from defined benefit plans		-5	7
		-9	*-57*
Share of non-recyclable other comprehensive income of companies consolidated under the equity method		0	0
Total non-recyclable other comprehensive income/(loss)		**-9**	**-57**
Total comprehensive income/(loss) for the year		**1,051**	**208**
Total comprehensive income/(loss) attributable to equity holders of the parent		**1,020**	**319**
Total comprehensive income/(loss) attributable to non-controlling interests (minority interests)		31	-112

Notes 1 to 10 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONSOLIDATED ASSETS

In € millions	Note	31/12/2017	31/12/2016
Goodwill	4.2	2,339	2,373
Intangible assets	4.1	1,776	1,783
Property, plant and equipment	4.1	13,546	12,803
Non-current financial assets	6	5,474	5,988
Equity investments	4.2	671	653
Deferred tax assets	7	969	872
Non-current assets		**24,775**	**24,472**
Inventories and work-in-progress	4.4	682	661
Operating receivables	4.4	6,906	6,855
Operating assets		**7,588**	**7,516**
Current financial assets	6	1,074	1,348
Cash and cash equivalents	6	6,394	4,584
Current assets		**15,056**	**13,448**
Assets classified as held for sale	4.2.2	1	1
Total assets		**39,831**	**37,921**

Notes 1 to 10 are an integral part of these consolidated financial statements.

CONSOLIDATED EQUITY AND LIABILITIES

In € millions	Note	31/12/2017	31/12/2016
Share capital	6.4	3,971	3,971
Consolidated reserves		188	-30
Net profit/(loss) for the year attributable to equity		1,136	511
Equity attributable to equity holders of the parent		**5,295**	**4,453**
Non-controlling interests (minority interests)	6.4	134	130
Total equity		**5,428**	**4,582**
Non-current employee benefits	5	1,572	1,577
Non-current provisions	4.3	1,164	1,151
Non-current financial liabilities	6	15,883	15,481
Deferred tax liabilities	7	373	416
Non-current liabilities		**18,991**	**18,625**
Current employee benefits	5	97	104
Current provisions	4.5	175	222
Operating payables	4.4	10,446	10,395
Operating liabilities		**10,717**	**10,721**
Current financial liabilities	6	4,693	3,992
Current liabilities		**15,410**	**14,713**
Liabilities associated with assets classified as held for	4.2	1	1
Total equity and liabilities		**39,831**	**37,921**

Notes 1 to 10 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € millions	Share capital	Non-recyclable reserves	Group translation reserves	Cash flow hedge	Available-for-sale assets	Reserves before taxes of transferred operations	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests (minority interests)	Total equity
Equity published as at 31/12/2015	**4,971**	**-320**	**-7**	**-181**	**4**	**-1**	**-141**	**4,324**	**136**	**4,461**
Net profit/(loss) for the year	-	-	-	-	-	-	511	511	-18	494
Other comprehensive income/(loss)	-	-38	-128	-28	-1	-	3	-192	-94	-286
Total comprehensive income/(loss)	**-**	**-38**	**-128**	**-28**	**-1**	**-**	**514**	**319**	**-112**	**208**
Dividends paid	-	0	-	-	-	0	-126	-126	-	-126
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-50	-50
Capital transactions	-1,000	-	-	-	-	-	1,000	0	0	0
Changes in scope, non-controlling interests and non-controlling interest purchase commitments	-	0	-2	6	0	1	-63	-58	155	97
Other changes	-	0	0	0	0	-	-6	-7	0	-7
Equity published as at 31/12/2016	**3,971**	**-358**	**-138**	**-204**	**3**	**0**	**1,178**	**4,453**	**130**	**4,582**
Net profit/(loss) for the year	-	-	-	-	-	-	1,136	1,136	33	1,170
Other comprehensive income/(loss)	-	-17	-132	51	10	-	-27	-116	-2	-118
Total comprehensive income/(loss)	**-**	**-17**	**-132**	**51**	**10**	**-**	**1,110**	**1,020**	**31**	**1,051**
Dividends paid	-	0	-	-	-	-	-110	-110	-	-110
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-19	-19
Capital transactions	-	-	-	-	-	-	0	0	4	4
Changes in scope, non-controlling interests and non-controlling interest purchase commitments (*)	0	1	1	0	0	-	-82	-81	-12	-94
Other changes	-	0	-	7	-	-	6	13	0	13
Equity published as at 31/12/2017	**3,971**	**-375**	**-269**	**-146**	**13**	**0**	**2,101**	**5,295**	**134**	**5,428**

(*) Of which changes in Eurostar and THI Factory non-controlling interest purchase commitments.

Notes 1 to 10 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In € millions	Note	31/12/2017	31/12/2016
Net profit/(loss) for the year	IS(1)	1,170	494
Eliminations:			
share of net profit/(loss) of companies consolidated under the equity method	IS(1)	-39	-47
deferred tax expense (income)		-146	47
depreciation, amortisation, impairment losses and provisions		1,468	1,183
revaluation gains/losses (fair value)		-52	-25
net proceeds from disposals and gains and losses on dilution		-347	-177
Cash from operations after net borrowing costs and taxes		2,054	1,475
Eliminations:			
current income tax expense (income)		392	397
net borrowing costs		303	292
dividend income		-3	-9
Cash from operations before net borrowing costs and taxes		2,747	2,155
Impact of change in working capital requirement		23	-697
Taxes paid (collected)		-409	-134
Dividends received		34	40
Cash flow from operating activities		2,395	1,364
Acquisitions of subsidiaries net of cash acquired		-121	-95
Disposals of subsidiaries net of cash transferred		182	136
Purchases of intangible assets and property, plant and equipment	4.1	-2,482	-2,585
Disposals of intangible assets and property, plant and equipment		336	427
New concession financial assets		-1,047	-769
Cash inflows from concession financial assets	3.2	1,031	814
Purchases of financial assets		-27	-13
Disposals of financial assets		10	34
Changes in loans and advances		108	81
Changes in cash assets		228	-210
Investment grants received		315	617
Cash flow used in investing activities		-1,467	-1,563
Cash from equity transactions		-4	-12
Issue of debt instruments		1,810	1,187
Repayments of borrowings net of inflows from SNCF Réseau and Public Debt Fund (PDF) receivables(3)		-393	-607
Net borrowing costs paid		-296	-291
Dividends paid to Group shareholders	Chg. in eq.(2)	-110	-126
Dividends paid to non-controlling interests	Chg. in eq.(2)	-19	-50
Increase/(decrease) in cash borrowings		-49	706
Increase/(decrease) in derivatives		-2	0
Cash flow from financing activities	6	936	806
Effects of exchange rate fluctuations		-29	-8
Impact of changes in accounting policies		0	-1
Impact of changes in fair value		0	47
Increase (decrease) in cash and cash equivalents		1,835	645
Opening cash and cash equivalents		4,297	3,652
Closing cash and cash equivalents		6,132	4,297

(1) Consolidated income statement

(2) Consolidated statement of changes in equity

(3) Of which cash inflows of €6 million for SNCF Réseau receivable (€138 million in 2016) and €0 million for the PDF receivable (€0 million in 2016).

Notes 1 to 10 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes 1 to 10 are an integral part of these consolidated financial statements.

All amounts are in millions of euros (€ millions), unless stated otherwise. As the Group has elected not to round off figures, there may be minimal differences.

1 ACCOUNTING STANDARDS BASE

Pursuant to Article L. 2141-10 of the French Transportation Code of 28 October 2010 (which supersedes Article 25 of the French Orientation Law on Domestic Transport (LOTI) of 30 December 1982), SNCF Mobilités, a State-owned industrial and commercial institution, "is subject to the financial management and accounting rules applicable to industrial and commercial companies." It keeps its accounting books and records in accordance with prevailing legislation and regulations in France.

The consolidated financial statements for the year ended 31 December 2017 were approved by the Board of Directors on 23 February 2018.

The terms "SNCF Mobilités Group", "Group" and "SNCF Mobilités" designate the parent company EPIC Société Nationale des Chemins de fer Français and its consolidated subsidiaries. The State-owned institution (EPIC) or company SNCF Mobilités, "EPIC", "EPIC Mobilités", "Mobilités" and "EPIC SNCF Mobilités" refer solely to the parent company.

1.1 APPLICATION OF IFRS

Pursuant to European Regulation 1606/2002 of 19 July 2002, the consolidated financial statements of SNCF Mobilités Group for the year ended 31 December 2017 have been prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union as at this date. The IFRS framework as adopted in the European Union may be consulted on the European Commission website: (http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm).

The basis of preparation for the 2017 consolidated financial statements detailed in the following notes is the result of:

- standards and interpretations of mandatory application for fiscal years commencing on or before 1 January 2017, as described in a grey inset in each note to the financial statements;
- elected accounting options and exemptions applied in the preparation of the 2017 financial statements. These options and exemptions are described in the notes to the financial statements concerned.

As the Group has elected not to round off figures, there may be minimal differences.

1.1.1 Standards and interpretations applicable to fiscal years commencing on or after 1 January 2017;

Standard or interpretation	Summarised description	Impacts on the fiscal year	Date of adoption (period beginning as of)
Amendment to IAS 7 "Statement of cash flows"	The amendment requires companies to provide a reconciliation of changes in financial liabilities and their impacts under financing activities in the cash flow statement.	An additional table is disclosed in Note 6.1.2.7	IASB: 01/01/2017 EU: 01/01/2017 Group: 01/01/2017

1.1.2 Standards and interpretations not adopted in advance for the preparation of the 2017 consolidated financial statements

The Group has not opted for the early application of the other standards and interpretations applicable to fiscal years starting on or after 31 December 2017, regardless of whether they were adopted by the European Commission.

In particular, the Group did not adopt the following standards for its 2017 consolidated financial statements:

Standard or interpretation	Summarised description	Expected impacts	Date of adoption (period beginning as of)
IFRS 15 "Revenue from contracts with customers"	This new standard proposes a single revenue recognition model applicable to all types of customer contracts, regardless of the entity's business segment. This model, which follows five key steps, is based on the transfer of control which may be continuous or at a given time. The notion of the transfer of risks and rewards is no longer predominant. Revenue is recognised on the promised supply of goods or services for the amount of the consideration expected in exchange.	Analysis virtually completed. Limited impacts on gross profit.	IASB: 01/01/2018 EU: 01/01/2018 Group: 01/01/2018
IFRS 9 "Financial instruments"	The purpose of the revised standard is to replace the current IAS 39 on financial instruments. The three topics covered are the classification and measurement of financial instruments, a methodology for the impairment of financial assets and hedge accounting.	Analysis virtually completed. Impacts primarily on opening equity.	IASB: 01/01/2018 EU: 01/01/2018 Group: 01/01/2018
IFRS 16 "Leases"	This new standard covers the recognition of leases and will replace the current IAS 17. It establishes principles for the recognition by lessees of all leases with a term of 12 months or more as finance leases by offsetting a non-current asset (right-of-use asset) against a lease liability. Accounting by lessors remains similar to that set forth in IAS 17.	Analysis and identification ongoing. Simplified retrospective method adopted. Preponderance of property leases.	IASB: 01/01/2019 with possible early adoption as at 01/01/2018 EU: 01/01/2019 Group: 01/01/2019

In connection with the implementation project, the Group rolled out communication and training initiatives for its businesses on changes in standards as well as workshops to identify the focal points specific to each activity.

Regarding IFRS 15, the main points identified concerned:

- revenue generated by subsidised activities with the Transport Organising Authorities;
- loyalty programmes;
- guarantees granted in connection with passenger and freight transport;
- re-invoicing procedures for certain expenses;
- contract win costs.

Following its analyses, the Group mainly anticipates offsetting some expenses with revenue, with order of size remaining similar to those published up to now and without any impact on gross profit. The other expected impacts remain limited on gross profit.

Regarding IFRS 9, the main points identified concern the impairment of financial assets, including that of trade receivables, and the accounting treatment of hedging costs.
The Group anticipates limited impacts, given its low credit risk exposure (see Note 4.4.2) and previous ineffectiveness recognised in the financial statements (see Note 4.3.4).

Regarding IFRS 16, the Group identified lease categories, revealing a preponderance of property leases followed by rolling stock leases. The year 2018 will be devoted to the deployment of a lease monitoring tool in accordance with the standard, the adaptation of information collection and reporting processes and change management for the persons involved.

1.2 CHANGES ADDED TO THE FISCAL PERIOD AND COMPARATIVE FISCAL PERIODS

The changes concern the definition of gross profit and only impact the consolidated income statement. As at 1 January 2017, the SNCF Mobilités Group reviewed the calculation of gross profit that is presented in the consolidated income statement.

Used provision reversals, initially included in the gross profit calculation, are now presented under "Net movement in provisions" in the income statement in the same way as unused provision reversals.

This change resulting from the review of the Group's financial statement presentation creates greater transparency for gross profit by:

- reflecting the effective weight of each expense category;
- separating certain items (expenses) from uncertain items (provisions and provision reversals), as is the case in the statement of financial position;
- and adjusting gross profit for any loss as and when incurred.

The change in the 31 December 2017 income statement was a decline in gross margin versus a €161 million increase in "Net movement in provisions."

The comparative period was modified accordingly pursuant to IAS 8.19. The reconciliations between restated comparative data and published figures for the consolidated income statement are presented below.

In € millions	Published financial statements 31/12/2016	Change in gross profit definition	Restated financial statements 31/12/2016
Revenue	30,517	0	30,517
Purchases and external charges	-16,705	-46	-16,752
Employee benefit expense	-10,923	-21	-10,944
Taxes and duties other than income tax	-1,036	-6	-1,042
Other operating income and expenses	431	-52	379
Gross profit	**2,284**	**-125**	**2,158**
Depreciation and amortisation	-1,442	0	-1,442
Net movement in provisions	36	125	162
Current operating profit/(loss)	**878**	**0**	**878**

1.3 ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the Group accounts, management must make estimates, as numerous items included in the consolidated financial statements cannot be valued precisely. The accounting estimates used for the 31 December 2017 financial statements were prepared under the current context of uncertainty regarding business outlooks. Management is required to revise its estimates in the event of a change in circumstances on which they are based or as a result of new information or further experience. As such, the estimates adopted on 31 December 2017 may be materially modified and subsequent actual results may differ materially from these estimates based on different assumptions or conditions.

These estimates and assumptions primarily concern:

- Determination of goodwill:

Business combinations are accounted for using fair value estimates of the assets acquired and liabilities assumed and previously held equity investments in a step acquisition are remeasured at fair value. Goodwill is the difference between the acquisition price plus the value of the previously held equity investments and the fair value of the acquired assets and liabilities.

- Impairment of non-financial assets:

The Group performs impairment tests at least once a year on goodwill balances and intangible assets with an indefinite life. In addition, the Group assesses at each balance sheet date whether there is any indication that a non-financial asset (intangible assets or property, plant and equipment with a finite life) may have lost value, necessitating the performance of a test.

These tests seek, in part, to determine a value in use or a market value less costs to sell. Value in use calculations are primarily based on management estimates of expected future cash flows from the asset or cash-generating unit (CGU), the appropriate discount rate to be used to calculate the present value of these future cash flows and the growth rate adopted. Market value calculations are based on an assessment by management of the transaction price that could be obtained for the sale of the assets tested, taking into account the current condition of such assets.

- Employee-benefit related items:

Considering that these benefits are settled several years after the personnel has rendered the corresponding services, the obligations under defined benefit plans and other long-term liabilities are recognised using actuarial valuations based on financial and demographic assumptions including discount, inflation, and salary increase rates and mortality tables. Due to the long-term nature of these plans, changes in these assumptions can generate actuarial gains and losses and may lead to a significant change in the commitments recorded.

- Recognition of deferred tax assets:

A deferred tax asset is recognised when it is probable that the Group will generate future taxable profits against which unused tax savings may be offset. The Group’s ability to recover these tax assets is analysed based on its business plan, contingencies relating to the economy and the uncertainties surrounding markets in which the Group is active. Deferred tax assets are adjusted upward or downward should there be any material change in future Group tax results, the adjustment being offset in the income statement.

- Provisions for environmental risks:

The Group records a provision for environmental risks when there is a legal or implicit obligation towards a third party that can be reliably measured and which would result in an outflow of resources.

Amounts recorded for site decontamination are based on the best possible estimate resulting from year-end assessments and take into account valuations for known risks currently being assessed (see Note 4.5).

Amounts recorded for the dismantling of rolling stock containing asbestos correspond to the estimated dismantling costs at the end of the equipment life. These costs are determined based on the prices invoiced by scrap metal dealers and asbestos removers and the target prices of the most recent calls for tender. A change in these costs would be passed on to the amounts recorded.

- Derivative financial instruments:

The Group uses assumptions to measure the fair value of its derivative instruments. The recognition and measurement principles are described in Note 6.3.

1.4 BASIS OF CONSOLIDATION

1.4.1 Entities under control, joint control or significant influence

Companies over which the Group exercises control, directly or indirectly, are fully consolidated. Under IFRS 10, control is defined and determined based on three criteria: power, exposure to variable returns and the relationship between power and these returns.

Practically speaking, control is presumed to exist where the Group holds 50% or more of the voting rights in an entity (total of existing voting rights and potential voting rights which are substantially exercisable before the holding of management body meetings) or where the Group can:

- control over half the voting rights pursuant to an agreement with other investors;
- manage the financial and operating policy of the entity pursuant to a contract;
- appoint or dismiss the majority of the members of the Board of Directors or an equivalent management body;
- control the majority of the voting rights at meetings of the Board of Directors or an equivalent management body.

All material transactions between the controlled companies are eliminated.

The profit or loss of subsidiaries is divided between the Group and the non-controlling interests based on their percentage interest even if this results in the recording of negative non-controlling interests.

Joint arrangements qualified as joint operations within the meaning of IFRS 11 are recorded for their share of assets and liabilities and revenues and expenses after elimination of intra-group transactions.

The following are equity-accounted:

- Joint arrangements qualified as joint ventures under IFRS 11, meaning that they solely give rights to the net assets of an entity.
- Entities in which the Group exercises significant influence over financial and operating policies, but which it does not control (associates) under IAS 28. Significant influence is presumed to exist where the Group holds an interest of 20% or more.

The results of companies acquired or disposed of during the fiscal year are included in the consolidated income statement of the Group from the date control is acquired up to the date of transfer of control.

The financial statements of the companies included in the scope of consolidation are drawn up to 31 December 2017 and restated to comply with Group accounting policies. All internal profits and losses between controlled companies are fully eliminated and those between companies accounted for under the equity method are eliminated according to the percentage interest held.

A list of the main subsidiaries, joint ventures, joint operations, and associates and the factors used to assess control in certain entities is presented in Note 10.

1.4.2 Translation of the financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries whose functional currency is not the euro are translated into euros using the period-end exchange rate method:

- balance sheet accounts are translated at the year-end rate of exchange,
- income statement items are translated at the average annual rate of exchange,
- translation differences arising on the retranslation of opening balance sheet items (movement between opening and closing exchange rates) and income statement items (movement between average and closing exchange rates) are taken to “Translation differences” under other comprehensive income in consolidated equity.

Likewise, foreign exchange differences arising from the translation of receivables and payables that are part of the net investment in a foreign subsidiary are also recorded in “Translation differences” in consolidated equity. They are recorded in profit or loss upon removal of the net investment.

2 MAJOR EVENTS

2.1 MAJOR EVENTS OF 2017

2.1.1 New definition of gross profit

The SNCF Mobilités Group decided to modify the calculation of gross profit as at 1 January 2017. Used provision reversals, initially included in gross profit, are now presented under "Net movement in provisions" in the income statement. The change in presentation resulted in a €161 million decrease in gross profit for the period ended 31 December 2017 (€125 million as at 31 December 2016) offset by an increase in "Net movement in provisions" for the same amount (see Note 1.2 to the consolidated financial statements).

2.1.2 Sale of STVA

The SNCF Mobilités Group sold STVA in the second half of 2017.

As at 30 June 2017, and pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of this subsidiary were reclassified to "Assets classified as held for sale" and "Liabilities associated with assets classified as held for sale" in the statement of financial position. They have since been removed from the balance sheet. The sale generated a capital gain of €63 million recorded under the heading "Net proceeds from asset disposals" in the consolidated income statement. Detailed information is presented in Note 4.1.5. to the consolidated financial statements.

2.1.3 New sector breakdown

The publication of Decree 2016-1468 on 28 October 2016 adjusted the positioning as from 1 January 2017 of SNCF Gares & Connexions within SNCF Mobilités by creating a business unit in its own right. Accordingly, segment reporting was modified to present this business unit separately. In addition, as the SNCF Voyageurs grouping no longer exists, the segments it comprised are also presented separately (see Note 3 to the consolidated financial statements).

2.1.4 Bond issue

On 2 February 2017, SNCF Mobilités issued a 12-year €1 billion fixed-rate bond swapped at floating rates for half the amount. Both the bond and swap mature on 2 February 2029. Furthermore, SNCF Mobilités sold a swaption to revert to a fixed rate in the amount of €250 million with a maturity date of 26 February 2018. A second tranche of €300 million backed by a floating-rate swap was issued on 31 May 2017.

2.1.5 Reduction in the Territorial Solidarity Tax (CST)

In a letter sent to the Chairman of SNCF Mobilités dated 13 February 2017, the French Prime Minister decided to reduce, as from 2017 and until 2022, the CST paid by SNCF Mobilités. The total reduction amounted to €420 million and had an impact on gross profit in the income statement.

This decision was made in the context of a reorganisation of Trains d'Equilibre du Territoire (TET) following the roadmap presented by the Government on 7 July 2015 and accompanied by a new 2016-2020 break-even agreement for the period. It is consistent with the recommendations of the French Court of Auditors of 13 February 2015 to reduce the weight of SNCF Mobilités' contribution to TET financing.

It is not offset by any increase in expenses for SNCF Mobilités or decrease in the financial compensation receivable from the French State with regard to TET, as the financial trajectory of the agreement signed with Intercités is not challenged.

As at 31 December 2017, considering the 2017 Finance Act amendment to take into account the French Prime Minister's letter, the CST charge amounts to €40 million, boosting gross profit by €50 million compared to the €90 million CST charge recorded as at 31 December 2016.

2.2 SUBSEQUENT EVENTS

The main subsequent events are as follows.

2.2.1 Decision of the Paris Appeal Court

On 31 January 2018, the Paris Appeal Court ruled against EPIC SNCF Mobilités relating to claims filed by former employees. The Group duly noted the decision and is considering an appeal.

As the Group had taken into account the impacts of the penalty handed down by the Paris Industrial Tribunal on 21 September 2015 in its financial statements, the impacts of the ruling on the provision were immaterial as at 31 December 2017 (see Note 4.5.2).

2.2.2 New sector breakdown

A new organisation into 6 business units was set up. The resulting sector breakdown is effective as of 1 January 2018 with the following modifications:

- The creation of a "Daily Mobilities" business unit that breaks down into three segments, Transilien, TER, and Keolis. Transilien and TER were previously combined with Intercités within the SNCF Transilien, TER, Intercités business unit. Keolis was presented as a separate business unit and segment.
- The creation of a "OUI SNCF Long-distance" business unit comprising the former "Voyages SNCF" business unit and Intercités that was previously included in the SNCF Transilien, TER, Intercités business unit.

2.2.3 Mr. Spinetta's report on the future of French rail transport

On Thursday, 15 February 2018, Mr Spinetta submitted the report on the future of French rail transport commissioned by the French Prime Minister in mid-October 2017. In these last three months, Jean-Cyril Spinetta has carried out a wide-scale consultation in order to provide the French government with information for the preparation of "an overall strategy to overhaul the rail transport model in a market that is now open to competition, while preserving the mandates of an efficient public service," as set forth in his mission statement.

As explained by the French Transport Minister, Élisabeth Borne, this report is "one of the cornerstones" of the mobility law she will present to the Conseil des ministres in the spring. In the days immediately following the report's release, the French government launched an "initial consultation" with the trade unions, SNCF Management, the Regions and users.

The legal provisions to be ultimately adopted may have repercussions on the Group's financial statements.

2.2.4 ARAFER opinion 2018-004 of 22 January 2018

On 22 January 2018, ARAFER adopted an opinion on fees relating to the regulated services provided by SNCF Réseau in passenger stations for the 2018 service timetable. The issued opinion was favourable and had no impact on the Group's financial statements.

3 GROSS PROFIT

Gross profit is equal to revenue plus incidental income, net of expenses directly related to operating activities.

Transport activity revenue is recognised based on the effective and complete transportation of passengers and freight. Revenue recognised in the systems on the issue of a passenger transport ticket is adjusted at the period-end for tickets issued but not used, which are recorded in "Deferred income" under "Operating payables."

Pursuant to IFRIC 13, customer loyalty programmes are measured and recognised at the fair value of the unused point's consideration in "Deferred income" under "Operating payables," with an offsetting decrease in revenue. This deferred income is transferred through profit or loss under the "Revenue" heading as and when the loyalty points are used by customers.

Revenue includes contributions of the French State and Organising Authorities. They comprise price subsidies covering socially motivated prices introduced by the French State and contributions remunerating global services within a contractual framework or specific services.

Expenses directly relating to operating activities primarily include purchases, subcontracting costs, other external services, employee costs, taxes and duties other than income tax, asset disposals related to the activity (property, plant and equipment within the operating cycle sold in connection with the renewal of production facilities, primarily transport equipment) and other miscellaneous items. All charges to employee-related provisions and, specifically, charges relating to employee commitments (excluding the finance cost), are included in "Employee benefits expense."

Gross profit is separate from current operating profit, which includes the majority of non-cash items (depreciation and amortisation, provisions, impairment, etc.) and other miscellaneous items not directly attributable to another income statement account. Impairment and impairment reversals of operating assets, provisions for liabilities and charges, and reversals of used and unused provisions are recognised below gross profit under “Net change in provisions”. The gross profit allocation is therefore impacted when the loss becomes effective.

3.1 SEGMENT REPORTING

3.1.1 Determination of segments presented

Following the publication of Decree 2016-1468 on 28 October 2016 which sets out a new positioning for the station management activity, SNCF Gares & Connexions is considered and monitored as a business unit in its own right. As from 1 January 2017, the SNCF Mobilités Group is organised according to five business lines: SNCF Transilien, TER and Intercités; Voyages SNCF; SNCF Gares & Connexions; SNCF Logistics; and Keolis.

Within these business units, eight operating segments are regularly examined by the SNCF Mobilités Executive Committee in order to assess their performance and allocate resources. Comparative information has therefore been restated. These segments, which target different customers and sell separate products and services, are as follows:

- SNCF Transilien, TER and Intercités: local transport activities of the Group encompassing medium-distance links (Trains d'Équilibre du Territoire - Intercités), rail transport regulated services (TER, Transilien, etc.), and additional services covering passenger transport (Itiremia, Ritmx) and housing for Group employees (Orfea).
- Voyages SNCF: door-to-door passenger transport services in France and Europe (TGV, OUIgo, Eurostar, Thalys, Lyria, OUIbus, iDVroom, etc.) and distribution of travel-related products.
- SNCF Gares & Connexions: dedicated to the development and operation of all stations and the non-discriminatory welcome of all operators.

- SNCF Logistics comprising:
  - Geodis: a European operator with a worldwide scope which proposes management solutions covering all or part of the logistics chain (Supply Chain Optimization, Freight Forwarding - air and sea, Contract Logistics, Distribution & Express, Road Transport, Contract Logistics US).
  - Rail freight and multimodal transport: activities of rail transport operators, combined transport operators and freight forwarders carried out by several companies (Fret SNCF, VIIA, Naviland Cargo and Forwardis).
  - Ermewa Group: long-term management and leasing of rail transportation equipment (specialised wagons, tank containers, locomotives, mainline locomotives or shunters).
  - STVA: multimodal logistics for new and used finished vehicles, removed from the Group in the second half of 2017.
- Keolis in charge of mass transit in fifteen countries worldwide. Its expertise covers all modes of transportation (train, bus, car, metro, tramway, ferries, bicycles), and the management of interconnection points (stations, airports) and parking.

These segments rely on common support functions (Corporate), which combine the holding company activities of SNCF Participations, the service provider activities of SNCF Mobilités Group (equipment, real estate functions and other transversal services) and certain operating subsidiaries.

3.1.2 Segment indicators

The main balance sheet and income statement indicators monitored by Management for each segment are as follows:

- external revenue, after elimination of all transactions with the Group's other segments.
- gross profit
- net investments comprising cash flows relating to concession financial assets and acquisitions of intangible assets and property, plant and equipment (less investment grants), plus new finance-leased assets.

The accounting methods adopted for the preparation of financial data for each segment are those used in the preparation of the consolidated financial statements. The internal revenue presented below is made up of transactions between segments, eliminated in an Inter-business unit line item for purposes of reconciliation with the Group consolidated financial statements.

3.1.3 Information by segment

31/12/2017

In € millions	External revenue	Internal revenue	Revenue	Gross profit	Net investments
SNCF Transilien, TER and Intercités	8,071	554	8,625	496	-368
Voyages SNCF	7,373	640	8,013	1,178	-798
SNCF Gares & Connexions	493	788	1,281	220	-209
Geodis	8,093	57	8,150	271	-125
TFMM	1,525	70	1,595	-89	-89
Ermewa Group	332	74	405	220	-199
STVA	268	0	268	7	-4
Other	0	0	0	-3	0
Intra-business unit eliminations	0	-120	-120	0	0
SNCF Logistics	10,218	82	10,300	407	-417
Keolis	5,295	106	5,401	305	-272
Corporate	380	1,827	2,207	152	-180
Inter-business unit	0	-3,996	-3,996	0	0
Total	31,831	0	31,831	2,759	-2,244

31/12/2016

In € millions	External revenue	Internal revenue	Revenue	Gross profit	Net investments
SNCF Transilien, TER and Intercités	7,876	537	8,413	468	-152
Voyages SNCF	6,816	662	7,478	624	-733
SNCF Gares & Connexions	443	794	1,238	198	-219
Geodis	7,902	63	7,965	273	-110
TFMM	1,476	80	1,556	-102	-59
Ermewa Group	350	110	460	260	-211
STVA	312	0	312	5	-5
Other	0	1	1	-7	0
Intra-business unit eliminations	0	-161	-161	0	0
SNCF Logistics	10,040	93	10,133	429	-385
Keolis	4,978	97	5,075	276	-264
Corporate	364	1,846	2,210	164	-208
Inter-business unit	0	-4,030	-4,030	0	0
Total	30,517	0	30,517	2,158	-1,961

Pursuant to IFRS 8 (section 33), information concerning geographical areas is not provided since the necessary information is unavailable and the cost to prepare it would be excessive. Furthermore, liabilities are not monitored per segment by the chief operating decision maker.

3.2 TRANSACTIONS WITH TRANSPORT ORGANISING AUTHORITIES

As part of its regional, trans-regional and local transport activities, the Group provides public services (rail transport regulated service) for the French State (Transport Organising Authority for Trains d'Equilibre du Territoire) or for public authorities (in France, the Regions - Regional and Île-de-France transport network organising authorities - and urban centres, and at the international level, various local authorities), in return for a consideration. These activities are essentially carried out at Keolis, SNCF Transilien, Régions and Intercités. These services are covered by operating agreements with terms of 3 to 10 years. They are included in the scope of IFRIC 12 when the assets used to provide a public service are controlled by the Organising Authority (OA). Control is deemed to occur when the following two conditions are met:

- the OA controls or regulates the public service, i.e. the OA controls or regulates the services that must be provided with the infrastructure that is the subject of the concession, and determines to whom it must provide them, and at what price; and
- the OA controls the infrastructure, i.e. the OA can acquire it at the end of the arrangement's term.

Pursuant to IFRIC 12, the infrastructures used are not in these cases recorded as property, plant and equipment in the balance sheet, but rather as an intangible asset ("intangible asset model") and/or a financial asset ("financial asset model") according to the level of consideration given by the OA:

- the "intangible asset model" applies where the Group, as operator, receives a right to charge users of the public service and is paid in substance by the user, which means the operator bears a demand risk;
- the "financial asset model" applies where the Group has an unconditional right to receive cash or another financial asset, either directly from the OA or indirectly by means of guarantees given by the OA on the revenue from users of the public service. The consideration is independent of user numbers. Investment grants are classified, in this case, as a repayment clause of the operating financial asset. The Group has opted to categorise these financial assets in loans and receivables pursuant to IAS 39 and to record them at amortised cost calculated using the effective interest rate.

IFRIC 12 is applied retrospectively to financial periods beginning on or after 1 January 2010 for investments carried out after the conclusion of such agreements. Prior investments continue to be recorded in property, plant and equipment.

Transactions with transport organising authorities had the following impacts on the Group's consolidated financial statements:

In € millions	31/12/2017	31/12/2016	Change
Services with the OA (Regions and STIF)	4,538	4,354	184
Services with the French state as OA of the Trains d'Équilibre du Territoire	299	346	-47
Interest income arising from concession financial assets	48	48	0
Impacts on revenue	**4,885**	**4,747**	**138**
New concession financial assets	-1,047	-769	-278
Cash inflows from concession financial assets	1,031	814	217
Investment grants relating to intangible assets and PP&E	315	617	-302
Impacts on cash flow used in investing activities	**299**	**661**	**-363**

In € millions	31/12/2017	31/12/2016	Change
Concession intangible assets	56	44	12
Concession non-current financial assets	1,195	1,227	-32
Impacts on non-current assets	**1,252**	**1,272**	**-20**

3.3 OTHER GROSS PROFIT ITEMS

3.3.1 Purchases and external charges

Purchases, sub-contracting and other external charges break down as follows:

In € millions	31/12/2017	31/12/2016(*)	Change
Sub-contracting	-5,889	-5,730	-159
Infrastructure fees payable to SNCF Réseau	-3,758	-3,702	-56
Eurotunnel and other infrastructure fees	-673	-546	-127
Purchases and external charges	-5,998	-5,784	-214
Traction energy and fuel	-1,003	-990	-14
Purchases and external charges	-17,321	-16,752	-569

(*) Following the change in the gross profit definition, used provision reversals are now presented under "Net movement in provisions" (see Note 1.2).

The Group's consolidated financial statements were audited by the statutory auditors EY and PWC. The breakdown of their fees for work carried out for the parent company and its French subsidiaries included in "Purchases and external charges" is as follows. This information is not required under IFRS, but disclosed in accordance with regulation 2016-09 of 2 December 2016 issued by the French Accounting Standards Authority (ANC).

In € millions	31/12/2017		31/12/2016	
	E&Y	PWC	E&Y	PWC
Accounts certification	-4	-4	-4	-3
Parent company	-1	-2	-1	-1
French subsidiaries	-3	-2	-3	-2
Services other than certification	0	0	0	-1
Parent company	0	0	0	0
French subsidiaries	0	0	0	-1
Total	-5	-4	-4	-4

Services other than certification mainly include consistency reports, contractual audits and agreed-upon procedures.

3.3.2 Employee benefit expenses and headcount

Employee benefit expenses mainly comprise wages, social security contributions, employee profit-sharing and expenses for other employee benefits. As from 1 January 2015, pursuant to Law 2014-288 of 5 March 2014 relating to professional training, employment and social democracy, the individual training entitlement (DIF) was replaced by the personal training account (CPF). However, employees will retain the DIF rights they have acquired up to 31 December 2014 and can activate them until 1 January 2021.

The personal training account is recorded in the amount of hours and activated by the employee in order to constitute a reserve of training time to be used at his or her initiative with or without the approval of the employer depending on whether the training is eligible within the meaning of Articles L. 6323-6, L. 6323-16 and L. 6323-21, and does or does not take place during working hours.

The account is assigned to the individual (and not the employment contract) and accompanies the employee throughout his or her professional life. Training hours recorded in the holder's account remain vested in the event of a change in occupation or job loss.

The accounting treatment of the CPF is the same as that applied to the DIF: the sums paid to training organisations represent an expense for the period and no provision is recognised. As the case may be, and given that in most cases employee training will benefit the company's future activity, the outflow of resources relating to its funding obligation would be compensated.

As at 31 December 2017, the employee benefit expenses and headcount break down as follows:

In € millions	31/12/2017	31/12/2016(*)	Change
Wages and salaries	-10,756	-10,459	-297
Other employee benefits	-1	-11	10
Profit-sharing and incentive schemes	-33	-29	-4
Seconded and temporary employees	-416	-445	29
Employee benefit expense	**-11,206**	**-10,944**	**-262**

(*) Following the change in the gross profit definition, used provision reversals are now presented under "Net movement in provisions" (see Note 1.2).

The average number of employees breaks down by socio-professional category as follows: the average number of employees includes those of fully-consolidated companies and the share of those in joint operations. It does not take into account employees from entities consolidated under the equity method. This information is not required by IFRS, but by regulation 2016-09 of 2 December 2016 issued by the French Accounting Standards Authority (ANC). The calculation corresponds to a mathematical average number of employees at the end of each calendar quarter, pursuant to the regulation, and not a previously published full-time equivalent.

Average number of employees	31/12/2017	31/12/2016
Executives	34,584	33,863
Supervisors	34,387	34,173
Labourers	132,845	133,517
Total	**201,816**	**201,553**

3.3.3 Taxes and duties other than income tax

Taxes and duties other than income tax included in gross profit mainly comprise the flat rate taxation of network companies (IFER), the Territorial Economic Contribution (CET), and the Territorial Solidarity Tax (CST).

The CET has two components: the Cotisation Foncière des Entreprises (CFE), assessed on the rental value of buildings, and the Cotisation sur la Valeur Ajoutée des Entreprises (CVAE), computed on the basis of the added value generated by the company.

The Territorial Solidarity Tax is based on total revenue collected on the year-end tax due date relating to non-regulated passenger rail transport services and commercial services, net of State contributions compensating reduced and regulated fares.

In € millions	31/12/2017	31/12/2016(*)	Change
IFER	-271	-270	-1
Property taxes	-105	-110	5
Territorial Economic Contribution	-240	-248	8
Territorial Solidarity Tax	-40	-90	50
Other taxes and duties other than income tax	-310	-324	14
Taxes and duties other than income	**-966**	**-1,042**	**76**

(*) Following the change in the gross profit definition, used provision reversals are now presented under "Net movement in provisions" (see Note 1.2).

3.3.4 Other operating income and expenses

Other operating income and expenses primarily represent the Competitiveness and Employment Tax Credit (CICE) introduced by the amending finance act of 29 December 2012. It was created to help companies finance their competitiveness particularly through investment, research, innovation, recruitment, new market prospection, environmental and energy transition and working capital restoration measures. It is based on compensation not exceeding two and a half times the minimum growth salary that companies pay their employees during the calendar year. For 2013, the tax credit amounted to 4% of this compensation and was increased to 6% for forthcoming years. It rose to 7% for 2017, then fell back to 6% in 2018 and will be abolished in 2019.

The CICE is offset against the corporate income tax payable for the year in which the compensation used for the tax credit calculation was paid. The tax credit receivable corresponding to the amount not offset may therefore be used to settle the tax payable in the three years following the year in which the credit is recorded. At the end of this period, the non-offset portion is paid back to the company.

Considering that the CICE is used to finance expenditure in favour of competitiveness and its calculation and payment methods do not satisfy the definition of corporate income tax pursuant to IAS 12, it was analysed in substance by the Group as a government grant within the scope of IAS 20. Insofar as the CICE is used by the Group to finance expenditure relating to working capital, it corresponds more specifically to an operating grant, the accounting impacts of which are recorded under “Other operating income and expenses” in the consolidated income statement.

For the year ended 31 December 2017, “Other operating income and expenses” totalled €421 million (€379 million for the year ended 31 December 2016 instead of €431 million following the change in the gross profit definition as described in Note 1.2.). Besides the portion relating to the CICE tax, it includes accrued income relating to the T1 rates (see Note 4.5.2).

4 OPERATING ASSETS AND LIABILITIES

4.1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

4.1.1 Intangible assets

Intangible assets primarily comprise the customer base, leasehold rights, licences and software and trade names acquired during business combinations. They are recorded at historical cost or, where necessary, at fair value on the date of acquisition if such assets are acquired in connection with a business combination. Certain assets are amortised using the method specified in Note 4.1.4.

In € millions	31/12/2017 Gross	31/12/2017 Amortisation and impairment	31/12/2017 Net	31/12/2016 Gross	31/12/2016 Amortisation and impairment	31/12/2016 Net
Concessions, patents, software	1,283	-905	378	1,166	-843	324
Concession intangible assets (Note 3.2)	191	-135	56	161	-117	44
Other intangible assets	1,923	-767	1,156	1,957	-683	1,274
Intangible assets in progress	193	-7	185	146	-5	141
TOTAL	3,590	-1,814	1,776	3,430	-1,647	1,783

Movements in intangible assets break down as follows:

In € millions	Concessions, patents, software	Concession intangible assets	Other intangible assets	Intangible assets in progress	Total
Net carrying amount as at 01/01/2016	**307**	**48**	**1,441**	**100**	**1,896**
Acquisitions	31	2	31	154	**218**
Disposals	-1	0	-1	0	**-2**
Amortisation	-130	-23	-116	0	**-269**
Impairment losses	-3	0	0	-6	**-9**
Change in consolidation scope	1	0	11	0	**12**
Exchange rate differences	1	0	-83	0	**-82**
Other changes	117	17	-9	-106	**20**
Net carrying amount as at 31/12/2016	**324**	**44**	**1,274**	**141**	**1,783**
Acquisitions	45	1	18	158	**222**
Disposals	-2	0	-2	0	**-5**
Amortisation	-140	-29	-101	0	**-270**
Impairment losses	-1	0	0	-6	**-6**
Change in consolidation scope	41	0	7	0	**47**
Exchange rate differences	-5	0	-37	0	**-42**
Other changes	117	40	-2	-108	**46**
Net carrying amount as at 31/12/2017	**378**	**56**	**1,156**	**185**	**1,776**

4.1.2 Property, plant and equipment

The property, plant and equipment of the Group include assets made available by the French State, assets owned outright and assets under finance lease agreements.

Property, plant and equipment owned outright are recorded in consolidated assets at acquisition cost. Internally produced assets are recorded at production cost. Property, plant and equipment acquired as part of a business combination are recorded at their fair value on entry into the consolidation scope.

The production cost of assets manufactured comprises the cost of raw materials and labour used to manufacture the assets, including that of purchased spare parts. Interest costs have been capitalised since 1 January 2009 pursuant to revised IAS 23. Property, plant and equipment are not subject to periodic revaluation.

Maintenance and repair expenses are recognised as follows:

- Rolling stock:
    - current maintenance expenses borne during the useful life of equipment (repair work on faulty spare parts and replacement of unusable and missing parts) are recorded as operating expenses;
    - expenses under multi-year major overhaul programmes are capitalised as a separate overhaul component and depreciated;
    - overhauls performed at the end of the initial useful life of a component, together with refurbishment and transformation costs, are capitalised in assets where they extend the useful life
- Fixed installations:
    - current maintenance and repair expenses (technical inspections, maintenance contracts, etc.) are recorded as operating expenses;
    - expenses under multi-year major building maintenance programmes are capitalised via the partial or total replacement of each component concerned.

Dismantling obligations for rolling stock containing asbestos are offset against an increase in the value of the equipment in balance sheet assets (see Note 4.5).

The Group receives investment grants for the financing of some of its assets. The grants received are primarily from regional authorities. They are presented as a deduction from the corresponding asset.

The methods used to amortise and release grants are specified in Note 4.1.4.

Property, plant and equipment break down as follows by category:

	31/12/2017			31/12/2016		
In € millions	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net
Land and buildings	11,940	-5,982	5,958	11,722	-5,788	5,934
Industrial and technical plant and other assets (ITP)	3,965	-2,570	1,396	3,874	-2,535	1,338
Transportation equipment	32,633	-23,564	9,069	32,547	-23,307	9,240
Property, plant and equipment in progress	1,202	-5	1,197	1,011	-9	1,002
TOTAL excluding grants	**49,740**	**-32,120**	**17,620**	**49,154**	**-31,639**	**17,515**
Investment grants	-8,788	4,715	-4,074	-9,090	4,379	-4,712
TOTAL	40,952	-27,406	13,546	40,063	-27,260	12,803

Movements in property, plant and equipment, after investment grants, break down as follows:

In € millions	Land and buildings	ITP	Transportation equipment	Property, plant and equipment in progress	Investment grants	**Total net of grants**
Net carrying amount as at 01/01/2016	**5,548**	**1,337**	**9,390**	**764**	**-4,645**	**12,394**
Acquisitions	19	105	1,177	897	-430	1,768
Disposals	-95	-14	-77	0	3	-183
Depreciation, net of grants released	-344	-237	-1,067	0	361	-1,287
Impairment losses	276	-19	-93	-7	0	157
Change in consolidation scope	62	10	13	0	-1	85
Exchange rate differences	-5	0	-134	0	0	-139
Other changes	473	156	31	-652	0	8
Net carrying amount as at 31/12/2016	**5,934**	**1,338**	**9,240**	**1,002**	**-4,712**	**12,803**
Of which assets under finance lease	*58*	*4*	*854*	*0*	*0*	*916*
Acquisitions	27	114	1,179	952	-336	1,937
Disposals	-62	-9	-61	0	1	-131
Depreciation, net of grants released	-371	-265	-1,015	0	380	-1,271
Impairment losses	-21	1	-8	0	0	-28
Change in consolidation scope	17	-1	150	0	-2	164
Exchange rate differences	-2	-9	-38	-1	0	-50
Other changes	437	225	-378	-756	595	123
Net carrying amount as at 31/12/2017	**5,958**	**1,396**	**9,069**	**1,197**	**-4,074**	**13,546**
Of which assets under finance lease	*51*	*5*	*893*	*0*	*0*	*949*

A breakdown of depreciation charges and impairment losses recorded in the income statement is presented in Notes 4.1.2 and 4.3.

The impact on the "Impairment losses" heading in 2016 was attributable to:

- the impairment loss recognised for Intercités for -€84 million,
- the reversal of the impairment loss recognised for the Gares & Connexions CGU for €273 million.

« Other changes » primarily relate to reclassifications arising from the commissioning of PP&E in progress towards land and buildings and ITP. The total impact net of grants also includes following movements of the year:

- reclassifications of €275 million involving concession agreements, of which €31 million reduce concession financial assets and €244 million increase operating payables with regard to advances received from the transport Organising Authorities for future investments;
- reclassification of STVA property, plant and equipment to "Assets held for sale" for -€103 million prior to its scope exit (see Note 4.1.5);
- the upwards revaluation for -€11 million in 2017 (€47 million in 2016) of the dismantling component relating to rolling stock containing asbestos offset against a provision (see Note 4.5).

4.1.2.1 Assets made available by the French State

The French Orientation Law on Domestic Transport (LOTI), partially recodified in the legislative section of the French Transportation Code of 28 October 2010, lays down the terms of possession of assets entrusted to SNCF Mobilités Group.

On the creation of the industrial and commercial public institution SNCF on 1 January 1983, the real estate assets previously given under concession to the semi-public limited liability company which it succeeded were appropriated to it. These assets made available by the French State, without transfer of title, are recorded in the SNCF Mobilités Group balance sheet to enable an economic assessment of Group performance and offset against a property allocation within equity.

Subject to legal provisions applicable to infrastructures deemed of general interest or public utility, SNCF Mobilités exercises full management powers over all real estate assets entrusted to it or purchased by it.

Real estate assets held by the public institution, no longer used in the performance of its activities or which are part of its private domain, may be allocated to another purpose or sold by the public institution for profit.

As at 31 December 2017, assets made available by the French State, without transfer of title, which are recorded in the SNCF Mobilités Group balance sheet, amounted to €435 million for land and €283 million for buildings and upgrades. As at 31 December 2016, they amounted to €441 million and €308 million, respectively.

4.1.2.2 Leased assets

Leased assets are recorded as purchases financed by loan when the contract terms and conditions correspond to finance lease arrangements. Finance lease agreements are contracts whereby the Group, as lessee, recovers the right to use an asset for a given period and most of the risks and rewards inherent to ownership of the asset, in exchange for payment. The appraisal criteria applied to these agreements include the following:

- the agreement provides for the mandatory transfer of ownership at the end of the lease period,
- the agreement contains a purchase option and the conditions of this option are such that it is reasonably certain, at the conclusion of the lease, that ownership will be transferred,
- the lease term is for the major part of the estimated economic life of the leased asset,
- the present value of the minimum lease payment under the agreement is close to the fair value of the leased asset,
- the leased assets are of such a specific nature that only the lessee can use them without significant modification.

The assets concerned are recorded in assets at the lower of the discounted present value of the minimum lease payments and fair value. They are depreciated over the same period as equivalent assets owned outright or made available when it is reasonably certain that the Group will have ownership at the end of the lease.

Lease agreements not having the characteristics of finance leases are recorded as operating leases and only the lease instalments are recorded in profit or loss.

4.1.3 Investments

Capital expenditure flows break down as follows:

In € millions	31/12/2017	31/12/2016
Intangible assets	-222	-218
Property, plant and equipment	-2,272	-2,198
Total acquisitions	**-2,494**	**-2,416**
incl. non-current assets held under finance lease	*-61*	*-38*
Acquisitions excluding finance-leasing	**-2,433**	**-2,378**
Investment working capital	-48	-207
Intangible assets and PP&E capital expenditure flows	**-2,482**	**-2,585**

Capital expenditure for 2017 primarily comprised:

- software developed in-house, either already brought into service or still under development, of which €112 million for the parent company EPIC SNCF Mobilités,
- acquisitions and upgrades to stations and buildings totalling €794 million (including the extension or adaptation of maintenance workshops for Régiolis, Régio2N or Z2N trains, upgrades to the multimodal exchange hub of Rennes and Nantes, extension of the T4 tram-train, extension of the EOLE West line, creation of an office complex at Paris-Austerlitz, decongestion and enhancement of the Paris Nord cross platform, upgrades to Paris Montparnasse station),
- acquisition and renovation of rail and road equipment totalling €1,142 million (including the acquisition of TGV Duplex and Eurostar trains, new Transilien trains (NAT), EOLE trains, new generation Tram-Trains, wagons, transcontainers, rail freight locomotives and containers, renovation of TGVs and electrical railcars).

Asset-financing grants received totalled €336 million, including €76 million for rail equipment and €259 million for fixed installations.

Capital expenditure for 2016 primarily comprised:

- software developed in-house, either already brought into service or still under development, of which €96 million for the parent company EPIC SNCF Mobilités,
- acquisitions and upgrades to stations and buildings totalling €765 million (including the creation of the Tangentielle Légère Nord (TLN) line, creation or adaptation of maintenance workshops for Régiolis trains, upgrades to Paris Montparnasse station, extension of the EOLE West line, restructuring of the Bordeaux St Jean station, upgrades to the multimodal exchange hubs of Grenoble, Rennes and Lorient, upgrade to the Versailles Chantiers station);
- acquisition and renovation of rail and road equipment totalling €1,176 million (including the acquisition of TGV Duplex and Eurostar trains, new generation Tram-Trains, wagons, transcontainers, rail freight locomotives and containers, renovation of TGVs and electrical railcars).

Asset-financing grants received totalled €430 million, including €225 million for rail equipment and €205 million for fixed installations.

4.1.4 Depreciation and amortisation

Amortisation of intangible assets

The principles of amortisation are as follows:

- Where an intangible asset has a finite life, it is amortised on a straight-line basis over its useful life, which is generally less than five years.
- Concession intangible assets are amortised over the term of the arrangement.
- Where an intangible asset has an indefinite life, it is not amortised but is subject to impairment tests at least once a year, according to the methods described in Note 4.3.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful life mainly on a straight-line basis. Property, plant and equipment are depreciated over the following periods:

- Fixed installations broken down by component:

	Complex constructions (stations, administrative buildings, etc.)	Simple constructions (workshops, warehouses, etc.)
Building shell	50 years	30 years
Enclosure	25 years	30 years
Light work	25 years	30 years
Fixtures and fittings	15 years	15 years
Technical work	15 years	15 years

- Rolling stock broken down by component:

	TGV and motorised carriages	Passenger carriages	Electric and diesel locomotives
Structure	30 years	30 years	30 years
Interior fittings	15 years	15 years	Not applicable
Overhaul work	15 years	10 to 15 years	15 years

- Other property, plant and equipment not broken down by component:

Land development	20 years
Plant and equipment	5 to 20 years
Cars	5 years
Freight cars	30 years ± 20%
Ships	20 years
IT equipment	Declining over 4 years
Other property, plant and equipment	3 to 5 years

Reversals of investment grants

Grants relating to investments are recorded in operating profit (decrease in depreciation and amortisation) based on the estimated useful life of the related assets.

Liabilities relating to concession assets excluded from the scope of IFRIC 12

In certain cases, the Group recognises liabilities for the same amount as the investments carried out under concession arrangements that are excluded from the scope of IFRIC 12. These liabilities are reversed each year based on the depreciation and amortisation recognised for the related assets and under the same line item in the statement of income. They mainly comprise a liability called "an operator's right of use".

Depreciation and amortisation break down as follows:

In € millions	31/12/2017	31/12/2016	Change
Amortisation of intangible assets	-270	-269	-1
Depreciation of property, plant and equipment	-1,651	-1,651	-1
Grants released to profit or loss	381	363	18
Reversal of liabilities relating to concession assets excluded from the scope of IFRIC 12	118	115	3
Depreciation and amortisation	-1,422	-1,442	20

4.1.5 Net proceeds from asset disposals

Real estate disposals and asset disposals not directly related to the activity are included in separate transactions below current operating profit due to their unusual nature in terms of both their frequency and amount. This presentation has been adopted in order to provide the most reliable overview possible of the Group's recurring performance.

The net proceeds from disposal correspond to the difference between the sale price (net of costs directly attributable to the transaction) and the net carrying amount of the asset.

With respect to sale and leaseback transactions, the recognition of the net proceeds from disposal depends on the nature of the lease.

In the case of an asset disposal resulting in a finance lease, the gain on disposal is deferred and spread over the term of the lease.

In the event of a sale resulting in an operating lease arrangement, the impacts differ according to the sale price in relation to fair value:

- If the sale price is lower than or equal to fair value, any profit or loss shall be immediately recorded in the income statement.
- If the sale price is strictly below fair value with a loss compensated for by future lease payments at below market price, the loss shall be deferred and amortised over the lease term.
- If the sale price is strictly above fair value, the excess over fair value shall be deferred and amortised over the lease term.

Asset disposals had the following impacts on profit or loss:

In € millions	31/12/2017	31/12/2016	Change
Disposals of intangible assets	1	9	-8
Disposals of property, plant and equipment	226	111	114
Disposals of financial assets	76	17	59
Net proceeds from asset disposals	302	138	165

As at 31 December 2017, net proceeds from the disposal of assets primarily concerned the sales of various complexes and properties by EPIC SNCF Mobilités for €172 million and by ICF-NOVEDIS for €30 million.

As at 31 December 2016, net proceeds from the disposal of assets primarily concerned the Akiem transaction (see Note 4.2.1.2) and the sales of various complexes and properties by:

- EPIC SNCF Mobilités for €39 million;
- ICF-NOVEDIS for €35 million.

4.2 GOODWILL, INVESTMENTS IN COMPANIES CONSOLIDATED UNDER THE EQUITY METHOD AND CHANGES IN CONSOLIDATION SCOPE

4.2.1 Business combinations and goodwill

Pursuant to the purchase method, the identifiable assets and liabilities of the acquired company that meet IFRS recognition criteria are recognised at their fair value at the acquisition date, except for assets classified as held for sale, which are measured at fair value less costs to sell, deferred taxes which are recognised under IAS 12 "Income taxes" and employee benefits recognised in accordance with IAS 19.

Only identifiable liabilities meeting the recognition criteria of a liability or contingent liability in the acquired company are recognised at the acquisition date for the purpose of allocating the cost of the business combination. Therefore, a restructuring liability of the acquired company is only recognised for the purpose of allocating the business combination cost if, at the date of the acquisition, the acquired entity has a present obligation to perform this restructuring.

Adjustments to the fair value of assets and liabilities acquired as part of a business combination initially recognised based on provisional values (due to ongoing external valuation procedures or outstanding additional analyses), are recognised as retrospective adjustments to goodwill if they arise in the 12 months following the acquisition date and relate to additional information obtained on situations prevailing at the acquisition date. After this period, any adjustments are recognised directly in profit or loss unless they represent corrections of an error.

Goodwill is not amortised but is subject to impairment tests when there is an indication of impairment and at least once a year, according to the methods described in Note 1.2. Negative goodwill is recognised immediately in operating profit.

In the event of a loss of control of a subsidiary, the disposal capital gain or loss takes into account the net carrying amount of the allocated goodwill.

Purchases and disposals of non-controlling interests (minority interests) without a change in the level of control are allocated to equity.

The accounting principles differ for business combinations prior or subsequent to 1 January 2010:

Groupings	Prior to 01/01/2010 (Former IFRS 3)	Subsequent to 01/01/2010 (IFRS 3 revised)
Non-controlling interests	Valued based on their proportion of the net fair value of the assets and liabilities recognised.	For each combination, choice between two methods: Partial goodwill: Same as the former IFRS 3. Full goodwill: Goodwill recognised in full for the Group portion and the portion of non-controlling interests
Directly attributable costs	Included in the acquisition cost.	Excluded from the acquisition cost and expensed
Step acquisition	Fair value remeasurement through equity of the previously held interest.	Fair value remeasurement through operating profit of the previously held interest
Additional considerations	Recognised according to management's best estimate at the acquisition date once they are probable and can be reliably measured.	Recognised at fair value at the acquisition date

Adjustments to additional considerations offset in goodwill	Over an indefinite period.	If and only if they occur during the allocation period and relate to new information on the existing situation on the date of control. In other cases, recognition in profit or loss in other comprehensive income in accordance with IAS 39.

Movements in goodwill in 2016 break down as follows:

In € millions	Gross value	Impairment	Net value
As at 1 January 2016	2,722	-363	2,359
Acquisitions	56	0	56
Foreign exchange	-41	0	-42
As at 31 December 2016	2,736	-363	2,373
As at 1 January 2017	2,736	-363	2,373
Acquisitions	65	0	65
Impairment losses	0	0	0
Disposals	-1	0	-1
Foreign exchange	-98	1	-97
Other changes	-13	12	-1
As at 31 December 2017	2,689	-350	2,339

Acquisitions in 2017 mainly involve investments in RE4A, Keolis Santé and Loco 2 UK.

The main goodwill balances recorded by the Group at the balance sheet date were as follows:

In € millions	31/12/2017	31/12/2016	Change
Keolis	559	548	11
Voyages SNCF	452	417	34
SNCF Logistics	1,307	1,387	-80
of which Geodis CGU	*1,100*	*1,179*	*-79*
of which Rail Freight Fleet Management CGU	*197*	*198*	*-1*
of which other rail companies	*10*	*10*	*0*
Corporate / Performance	21	21	0
Total	2,339	2,373	-34

For the business combinations carried out, the Group opted for the partial goodwill method. In other words, it only recognised the portion of goodwill attributable to equity holders of the parent in the balance sheet, without taking into account the portion of goodwill attributable to non-controlling interests.

4.2.2 Investments in companies consolidated under the equity method

The Group holds several investments in joint ventures and associates, consolidated under the equity method. The recognition principles are described in Note 1.3.1.

The movements in the heading over the year break down as follows:

In € millions	31/12/2017	31/12/2016
As at 1 January	653	450
Group share in net profit/(loss)	39	43
Impairment	0	4
Share of net profit/(loss) of companies consolidated under the equity method	*39*	*47*
Change in consolidation scope	50	187
Reclassification to assets classified as held for sale	-13	0
Share in other comprehensive income	4	0
Distribution	-31	-32
Translation differences	-30	1
As at 31 December	671	653
Of which: Significant joint ventures	*208*	*204*
Significant associates	*315*	*340*
Other companies consolidated under the equity method	*147*	*109*

In 2017, the heading "Change in consolidation scope" includes the acquisition of BLS Cargo in July 2017 for €47 million and the sale of Setram for -€4 million and Mostva for -€8 million (STVA subsidiaries consolidated under the equity method) in October 2017.

Prior to the disposal of STVA, as of 30 June 2017, in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations," a reclassification to the heading "Assets held for sale" was made for the STVA subsidiaries Setram and Mostva for -€13 million.

In 2016, the change in consolidation scope line item mainly corresponds to the loss of control of Akiem, which was equity-accounted as of 30 June 2016 (see Note 4.2.1.2). The value of the investments, after purchase price allocation, amounted to €166 million, including embedded goodwill of €32 million. In addition, the Group acquired a 23.2% stake in SAEMES (parking firm in Ile-de-France) for €23 million.

4.2.2.1 Significant joint ventures

Govia is a significant joint venture within Keolis. It is a local passenger carrier in the UK. The Group's percentage control in Govia is 35% (7 companies).

With regard to its financial indicators, First Transpennine was no longer considered as a significant joint venture as at 31 December 2017.

Akiem operates a locomotive and locotractor leasing business and comprises 6 subsidiaries and a holding company. Since 30 June 2016 (see Note 4.2.1.2), Akiem has been 50% jointly controlled.

In € millions	31/12/2017		31/12/2016	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Govia	Akiem	Govia	Akiem
Cash and cash equivalents	613	67	717	58
Other current assets	378	68	400	49
Total current assets	**991**	**135**	**1,116**	**107**
Non-current assets	**54**	**1,355**	**44**	**1,134**
Current financial liabilities (excluding trade payables, other creditors and provisions)	60	27	63	23
Other current liabilities	900	54	1,011	46
Total current liabilities	**960**	**81**	**1,074**	**69**
Non-current financial liabilities (excluding trade payables, other creditors and provisions)	0	1,096	0	869
Other non-current liabilities	3	19	3	11
Total non-current liabilities	**3**	**1,114**	**3**	**880**
Net assets	82	295	83	292
Reconciliation of financial data with value of investments in companies consolidated under the equity method:				
Group share in net assets	**29**	**180**	**29**	**175**
Net carrying amount of investments in companies consolidated under the equity method	**29**	**180**	**29**	**175**

The operating companies of the Govia activity in the UK are contractually required to have a certain level of cash and cash equivalents and comply with a Liquidity Maintenance Ratio in order to sustain the public service offering should one of the operators fail. The required amount corresponds to the activity's direct costs for a certain number of weeks until the term of the franchise. Because of this restriction, this liquidity held by the operating companies is qualified as cash and cash equivalents that cannot be transferred to the Go Ahead group, Govia's majority shareholder. These cash and cash equivalents were estimated at around €420 million as at 31 December 2017 (around €522 million as at 31 December 2016).

However, these restrictions had no impact on the assets held by Keolis in the UK, whose value of €29 million as at 31 December 2017 (€29 million as at 31 December 2016) is fully available.

In € millions	31/12/2017		31/12/2016	
INCOME STATEMENT	Govia	Akiem	Govia	Akiem
Revenue	3,141	213	3,093	99
Operating profit/(loss)	**92**	**24**	**72**	**13**
Of which depreciation and amortisation	*-26*	*-49*	*-8*	*-38*
Finance cost	0	-12	1	-6
Of which interest expense on debt	*-2*	*-14*	*-3*	*34*
Of which revenue from financial assets	*2*	*0*	*4*	*0*
Income tax expense	-20	-8	-16	8
Net profit/(loss) from ordinary activities	73	4	56	15
Net profit/(loss) for the year	73	4	56	15
Group share in net profit/(loss)	25	2	20	8

In € millions	31/12/2017		31/12/2016	
OTHER INFORMATION	Govia	Akiem	Govia	Akiem
Net profit/(loss) for the year	73	4	56	15
Other comprehensive income (net of tax)	-1	6	-20	3
Total comprehensive income/(loss)	72	10	36	18
Dividends paid to the Group	27	0	8	0

4.2.2.2 Significant associates

EUROFIMA is a transnational company based in Basel, Switzerland, whose purpose is to finance rolling stock equipment (percentage interest of 22.6%).

The summarised financial statements of significant associates are shown at 100% and after cancellations of any internal profits.

In € millions	31/12/2017	31/12/2016
STATEMENT OF FINANCIAL POSITION	Eurofima	Eurofima
Current assets	4,012	3,677
Non-current assets	12,991	15,785
Current liabilities	1,248	1,240
Non-current liabilities	14,361	16,718
Net assets	**1,395**	**1,503**
Group share in net assets	**315**	**340**
Goodwill	0	0
Other	0	0
Net carrying amount of investments in companies consolidated under the equity method	**315**	**340**

In € millions	31/12/2017	31/12/2016
INCOME STATEMENT	Eurofima	Eurofima
Operating profit/(loss)	-10	-11
Net profit/(loss) from ordinary activities	15	19
Net profit/(loss) for the year	15	19
Group share in net profit/(loss)	3	4

In € millions	31/12/2017	31/12/2016
OTHER INFORMATION	Eurofima	Eurofima
Net profit/(loss) for the year	15	19
Other comprehensive income (net of tax)	-124	10
Total comprehensive income/(loss)	-109	30
Dividends paid to the Group	0	0

Items of property, plant and equipment purchased under finance leases through Eurofima were capitalised in the Group financial statements for a gross value of €418 million as at 31 December 2017 (€466 million as at 31 December 2016). The related financing liability amounted to €373 million as at 31 December 2017, compared to €373 million as at 31 December 2016. Eurofima's share capital was not entirely called up as at 31 December 2017. The callable share capital attributed to SNCF Mobilités amounted to €402 million as at 31 December 2017 (€438 million as at 31 December 2016).

On this same date, the share of loans granted by Eurofima to members of countries whose sovereign debt is rated non-investment grade (i.e. rating granted by rating agencies of less than BBB-/Baa3) stood at €401 million or CHF 470 million (€662 million or CHF 710 million as at 31 December 2016). These loans are included in the non-current assets of the company's statement of financial position. In addition, Eurofima shareholders are jointly and severally liable for the undertakings falling under the financing agreements granted by Eurofima to the latter, each shareholder in proportion to its shareholding interest and the maximum amount thereof. This guarantee can only be called following a payment default by the borrower and the related State, which issued the guarantee and when the Eurofima guarantee reserve (CHF 719 million) is insufficient to cover the loss arising from the payment default. The maximum commitment of SNCF Mobilités amounts to €502 million as at 31 December 2017 (€547 million as at 31 December 2016). The French State guarantees all SNCF Mobilités obligations towards Eurofima (the portion of share capital to be paid up, the fulfilment of financing agreements granted by Eurofima to SNCF Mobilités and the guarantee granted by SNCF Mobilités with respect to these financing agreements).

4.2.2.3 Other companies consolidated under the equity method

The Group also holds interests in other joint ventures and associates which, considered individually, are immaterial.

The aggregate contributions of these companies to the Group's net profit are as follows:

In € millions	31/12/2017		31/12/2016	
Group share	Immaterial joint ventures	Immaterial associates	Immaterial joint ventures	Immaterial associates
Net profit/(loss) from ordinary activities	8	0	7	2
Net profit/(loss) from discontinued operations, net of tax	0	0	0	0
Net profit/(loss) for the year	8	0	9	2
Other comprehensive income (net of tax)	0	-3	0	0
Total comprehensive income/(loss)	8	-2	3	1
Net carrying amount of investments in companies consolidated under the equity method	**75**	**72**	**74**	**34**

4.2.2.4 Transactions with companies accounted for under the equity method

Transactions with associates, excluding Eurofima are not material.

The following tables present the main transactions with joint ventures and Group balance sheet headings with respect to these companies. These transactions were conducted on an arm's length basis.

In € millions	31/12/2017	31/12/2016
Revenue	50	63
Purchases and external charges	-106	-62
Other income and expenses	10	10
Gross profit with joint ventures	**-46**	**11**

In € millions	31/12/2017	31/12/2016
Current financial assets	17	18
Non-current financial assets	0	18
Current financial liabilities	0	0
Non-current financial liabilities	0	0

4.2.3 Assets and liabilities classified as held for sale

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations":

- Non-current assets held for sale are presented on a separate line of the balance sheet at the lower of their net carrying amount and fair value less costs to sell. A non-current asset can only considered as held for sale when a certain number of criteria listed in the standard are met: asset available in its present condition for immediate sale, sale initiated, decided and planned and highly probable within twelve months. In the case of a Group of assets held for sale, any related liabilities are also presented on a separate line under a liability heading.
- Pursuant to the terms used by IFRS 5, a "discontinued operation" is a component from which the Group is separated or which it has transferred to a third party or which is classified as held for sale, and which represents a separate major line of business or geographical area of operations for the Group or which is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. In addition to the reclassification of assets and liabilities under a separate balance sheet heading, the impact on profit or loss of the period of all discontinued operations, including any expected capital losses, is presented on a separate line of the income statement, after ordinary activities. The impacts of discontinued operations on cash flows are presented in the notes to the financial statements.

In € millions	31/12/2017	31/12/2016
Assets classified as held for sale	1	1
Liabilities associated with assets classified as held for sale	1	1
Net impact on balance sheet	0	0

4.2.3.1 Loss of control in STVA

The STVA CGU (multimodal transport and logistics for finished vehicles), being under a sale process, was considered as a group of assets held for sale as at 30 June 2017. The forecast sale was validated by the Board of Directors on 26 April 2017. Following exclusive negotiations and subject to the approval of the competition authorities which issued a decision in the second half of 2017, STVA joined the CAT group.

The assets and liabilities reclassified under IFRS 5 as at 30 June 2017 have since been removed from the balance sheet. The transaction resulted in a disposal gain of €63 million presented under the “Net proceeds from asset disposals” heading in the income statement. As the CGU does not satisfy the definition of a discontinued operation, income and expenses were not reclassified to the income statement. Segment indicators are described in Note 3.1.3.

4.3 IMPAIRMENT TESTS FOR NON-CURRENT ASSETS

The Group assesses whether there is an indication that an asset has been significantly impaired at each balance sheet date. Where there is such an indication, an impairment test is performed.

Goodwill and indefinite life intangible assets are subject to an impairment test each year and whenever there is an indication of impairment. Impairment losses recorded on goodwill cannot be reversed.

When performing impairment tests, goodwill is allocated to the Cash-Generating Unit (CGU) or Group of CGUs that are expected to benefit from the synergies of the combination, regardless of whether other assets and liabilities of the acquired entity are allocated to these CGUs or Groups of CGUs. The CGU (or Group of CGUs) in question represents the lowest level at which the goodwill is monitored for internal management purposes. A CGU represents one or more legal entities or is defined based on the purpose of the assets used.

Property, plant and equipment and finite life intangible assets are subject to impairment when events or circumstances during the period (obsolescence, physical deterioration, significant changes in the method of utilisation, performances falling short of forecasts, decline in revenues, other external indicators, etc.) indicate that a loss in value may have occurred and that the recoverable amount may be less than the net carrying amount.

Impairment tests consist of comparing the net carrying amount of an asset or goodwill balance with its recoverable amount, equal to the higher of the fair value less costs to sell and the value in use. The recoverable amount of an asset is determined individually, unless the asset does not generate cash flows independent of those of other assets or Groups of assets. In such cases, which encompass the majority of property, plant and equipment and intangible assets of SNCF Mobilités and goodwill balances, the Group determines the recoverable amount of the Group of assets (Cash-Generating Unit) to which the tested asset belongs.

The value in use corresponds to the value of the future economic benefits expected from the asset's use or removal. It is assessed based on discounted future cash flows determined according to economic assumptions and projected operating conditions adopted by SNCF Mobilités management:

- cash flows are determined in business plans, drawn up for periods of 5 to 11 years and validated by the management bodies;
- beyond this timeframe, the flows are extrapolated by applying a long-term growth rate that is close to the long-term inflation rate expected by the Group, within the limit of the contractual period, if applicable, or otherwise indefinitely;
- flows are discounted at a rate appropriate to the activity segment.

The impacts on the income statement are as follows:

In € millions	31/12/2017	31/12/2016	Change
Intangible assets and property, plant and equipment	-37	149	-186
Impairment losses	**-36**	**149**	**-186**

CGU with significant goodwill	Note	Segment	P&L impact as at 31/12/2017	P&L impact as at 31/12/2016
Geodis	4.3.1.1	SNCF Logistics	€0 million	€0 million
Keolis	4.3.1.2	Keolis	€0 million	€0 million
Rail Freight Fleet Management	4.3.1.3	SNCF Logistics	€0 million	€0 million
Eurostar	4.3.1.4	Voyages SNCF	€0 million	€0 million

CGU without significant goodwill but with an identified indication	Note	Segment	P&L impact as at 31/12/2017	P&L impact as at 31/12/2016
TGV France and Europe (excluding Eurostar and Thalys)	4.3.2.2	Voyages SNCF	€0 million	€0 million
Support assets allocated to TGV France and Europe (excluding Eurostar and Thalys)	4.3.2.2	Corporate	€0 million	€0 million
Gares & Connexions	4.3.2.3	Gares & Connexions	No indication	€273 million
Intercités	4.3.2.4	SNCF Transilien, TER and Intercités	€0 million	-€84 million

The values presented in the tables below for the assets tested are net of losses or reversals recognised in prior years and acquisitions and losses of control over the year.

4.3.1 CGUs with significant goodwill in relation to total goodwill

4.3.1.1 Geodis CGU

Of the total goodwill net of impairment, €1,100 million (€1,179 million as at 31 December 2016) was allocated to the Geodis Cash-Generating Unit, which comprises the logistics and freight transport activities (excluding rail freight transport and STVA) of the SNCF Logistics segment. A test is performed at least once a year for this CGU. The main assumptions used to determine the recoverable amount were as follows:

	2017	2016
Segment	SNCF Logistics	SNCF Logistics
CGU	Geodis	Geodis
Assets tested	€1,643 million	€1,950 million
Base used for the recoverable amount	Value in use	Value in use
Source used	5-year plan and indefinite projection of a normative year	5-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	6.7% - 7.7%	6.7% - 7.6%
Long-term growth rate	1.80%	1.80%

As at 31 December 2017 and 2016, the annual impairment test corroborated the carrying amount of the CGU assets. Sensitivity tests conducted on the discount (± 50 bp), long-term growth (± 30 bp), and gross profit (± 50 bp) rates will likely support the analysis.

4.3.1.2 Keolis CGU

Of the total goodwill, €559 million (€548 million as at 31 December 2016) was allocated to the Keolis Cash-Generating Unit, which comprises all activities included in the passenger multimodal transport solutions of the Keolis segment. Furthermore, the indefinite life intangible assets allocated to this CGU amounted to €124 million (€87 million as at 31 December 2016), primarily comprising trade names and authorisations. A test is performed at least once a year for this CGU. The main assumptions used to determine the recoverable amount were as follows:

	2017	2016
Segment	Keolis	Keolis
CGU	Keolis	Keolis
Assets tested	€1,757 million	€1,710 million
Base used for the recoverable amount	Value in use	Value in use
Source used	5-year plan and indefinite projection of a normative year	5-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	5.9% - 6.7%	6.0% - 6.9%
Long-term growth rate	1.80%	1.80%

No impairment was recognised, as the recoverable amount exceeded the value of the tested assets. Sensitivity tests conducted on the discount (± 50 bp) and long-term growth (± 50 bp) rates show a variation of ± €210 million on the recoverable amount (± €190 million in 2016). The sensitivity test conducted on the gross profit rate (± 50 bp) shows a variation of ± €512 million on the recoverable amount (± €473 million in 2016).

4.3.1.3 Rail Freight Fleet Management CGU

Of the total goodwill, €197 million (€198 million as at 31 December 2016) was allocated to the Rail Freight Fleet Management Cash-Generating Unit, whose operational and managerial scope was reduced due to the loss of control of Akiem as at 30 June 2016.

The test performed for this CGU, based on a value in use, gave rise to a recoverable amount that was higher than the net carrying amount. The main assumptions used to determine the recoverable amount were as follows:

	2017	2016
Segment	SNCF Logistics	SNCF Logistics
CGU	Rail Freight Fleet Management	Rail Freight Fleet Management
Assets tested	€1,479 million	€1,285 million
Base used for the recoverable amount	Value in use	Value in use
Source used	5-year plan and indefinite projection of a normative year	5-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	4.5% - 5.1%	4.4% - 5.0%
Long-term growth rate	1.80%	1.80%

No impairment was recognised, as the recoverable amount exceeded the value of the tested assets. Sensitivity tests conducted on the discount (± 50 bp), long-term growth (± 30 bp) and gross profit (± 50 bp) rates will likely support the analysis conducted.

4.3.1.4 Eurostar CGU

Of the total goodwill, €358 million (€371 million as at 31 December 2016) was allocated to the Eurostar cash-generating unit, which comprises all the cross channel passenger transport activities of the Voyages SNCF segment. Furthermore, the indefinite life intangible assets allocated to this CGU amounted to €262 million (€272 million as at 31 December 2016), primarily comprising trade names. A test is performed at least once a year for this CGU. The main assumptions used to determine the recoverable amount were as follows:

	2017	2016
Segment	Voyages SNCF	Voyages SNCF
CGU	Eurostar	Eurostar
Assets tested	€1,913 million	€1,869 million
Base used for the recoverable amount	Value in use	Value in use
Source used	10-year plan and indefinite projection of a normative year	11-year plan and indefinite projection of a normative year

Discount rate (minimum - maximum)	7.2% - 8.1%	7.4% - 8.3%
Long-term growth rate	1.80%	1.80%

The activity's cash flow forecasts used to assess the recoverable amount of assets rely on defining assumptions, including:

- the change in traffic revenue including a catch-up effect following the crisis-related slowdown so as to return to a pre-terrorist attack level;
- expenses (employees, purchases, etc.), some of which are subject to performance plans;
- infrastructure fee trajectory.
- positioning of the arrival of rail competition;
- the investment level for fleet renewal taking into account performance plans relating to the optimisation and utilisation of trains and the arrival of new equipment as well as the arrival of competition;
- discount rates are also an assumption used to calculate the value in use of this CGU;
- the terminal value calculated by extrapolating the target gross profit rate on revenue which was presented in the strategic plan approved by the Eurostar Board of Directors in December 2017 (in December 2016 for the 2016 test). It takes into account the assumption adopted with respect to the positioning of the arrival of rail competition.

These estimates and assumptions included in the calculation of the recoverable amount of assets are prepared in the context in which it is hard to gauge the impacts of issues involving multimodal competition (airlines, particularly low-cost), the arrival of rail competition, Brexit, and the feeling of insecurity due to the terrorist attacks, which make it difficult to assess economic outlooks. Under these conditions, certain future assumptions and the ultimate reality could differ significantly in relation to these estimates.

No impairment was recognised, as the recoverable amount exceeded the value of the tested assets.

The sensitivity tests carried out on:

- the activity's gross profit rate revealed that a change of ±100 bp in this rate for a normative year would have an impact of ± €95 million on the recoverable amount (± €50 million for ±50 bp in 2016);
- investments revealed that a change of £10 million in the amount forecast in a normative year would have an impact of ± €75 million on the recoverable amount (± €150 million for a change of £20 million in 2016);
- a 3-year setback in the date for the entry of competition into the market would result in a change in the recoverable amount for approximately +€465 million (+€230 million in 2016);
- the discount rate revealed that a change of ± 25 bp would result in a variation in the recoverable amount for approximately ± €80 million (± €140 million for ± 50 bp in 2016);
- the growth rate for a normative year revealed that a change of ± 20 bp in this rate over the entire period would have an impact of ± €35 million on the recoverable amount (± €30 million in 2016).

The financial liability relating to the purchase commitments irrevocably granted by SNCF Mobilités regarding the investments of the CDPQ/Hermès consortium and SNCB in Eurostar was valued using the same bases (see Note 6.1.2.6).

4.3.2 CGUs with indications of impairment or impairment reversal in 2017 and/or 2016

4.3.2.1 Contextual factors

In accordance with the rail reform law of 4 August 2014, a strategic framework agreement was established to be concluded between SNCF and the French State, as well as performance contracts between SNCF Réseau and the French State, and between SNCF Mobilités and the French State.

The various components, and particularly the financial components, of the SNCF Mobilités performance contract were approved by its Board of Directors on 16 December 2016. This contract and the framework agreement were both signed on 20 April 2017.

The financial trajectory included in this performance contract reiterates that of the 2017-2026 strategic plan prepared in this context in the second half of 2016. Underlying the implementation of impairment tests for certain assets, it was determined for the various businesses of SNCF Mobilités within a context of:

- a difficult economic environment;
- rapidly expanding and intensified intermodal competition;
- ensuing price pressure;
- international environment (attacks in 2015, 2016 and 2017);
- growth and investment projects that may hinder profitability;
- ongoing discussions regarding the development of the Gares & Connexions pricing model.

Furthermore, the end of 2017 was marked by the *Assises de la Mobilité* conference launched by the French government, organised to specify the primary needs and expectations of all citizens in terms of mobility and resulting in the Mobility Law (*Loi d'orientation des mobilités)* that will be presented to the French parliament in early 2018. The Infrastructure Guidance Board (*Conseil d'Orientation des Infrastructures*), chaired by Mr. Duron and set up as part of this conference to propose a transport infrastructure investment strategy for the next two decades, submitted its report to the French Government on 1 February 2018. Finally, as was announced during the conference, the French Government has tasked Mr. Spinetta with the consultation for the rail transport model incorporating the definition of a service strategy for 2030, the overhaul of the rail system business and financial model and preparation for the sector's opening to competition. This report should be submitted in February 2018.

SNCF Mobilités management therefore incorporated several defining economic and financial assumptions for the preparation of its financial trajectory and its impairment tests in the above strategic plan, in a situation where it is difficult to assess the impacts of these new challenges.

4.3.2.2 TGV France and Europe (excluding Eurostar and Thalys) CGU

As at 31 December 2016, revenue and gross profit setbacks were confirmed, resulting in a change to the long-term financial trajectory (rebasing of certain assumptions), approved by the SNCF Mobilités Board of Directors on 10 March 2016.

In this context, an impairment test was carried out. The recoverable amount calculated using the following assumptions justified the value of the CGU's assets. No impairment loss or reversal needed to be recognised at the year-end.

In 2017, the revenue and gross profit generated by the TGV France and Europe (excluding Eurostar and Thalys) were well below budget. Furthermore, management continued to focus its strategy on the TGV business model, incorporating the creation of a high added-value offering with inOUI, the ramp-up of OUIgo and an overhaul of production methods. This overhaul of the high-speed business model is reflected in the new strategic plan which was approved by the SNCF Mobilités Board of Directors on 23 February 2018.

In this context involving indications of impairment, management performed a new test to estimate the value in use of the TGV France and Europe (excluding Eurostar and Thalys) CGU assets as at 31 December 2017. The outcome of this test confirmed the net carrying amount of the TGV CGU assets, and the previously recorded asset impairments were neither reversed nor increased.

The value for the assets tested and the main assumptions used to determine the recoverable amount were as follows:

	2017	2016
Segment	Voyages SNCF	Voyages SNCF
CGU	TGV France and Europe (excluding Eurostar and Thalys)	TGV France and Europe (excluding Eurostar and Thalys)
Assets tested	€2,102 million	€2,011 million
Base used for the recoverable amount	Value in use	Value in use
Source used	10-year plan and indefinite projection of a normative year	5-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	6.7% - 7.6%	6.9% - 7.8%
Long-term growth rate	1.80%	1.80%

The activity's cash flow forecasts used to assess the recoverable amount of assets rely on a significant number of key assumptions, including:

- moderate growth in traffic revenue excluding new lines over the next 10 years given the macro-economic assumptions, the step-up in the development of intermodal competition (multimodal at present, and rail starting from 2021) and the emphasis on a pricing policy geared towards low prices designed to generate considerable traffic growth;
- infrastructure fee trajectory;
- expenses (employees, purchases, etc.), some of which are subject to industrial and transversal performance plans;
- the investment level for fleet renewal taking into account performance plans relating to the optimisation and utilisation of trains and including technical features designed to reduce the purchase cost of the "TGV 2020";
- discount rates, although less sensitive, are also an assumption used to calculate the value in use of this CGU;
- the terminal value is calculated by extrapolating the target gross profit rate for 2027 revenue, plus the annual growth rate.

These estimates and assumptions included in the calculation of the recoverable amount of assets are prepared in the changing context of a ramp-up in competition (multimodal, and rail in the future) and uncertainties concerning certain external charges (infrastructure pricing, CST, TREF), which make it difficult to assess economic outlooks (volume and price impacts on revenues and expense). Under these conditions, certain future assumptions and the ultimate reality could differ significantly in relation to these estimates.

The sensitivity tests carried out on:

- traffic revenue revealed that a change of 20 bp in the growth rate for this revenue excluding new lines would have an impact of ± €960 million on the recoverable amount (± €850 million in 2016);
- the amount of infrastructure fees revealed that a rail index equalling inflation as from 2019 for Voyages EPIC infrastructure fees (excluding LISEA) would have an impact of around ± €2,400 million on the recoverable amount (± €1,750 million in 2016 for an indexation as from 2020);
- a decline in Voyages EPIC infrastructure fees (excluding LISEA) by around -4% as from 2019 would have an impact of around +€1,100 million on the recoverable amount (+€1,020 million in 2016 for a decline as from 2018);

- the activity's gross profit rate revealed that a change of ±50 bp in this rate for a normative year would have an impact of ± €260 million on the recoverable amount (±€315 million in 2016);
- investments revealed that a change of €10 million in the amount forecast in a normative year would have an impact of around ± €70 million on the recoverable amount (± €90 million in 2016);
- the discount rate revealed that a change in this rate of ± 50 bp would result in a variation in the recoverable amount for approximately ± €170 million (± €130 million in 2016);
- the growth rate for a normative year revealed that a change of ± 20 bp in this rate over the entire period would have an impact of ± €43 million on the recoverable amount (± €50 million in 2016).

4.3.2.3 Gares & Connexions CGU

Recap from previous years:

In the first half of 2015, the decisions and opinions issued by ARAFER challenged the return on capital invested used by Gares & Connexions in the calculation of regulated service fees that had an impact on the CGU's gross profit. In this context, Gares & Connexions therefore began to examine possible changes to its business and pricing model, based on open discussions with the various stakeholders (partners, organising authorities, supervisory authorities, regulatory authorities, etc.), and a strategic plan for the period 2016-2025 incorporating its target vision of the new pricing model was also drafted.

Considering these items, an impairment test was performed as at 30 June 2015 for the Gares & Connexions CGU, resulting in the recognition of a €450 million impairment loss. The strategic plan and impairment test were surrounded by contingencies and uncertainties relating to the pricing model under negotiation.

As at 31 December 2015, in the absence of an indication of impairment loss or reversal, no test was performed. The new business and pricing model and its possible changes were still being discussed with the various stakeholders.

In 2016, the management of Gares & Connexions launched a public consultation on its new pricing model. New changes were proposed. Considering the reactions of the various stakeholders summarised in October 2016 following this consultation, this pricing model is still being discussed and adapted. The decisions of ARAFER challenging the level of return on capital invested were also confirmed by the Conseil d'État in October 2016.

In connection with the drafting of the ten-year performance contract between the French State and SNCF Mobilités and its financial trajectory, approved by the SNCF Mobilités' Board of Directors on 16 December 2016 (see Note 4.3.2.1), the Gares & Connexions 2016-2025 strategic plan was modified, particularly the forecast profitability and investment levels. The ensuing 2017-2026 strategic plan however continues to be based on the target vision of the pricing model and does not incorporate all the changes proposed as part of the consultation.

This new strategic plan, establishing the performance contract's financial trajectory, led management to perform an impairment test on the assets of the Gares & Connexions CGU as at 31 December 2016, resulting in an impairment reversal of €273 million. The impairment reversal essentially covers property, plant and equipment.

In addition, the French Government's report on the development of passenger rail station management to the French Parliament, as provided by the rail reform law of 4 August 2014 within a period of two years following its publication, was still pending at the end of 2016. In July 2016, ARAFER published a study on the matter including several scenarios for station transfer and management, including a planned removal of Gares & Connexions from the SNCF Mobilités scope.

The net value of the assets tested and the main assumptions used to determine the recoverable amount are as follows:

	2016
Segment	Gares & Connexions
CGU	Gares & Connexions
Assets tested	€1,294 million
Base used for the recoverable amount	Value in use
Source used	5-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	4.8% - 5.2%
Long-term growth rate	1.80%

The key assumptions used to carry out the tests mainly concerned:

- the gross profit rate reflecting, among other factors, the return on capital employed (ROCE);
- the level of future investments.

This resulted in a predominant terminal value, which was calculated by extrapolating the gross profit rate for 2021 and the average investment amount for 2022-2024. The depreciation adopted for the normative year reflects the depreciation curve trend for the test duration.

The sensitivity tests carried out in 2016 on:

- investments revealed that a change of €20 million in the amount forecast in a normative year would have an impact of ± €340 million on the recoverable amount;
- the activity's gross profit rate revealed that a change of ±50 bp in this rate for a normative year would have an impact of ± €110 million on the recoverable amount;
- the discount rate (±20 bp) resulted in a change in the recoverable amount for approximately ±€100 million;
- the growth rate for a normative year revealed that a change of ± 20 bp in this rate over the entire period would have an impact of ± €100 million on the recoverable amount.

Follow-up in 2017:

In March 2017, the French Government released its report for the French Parliament on the development of passenger rail station management. This report sets out several scenarios regarding changes in governance for the Gares & Connexions activity and appears to confirm the principle that this activity will exit the SNCF Mobilités scope in the future, but without providing details.

Furthermore, in early July 2017, ARAFER notified a generally favourable opinion for the 2017 DRG.

Finally, Gares & Connexions pursued its ideas and discussions on its new economic and pricing model, and launched a public consultation in May 2017. The results of this public consultation were analysed in the autumn. To date, discussions and negotiations continue with the ARAFER departments on the future economic and pricing model and the DRG 2018-2019 which should be filed for review in forthcoming months. ARAFER will have 4 months from the filing date to issue an opinion. Regarding the DRG 2020, the decision on the method of transmission and publication has yet to be approved.

The Group considers the 2017 results, the 2018 budget and the draft DRG 2018-2019 regarding regulated activity, which is still under discussion, do not call into question the financial trajectory in the 2017-2026 strategic plan as used in the impairment test performed at the end of 2016, whether in terms of revenue, investments or profitability.

In the absence of an identified indication of impairment loss or reversal, no test was performed as at 31 December 2017.

In this context, the forecasts prepared by the Gares & Connexions activity under the 2017-2026 strategic plan and the estimated valuation of the CGU following the test remain surrounded by several contingencies and uncertainties relating to:

- an economic and pricing model and a draft DRG 2018-2019 that, as mentioned above, are still being discussed with the departments of ARAFER;
- a draft DRG 2020 whose transmission and publication methods have yet to be approved with ARAFER;
- a possible removal of Gares & Connexions from SNCF Mobilités, and other potential changes in line with the consultation organised by the French government to prepare an overall strategy to overhaul the rail transport model and by the *Assises de la Mobilité* conference that will lead to the preparation of a mobility law in 2018. These factors may have repercussions on the activity's future operating, economic and financial framework, and hence its outlook.
- The sensitivity of the activity's financial trajectory due to the aforementioned economic and regulatory trends.

These factors could be realised in the near future, leading to interactions that cannot be precisely determined.

4.3.2.4 Intercités CGU

Following two successive one-year extensions in 2014 and 2015, at the request of the French State, the agreement covering the TET offering expired on 31 December 2015. Discussions were subsequently held to adapt the offering in view of a deteriorating economic break-even for the TET offering. They resulted in an operating agreement for the period 2016-2020, with retroactive effect to 2016, signed on 27 February 2017.

The new agreement and its appended financial trajectory, which provide for two reviews in May 2017 and May 2019 to examine trends in the agreement's financial equilibrium, incorporate the changes to the offering in line with the announcements made by the Secretary of State and the assumptions regarding regional line takeovers.

Conversely, it no longer includes a value guarantee clause for rolling stock investments prior to 2011 should the agreement be terminated. However, the guarantee and French State compensation principle remains intact for rolling stock investments carried out as of 2011 should the agreement be terminated. The outcome for other assets is not specified. The new item is an indication of impairment for rolling stock assets dating back to before 2011.

In this context, an impairment test was carried out as at 31 December 2016, resulting in the recognition of an impairment loss for the assets of the Intercités CGU for -€84 million.

Considering the ongoing discussions on the review clause and the fiscal 2017 results, a new test was carried out at the year-end. No reversal or additional impairment was recorded following this test.

The net value of the assets tested and the main assumptions used to determine the recoverable amount are as follows:

	2017	2016
Segment	SNCF Transilien, Régions and Intercités	SNCF Transilien, Régions and Intercités
CGU	Intercités	Intercités
Assets tested	Immaterial	€96 million
Base used for the recoverable amount	Value in use	Value in use
Source used	2016-2020 agreement	2016-2020 agreement
Discount rate (minimum - maximum)	6.9% - 7.3%	6.9% - 7.3%
Long-term growth rate	Not applicable	Not applicable

The sensitivity tests carried out on the various assumptions (investments, gross profit rate, discount rate and growth rate) do not call into question the test results, mainly due to the absence of a terminal value.

In the absence of goodwill and intangible assets with indefinite useful lives, the impairment loss mainly concerns property, plant and equipment and can therefore be reversed.

4.4 WORKING CAPITAL REQUIREMENT

In € millions	31/12/2017	31/12/2016
Change in inventories and work-in-progress	32	30
Change in operating receivables (excluding share disposals and capital expenditure flows)	80	326
Change in operating payables (excluding capital expenditure flows and liabilities relating to assets excluded from IFRIC 12)	135	-341
Impact of the change in the WCR in the consolidated cash flow statement	23	-697

4.4.1 Inventories and work-in-progress

Inventories are valued at the lower of cost price and net realisable value. Cost price is equal to acquisition or production cost. Production cost includes both direct and indirect production expenses.

Cost price is calculated using the weighted average cost method.

Inventories are written down based on the turnover, nature, age and useful life of items.

As at 31 December 2017, inventories and work-in-progress break down as follows:

	31/12/2017			31/12/2016	
In € millions	Gross	Impairment	Net	Net	Change
Raw materials	516	-58	458	451	7
Finished goods	221	0	221	188	33
Work-in-progress	8	-5	3	22	-19
Inventories and work-in-progress	**745**	**-63**	**682**	**661**	**21**

Movements in inventory write-downs break down as follows.

In € millions	31/12/2016	Charges	Reversals	Reclassi-fication	Change in consolida-tion scope	31/12/2017
Raw materials and supplies - write-down	-54	-12	8	0	0	-58
Production work-in-progress - write-down	-5	-1	1	0	0	-5
Write-down of inventories	-58	-13	8	0	0	-63

4.4.2 Operating receivables

Receivables are recorded at nominal value on issue, except for receivables with a maturity of more than one year, which are discounted to present value where the impact of discounting is material. Impairment is recognised when there is a potential risk of non-recovery (substantial payment delays, bankruptcy proceedings, litigation, etc.). This impairment is determined based on an individual or statistical appraisal of non-recovery risk using historical data.

Operating receivables break down as follows:

	31/12/2017			31/12/2016	
In € millions	Gross	Impairment	Net	Net	Change
Trade receivables and related accounts	3,584	-106	3,478	3,802	-324
Amounts receivable to the French State and local authorities	1,592	0	1,592	1,488	103
Other operating receivables	1,767	-22	1,745	1,529	216
Capital expenditure flow receivables and share disposals	90	-1	88	32	56
Asset derivative instruments for raw materials and foreign exchange on business transactions	2	0	2	3	-1
Net operating receivables	**7,036**	**-129**	**6,905**	**6,855**	**51**

Movements in the impairment of trade receivables and other operating receivables were as follows in 2017 and 2016:

In € millions	31/12/2016	Charges	Reversals	Reclassification	Change in consolidation scope	Foreign exchange and other	31/12/2017
Trade receivables and related accounts - impairment	-133	-26	33	1	-1	19	-106
Other operating receivables - impairment	-26	-1	4	0	0	0	-23
Total	-159	-27	37	1	-1	20	-129

In € millions	31/12/2015	Charges	Reversals	Reclassification	Change in consolidation scope	Foreign exchange and other	31/12/2016
Trade receivables and related accounts - impairment	-139	-29	34	2	-1	-1	-133
Other operating receivables - impairment	-29	-1	5	0	0	0	-26
Total	-168	-30	39	2	-1	-1	-159

Due to its business, Group exposure to credit risk is limited. Tickets are sold to passengers on a cash basis. In addition, the Group has significant relations with a number of public-sector customers (SNCF Réseau, regional authorities, RATP, STIF, armed forces, etc.). In the SNCF Logistics activity, dependence on customers is reduced by the number of the latter. In carrying out its transport and/or freight forwarding activities, the Group also has the right to hold the merchandise with which it is entrusted, which reduces the risk of non-payment for services. Finally, based on an assessment of customer credit risk, payment terms and conditions before transport may be determined to limit the risk of non-payment.

While receivables from these customers may be past due, the Group considers that there are no grounds for impairment. Receivables are impaired when the Group is in dispute with a customer or when the ability to recover the receivable in full is modified.

Trade receivables past due break down as follows (gross value):

31/12/2017 *In € millions*	Not past due	Impaired	Past due but not impaired				Total
			< 3 months	4 to 6 months	7 to 12 months	> 12 months	
Trade receivables and related accounts	2,414	367	523	72	70	138	3,584
Total	**2,414**	**367**	**523**	**72**	**70**	**138**	**3,584**

31/12/2016 *In € millions*	Not past due	Impaired	Past due but not impaired				Total
			< 3 months	4 to 6 months	7 to 12 months	> 12 months	
Trade receivables and related accounts	3,007	436	397	32	24	39	3,935
Total	**3,007**	**436**	**397**	**32**	**24**	**39**	**3,935**

4.4.3 Operating payables and other accounts in credit

Operating payables include payments to third parties with respect to operating activities (trade payables, employee-related payables, taxes and duties other than income tax, etc.), and asset acquisitions.

Payables are recorded at nominal value on issue, except for payables with a maturity of more than one year, which are discounted to present value where the impact of discount is material.

Operating payables break down as follows:

In € millions	31/12/2017	31/12/2016	Change
Trade payables and related accounts	4,546	4,540	6
o/w amounts payable to suppliers of PP&E	*512*	*558*	*-46*
Liabilities relating to concession assets excluded from the scope of IFRIC 12	255	352	-97
Payments received on account for orders	676	485	190
o/w advances received on sales of PP&E	*228*	*75*	*154*
Employee-related liabilities	1,818	1,781	37
Amounts payable to the French State and local authorities	1,346	1,465	-119
Other operating payables	554	465	90
Deferred income	1,247	1,292	-44
Liability derivative instruments for raw materials and foreign exchange on business transactions	3	15	-12
Total operating payables	10,446	10,395	51

For the liabilities relating to concession assets excluded from the scope of IFRIC 12, see Note 4.1.4

4.5 PROVISIONS FOR RISKS AND LITIGATION

Provisions are recorded when, at the balance sheet date, the Group has a present obligation to a third party as a result of a past event and the settlement of this obligation will require an outflow of company resources with no consideration.

This obligation may be legal, regulatory or contractual. It may also result from Group practice or external commitments that create valid expectations in third parties that the Group will assume certain responsibilities.

The estimated amount of the provision reflects the outflow of resources that is likely to be necessary to settle the Group's obligation. If a reliable estimate of this amount cannot be made, no provision is recorded. Disclosure is provided in the notes to the financial statements.

Provisions are discounted when the impact of the time value of money is deemed material. The discount rate is determined with reference to a closing market rate based on leading corporate bonds with a maturity comparable to the estimated maturity of the provision. The reference used is Bloomberg AA for the Eurozone.

A contingent liability is a possible obligation that arises from past events whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Group, or a probable obligation where it is not probable that an outflow of resources will be required. Except for contingent liabilities recognised as part of a business combination, contingent liabilities are not recorded. Disclosure is provided in the notes to the financial statements.

Movements in provisions for liabilities and charges break down as follows:

In € millions	01/01/2017	Charges	Reversals used	Reversals not used	Other changes	31/12/2017	of which current	of which non-current
Contractual litigation and risks	272	35	-51	-36	-5	215	59	156
Tax, employee and customs risks	160	7	-2	-2	2	166	20	145
Environmental risks	719	71	-47	-34	-7	702	18	684
Restructuring costs	42	12	-22	-12	-1	18	14	4
Other	180	124	-39	-20	-6	238	63	175
Total provisions	**1,373**	**248**	**-161**	**-103**	**-19**	**1,339**	**175**	**1,164**

The impact of the passage of time (reverse discounting) gave rise to a €9 million increase in provisions, offset against financial profit for 2017.

The decline in the discount rate, which mainly covers provisions for asbestos costs, gave rise in 2017 to a €15 million provision increase, including €2 million offset against "Net movement in provisions" under current operating profit and €13 million (in the "Other changes" column) offset against the dismantling component relating to capitalized rolling stock (see Note 4.1).

4.5.1 Provisions for environmental risks

This provision covers the costs of environmental protection and site restoration and clean-up. It specifically includes a contingency provision for asbestos lawsuits filed against the Group.

SNCF Mobilités Group set up an environmental management team in response to the enactment in French law of Directive 2004/35 of 21 April 2004 regarding so-called "polluter-payer" environmental liability. One of the team's objectives was to shed light on the impacts with respect to the Group's activities, primarily in terms of storage and distribution installations for fuel, water disposal, waste, etc. The related assessments were recorded on their completion. Directive 2004/35 has since been transposed in France by Decree 2009-468 of 23 April 2009.

Furthermore, the French government decree of 3 June 2011 relating to the protection of the public against health risks resulting from exposure to asbestos in buildings that came into effect on 1 February 2012 was to be accompanied by implementation decrees. These decrees were published at the end of December 2012 for an implementation date of 1 January 2013. They define the criteria for assessing the state of the materials to be investigated, the content of the report on the identification of asbestos-containing materials as well as the content of the asbestos technical file summary sheet. An action plan has been implemented covering the compliance of the asbestos technical analyses within the deadline stipulated by the new decree, i.e. by 2021. At this stage, the additional work performed has not generated a material change in the provision for environmental risks. The analyses are still in progress.

With regard to its rolling stock, the Group has a dismantlement and restoration obligation. With respect to rolling stock containing asbestos, there is a present obligation from the time the asbestos is detected. Any increase in the dismantlement provision is offset by an increase in the value of the equipment on the balance sheet for equipment not fully depreciated and in profit or loss for equipment at the end of its useful life. An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount. The cost of dismantlement is amortised over the asset's remaining useful life. Should there be a decrease in the estimated probable outflow of resources, the provision is reversed against the corresponding asset in the balance sheet and in profit or loss for the portion exceeding the net carrying amount of this asset. The provision is gradually extinguished in profit or loss as the dismantlement is completed.

At the period-end, environmental risks that had been provided for primarily concerned the following items:

- site decontamination: €35 million (€16 million in 2016).
- asbestos-related costs: €661 million (€692 million in 2016).

The decrease in the provision for asbestos-related costs primarily concerns rolling stock and is based on the availability of new information to assess the cost of asbestos removal. It is offset in the amount of -€24 million (in the “Other changes” column) against the asbestos component of the capitalised rolling stock (see Note 4.1) and in the amount of -€29 million against “Net movement in provisions” in the income statement. The dismantlement costs of rolling stock containing asbestos were revised downwards based on new signed contracts, recently placed orders and responses obtained regarding new calls for tenders.

Employees filed a suit against SNCF Mobilités in order to recognise anxiety damage for personnel who have been exposed to asbestos but have not developed any work-related illness. A provision was recorded in the financial statements of previous years to cover the risk of penalty. The Troyes Industrial Tribunal handed down decisions on 11 July 2017 with respect to the appeals filed by 72 employees. This decision did not call into question the provision amount that the Group considered to be sufficient as at 31 December 2017. EPIC SNCF Mobilités appealed this decision.

4.5.2 Provisions for contractual litigation and risks

The provision for contractual litigation and risks mainly includes risks associated with legal disputes and contract settlements in addition to contractual risks.

4.5.2.1 Litigation

The Group is involved in several unresolved legal disputes arising in the normal course of its activities.

Such disputes are provided based on an assessment of the related risk and the probability of realisation.

Unused reversals were mainly attributable to the elimination of risks related to current litigation or the adjustment to their measurement.

Resolved litigation

- Disputes with ARAFER

The Nouvelle-Aquitaine region entered into legal proceedings with ARAFER mainly in connection with a dispute relating to the station access fees for 2014 and 2015. Following the hearing of 25 January 2017, ARAFER rendered its decision on 1 February 2017 in which it ordered SNCF Gares & Connexions to cap the return on capital invested at 6.9% for 2014 and 2015. The immaterial consequences of this decision were recorded in the half-year financial statements.

Furthermore, EPIC SNCF Mobilités (SNCF Gares & Connexions) filed an appeal before the Conseil d'État regarding ARAFER's unfavourable opinion on station access fees for 2016 and 2017. In October 2016, the Conseil d'État confirmed the decisions of ARAFER for the 2016 Document de Référence des Gares (DRG) challenging the return on capital invested. EPIC SNCF-Mobilités withdrew its appeal before the Conseil d'État for the 2017 fees.

- Investigation of the Competition Authority regarding the freely organised coach sector (OUIbus)

In November 2016, Transdev filed a suit with the Competition Authority requesting protective measures and a claim on merits highlighting a certain number of abuses allegedly committed by SNCF Mobilités and its subsidiary OUIbus on the passenger road transport market.

To define the market in which there is an abuse of market power, the Authority chose a freely organised interurban coach transport market: this is a market that is separate from the passenger rail transport market, the car-pooling market and the regulated road transport market. The Competition Authority retained that OUIbus was not in a position of power in this market as the most significant market share was held by Flixbus.

At the end of its investigation, the Competition Authority did not retain any of the practices denounced by Transdev. Transdev's claim was rejected with regard to the protective measures and the claim on merits by a decision of 1 June 2017 which was not appealed and is therefore final.

Ongoing litigation

- Investigation of the Competition Authority regarding Fret SNCF

An investigation was conducted by the Competition Authority regarding Fret SNCF. In March 2012, the reporting judges transmitted a final report to the Competition Authority with a certain number of grievances, all of which were challenged by EPIC SNCF Mobilités (formerly EPIC SNCF) due to their unfounded nature and the lack of competition law infringement. Following the Competition Authority's decision (December 2012), EPIC SNCF Mobilités was ordered to pay a fine of €61 million for having conducted several practices that hindered or delayed the entry of new operators into the rail freight transport market. This fine was expensed in 2012 under "Purchases and external charges" within gross profit. The Authority also issued a judicial order regarding Fret SNCF's pricing policy and imposed that certain measures, particularly of an accounting and commercial nature, be implemented and in effect at the end of a three-year period in order to render such policy more objective. In January 2013, EPIC SNCF Mobilités appealed this decision before the Paris Appeal Court, which rendered its decision on 6 November 2014, judging that the grievance concerning predatory pricing was unsubstantiated and the order to pay was no longer justified. It also reduced the financial penalty that SNCF Mobilités was ordered to pay to €48 million. ECR and the Competition Authority appealed in December 2014. Proceedings continued in 2015, with further pleadings by ECR and the Competition Authority, and EPIC SNCF Mobilités' observations in reply (also applicable for the appeal).

The Court of Cassation issued its ruling on 22 November 2016. The Court quashed the Paris Appeal Court decision of 6 November 2014 based on two issues: the Court i) held that the practice of predatory pricing by EPIC SNCF on the rail freight transport market using full-load trains had not been established and that the injunction was inapplicable and ii) dismissed the aggravating circumstance drawn from the reiteration. Based on these two issues, the Court referred the matter to a differently constituted Appeal Court. Furthermore, the Court of cassation demanded the payment of €13 million corresponding to the reduction in the financial penalty arising from the November 2014 decision.

EPIC SNCF Mobilités appealed to the Appeal Court on 16 January 2017 and filed its observations on 22 June 2017.

The Competition Authority and ECR filed observations in reply on 10 October 2017 and SNCF Mobilités filed a rejoinder on 16 November 2017. The hearing took place on 14 December 2017. Deliberation should take place on 21 June 2018.

Following the order of the Court of Cassation and the request for payment by the French Treasury, EPIC SNCF Mobilités paid out €5 million.

- Investigation of the Competition Authority regarding the Distribution and Express segment

The Competition Authority investigated the Distribution and Express segment with regard to an alleged agreement on pricing adjustments for the 2005/2010 period. A notice of grievances was sent to Geodis and SNCF Mobilités in July 2014. After observations of the parties, the Competition Authority's investigation department issued a report on 22 April 2015, largely dismissing the arguments presented by the various stakeholders. Geodis and SNCF Mobilités put forward their observations in reply. The Competition Authority's board hearing was held on 30 September 2015.

The Competition Authority rendered its decision on 15 December 2015, imposing a fine of €196 million on Geodis, a Group subsidiary. EPIC SNCF Mobilités is jointly and severally liable for the fine's payment in the amount of €89 million. EPIC SNCF Mobilités and Geodis appealed the decision of the Competition Authority before the Paris Court of Appeal. The expense of €196 million recognised as at 31 December 2015 was fully paid in April 2016. The appeal proceedings are following their course with a hearing that took place in March 2017 and deliberation scheduled for May 2018.

- Ruling of the Paris Industrial Tribunal

The Paris Industrial Tribunal handed down its decisions on 21 September 2015 with respect to the appeals filed by former Moroccan employees. SNCF Mobilités accounted for the consequences in its financial statements based on the penalties handed down. An appeal was filed, thus suspending payment of the sums claimed. These first cases were argued before the Appeal Court in May 2017 and a ruling was handed down on 31 January 2018. Furthermore, other cases will be argued for the first time before the Industrial Tribunal in the first quarter of 2018. An additional provision is set aside as and when new appeals are filed with the Paris Industrial Tribunal. The provision is recorded under "Provisions for tax, employee-related and customs risks." The ruling handed down on 31 January 2018 did not have a material impact on this provision amount.

- Brétigny-sur-Orge accident

Following the derailment on 12 July 2013 of Paris-Limoges intercity train no. 3657 in Brétigny-sur-Orge (Essonne) station, and after having filed the two legal expert reports requested by the investigating judges, RFF and SNCF, which became SNCF Réseau and SNCF Mobilités, respectively, on 1 January 2015, were indicted for "involuntary manslaughter and unintentional injuries through carelessness, recklessness, inattention, negligence, or failure to observe an obligation of due care or precaution" and heard by the judges.

SNCF Réseau and SNCF Mobilités firmly challenged the expert reports, cast doubt on the seriousness of the metallurgical evaluation, and requested that additional work be carried out for which the approval was notified at the end of January 2016.

As this additional work had still not provided any response to the outstanding issues, SNCF Mobilités requested an additional expert assessment on 29 February 2016. The investigating judges ruled that the conditions for opening an investigation were not satisfied. The appeal went before the investigating chamber which ordered an additional appraisal to be carried out in October 2017, later postponed by the judges until January 2018.

Since the accident, EPIC SNCF Mobilités has set up a dedicated team to assist the victims and their families. Under the aegis of the coordination authority designated by the Ministry of Transport, EPIC SNCF Mobilités immediately committed to a compensation programme for the accident's human and material consequences. The liability insurer has now assumed responsibility for the compensation since the date the deductible (€3 million) was exceeded.

As a precautionary measure, on 8 October 2013, SNCF Mobilités and SNCF Réseau launched the Vigirail programme, designed to improve switching safety and upgrade track maintenance. This program includes actions that meet the recommendations issued by the French Land Transport Accident Investigation Bureau (BEA-TT) in its progress report of 10 January 2014. Following the conclusions of the final report made public by the BEA-TT on 18 September 2015, EPIC SNCF Mobilités pledged to implement three new recommendations.

- Appeal to the Conseil d'État for the calculation of old age contribution rates

Having identified an inconsistency in the calculation method for the T1 old age contribution rate used to finance the special retirement plan, SNCF Mobilités requested an amendment from the relevant ministries. In the absence of any response, the company brought the case before the Conseil d'État, which rejected in January 2015 the appeals covering the 2011 and 2012 rates, considering that the cases put forward were not sufficiently justified. On 20 May 2016, considering it to be vitiated by an error of law pursuant to the decree of 28 June 2007, the Conseil d'État cancelled the interministerial decree of 16 July 2014 that determined the definitive T1 components for 2013 and the provisional T1 components for 2014 and thus validated the approach put forward by the company. On 12 July 2016, the Conseil d'État also cancelled the interministerial decree of 27 July 2015 that determined the components of the definitive T1 for 2014 and the provisional T1 for 2015.

With respect to the T1 2013 and 2014 rates, accrued income totalled €66 million in the 31 December 2017 financial statements, of which €58 million for 2016 and an additional income of €8 million for 2017 under "Other operating income and expenses" in the income statement.

In decrees of 2 May and 3 October 2017, the final T1 rates for 2013, 2014, 2015 and 2016 were published in the *Journal Officiel*. They were calculated according to the new method approved by the Conseil d'État.

With respect to 2015 and 2016, due to the Rail Reform impact, the total income acquired by SNCF Mobilités amounted to €23 million.

In a decree of 2 May 2017, the T2 rate, the other flat-rate contribution paid in discharge of liabilities to finance the special railway employee pension plan, was raised by 2 points as at 1 May 2017. On 23 May 2017, the company filed an appeal with the Conseil d'État in accordance with the decree of 28 June 2007, which provides for a revaluation mechanism based on changes in certain ordinary contributions. An additional observation was filed on 25 July 2017 and the French State replied in January 2018. At this stage, no accrued income was recorded in the 2017 financial statements.

- Action for damages relating to work contracts

A settlement agreement dated 19 February 2016 brought an end to the action for damages filed by SNCF, now SNCF Mobilités, against companies that were sanctioned by the French Competition Council on 21 March 2006 in regard to arrangements covering the Eole Magenta and Condorcet stations, with the exception of the non-signatory Bouygues group companies (Bouygues, Bouygues Construction and Bouygues Travaux Publics).

The action for damages is being pursued against the Bouygues group companies before the Paris Administrative Court of Appeal after the Paris Administrative Court, having validated the continuance motion filed by the defendants that had signed the settlement agreement, while acknowledging fraudulent conduct likely to incur the liability of the companies, rejected the EPIC SNCF Mobilités claim in a decision handed down on 31 May 2016 on the grounds that the plaintiff had not demonstrated its loss. In addition, the Bouygues group companies have filed an appeal to invalidate the settlement agreement concluded on 19 February 2016.

There were no developments in 2017.

- Derailment of a test train in Eckwersheim

On 14 November 2015, a test train derailed on the new East European high-speed line from Paris – Strasbourg, leaving 11 dead and 42 injured. In December 2015, a legal investigation for involuntary manslaughter and unintentional injuries was opened.

On 18 and 20 December 2017, Systra (test integrator), consolidated under the equity method within the SNCF Group, and EPIC SNCF Mobilités (in charge of driving the train and measures) were indicted before the "group accidents" division of the Paris Regional Court.

Since the accident, the two entities involved have wished to set up a scheme enabling all the victims of this group accident to receive compensation, regardless of their plan (work-related injury or statutory plan). SNCF was given the task of implementing this scheme "for the benefit of whomsoever it may concern."

From an accounting perspective, as the liabilities have not yet been ascertained, no provision for this compensation was recorded in the EPIC SNCF Mobilités financial statements for the year ended 31 December 2017.

4.5.2.2 Provisions for onerous contracts

Provisions are recognised for long-term contracts when they become onerous, that is to say when the inevitable costs required to satisfy the contractual obligations exceed the future economic benefits expected from these contracts. Provisions are valued based on inevitable costs, which reflect the net contract exit cost, that is to say the lower of the contract performance cost or any other compensation or penalty arising from failure of performance.

There were no onerous contracts at the year-end.

4.5.3 Provisions for tax, employee-related and customs risks

The changes recognised in regard to provisions for tax, employee-related and customs risks stem primarily from the decisions handed down by the Paris Industrial Tribunal in connection with litigations opposing SNCF Mobilités and former employees (see Note 4.5.2.1, Ongoing litigation).

4.5.4 Provisions for restructuring costs

The cost of restructuring measures is provided in full in the year when such measures are decided and announced in sufficient detail prior to the period-end closing in order to create a valid expectation that they will be implemented. Restructuring costs primarily consist of employee departure costs and the cost of writing off non-current assets, inventory and other assets that will no longer be used.

5 EMPLOYEE BENEFITS

5.1 DESCRIPTION OF EMPLOYEE BENEFITS

5.1.1 Pension and similar plans

Through its subsidiaries, the Group participates in pension plans and other employee benefits in accordance with the laws and customs of each country where it is established and outside of the statutory pension plans governed by law. These benefits comprise end-of-career or retirement benefits and bonuses with respect to long-service awards (France), defined benefit pension plans (United Kingdom, Italy (TFR), Germany, the Netherlands, Sweden, Norway, Australia and Canada) and retiree health costs (Canada).

In France, pension benefits paid to an employee at the retirement date are determined in accordance with the national collective agreement or the company agreement in force in the entity. The two main collective agreements in force within the Group are as follows:

- urban public transport collective agreement (CCN_3099) within the Keolis subsidiaries;
- non-rail transport collective agreement (CCN_3085).

These plans can be partially funded.

In Italy, employees receive the *Trattamento di Fine Rapporto di lavoro subordinato* (TFR). This employment termination benefit, payable by the employer regardless of the reason for the contract's termination, takes the form of a single payment representing approximately 1/14th of the annual compensation per year of service. This plan is recorded as a post-employment benefit since the benefits are granted in respect of the service rendered during the working period.

5.1.2 Provident plan

The provident plan concerns supplementary benefits for EPIC SNCF Mobilités top executives not otherwise covered.

5.1.3 Social welfare initiatives

A number of social welfare initiatives have been implemented for the personnel of EPIC SNCF Mobilités: access to infrastructures, consultation of social workers, etc. Both active (short-term benefits) and retired employees (post-employment benefits) may benefit from these initiatives.

A provision in the amount of benefit granted to retired employees was recognised.

5.1.4 Compensation for work-related injuries

Compensation for work-related injuries is self-financed for active and retired employees of EPIC SNCF Mobilités, independently of the current general regime.

Life annuities are provided in full at the date of grant to injured employees without any seniority conditions. They represent long-term (active employees) and post-employment benefits (retired employees).

5.1.5 Gradual cessation of activity

The gradual cessation of activity is a procedure used to adjust the work time of employees who have reached the end of their careers. A work-time formula is thus arranged to provide a transition period between professional activity and retirement. The agreement effective since July 2008 offers the possibility of a gradual or complete cessation for EPIC SNCF Mobilités personnel. The granting of benefits is based on a combination of criteria: years of service, hardship and employee category. The agreement is treated as a long-term benefit in the consolidated financial statements pursuant to IAS 19.

The calculation is mainly based on the assumption related to the expected proportion of employees to be covered by the procedure.

5.1.6 Long-service awards and other benefits

This heading combines the other long-term employee benefits granted by the Group through its subsidiaries, particularly bonuses with respect to long-service awards (France).

5.1.7 Circulation privileges

EPIC SNCF Mobilités personnel (active employees, retired employees and their beneficiaries) receive circulation privileges (CP) which enable them to travel under certain circumstances at prices that differ from the market. The Group considers that these travel privileges do not have a material impact on its production resources.

With respect to active personnel (over the period of activity), no liability is recognised since the CP are granted in consideration for services rendered by the beneficiaries over this period. They thus meet the definition of a short-term benefit.

For active employees over the post-employment period, current retirees and their beneficiaries, considering that the marginal average cost of this programme is lower than the average price paid on reservation, no liability is recorded in the financial statements regarding this post-employment benefit.

5.2 CHANGE IN THE NET POSITION OF THE PLANS

5.2.1 Breakdown of net liabilities (assets)

In € millions	31/12/2017	31/12/2016
Present value of the obligations	2,024	2,036
Fair value of plan assets	-356	-356
Net position of the plans	**1,667**	**1,680**
Effect of the asset ceiling	1	0
Total net liabilities (assets)at closing date	**1,668**	**1,680**
Of which net liabilities recorded	*1,668*	*1,680*
Of which net assets recorded	*1*	*0*

The Group's main employee benefit plans gave rise to the recognition of the following liabilities:

In € millions	31/12/2017	31/12/2016
Pensions and other similar benefits	409	441
Provident obligations	31	29
Social welfare initiatives	181	175
Compensation for work-related injuries	560	536
Liabilities relating to post-employment benefits	**1,181**	**1,181**
Compensation for work-related injuries	28	25
Long-service awards and other benefits	134	142
Gradual cessation of activity	246	260
Time savings account	79	73
Liabilities relating to other long-term benefits	**487**	**499**
Total liabilities	**1,668**	**1,680**
- of which non-current	*1,572*	*1,577*
- of which current	*96*	*103*

5.2.2 Change in net liabilities (assets)

The items explaining the change in net liabilities over the period are as follows:

In € millions	31/12/2017	31/12/2016
Total net liabilities (assets) at opening date	**1,680**	**1,590**
Current service cost	137	116
Past service cost	-5	2
Effect of plan settlements	-2	-1
Net financial interest	24	27
Actuarial gains and losses generated during the period	-5	59
Benefits paid to employees by the company	-123	-98
Employer's fund contribution	-8	-9
Effect of changes in Group structure	-9	4
Foreign exchange impact	-7	-10
Other	-16	0
Total net liabilities (assets) at closing date	**1,668**	**1,680**

In 2017, the net actuarial gain of €5 million was essentially due to the drop in the discount rate observed for all the monetary zones: the loss recognised in "Non-recyclable reserves with respect to post-employment benefits" totalled
-€4 million while the net expense recognised in finance costs under other long-term benefits amounted to €8 million.

In 2016, the net actuarial loss of €59 million was essentially due to the drop in the discount rate observed for all the monetary zones: the loss recognised in "Non-recyclable reserves with respect to post-employment benefits" totalled
-€64 million while the net gain recognised in finance costs under other long-term benefits amounted to €5 million.

The foreign exchange impacts mainly involved the pension plans of UK subsidiaries and stemmed from the decrease in the pound sterling / Euro parity observed since Brexit.

In 2017, the heading "Effect of changes in Group structure" mainly involve STVA for amounts valued on the disposal date in October 2017 (-€7 million for net liabilities and -€21 million for the discounted value of the obligation).

Changes in the present value of obligations, the fair value of plan assets and the net liabilities (assets) for 2017 are as follows:

31/12/2017 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL
Present value of the obligation at opening date	**797**	**29**	**175**	**561**	**333**	**142**	**2,036**
Current service cost	34	1	3	25	37	36	**137**
Employee contribution	0						**0**
Past service cost arising from a plan amendment	-1	0	0	0	0	-3	**-3**
Past service cost arising from a plan curtailment	-1	0	0	0	0	0	**-1**
Effect of settlements	-1	0	0	0	0	-1	**-2**
Finance cost	16	0	3	9	5	1	**34**
Actuarial gains and losses generated during the period	-11	2	7	24	-8	0	**15**
Benefits paid to employees by the company	-20	-1	-7	-32	-27	-36	**-123**
Benefits paid by the fund	-9						**-9**
Effect of changes in Group structure	-22	0	0	0	0	-1	**-23**
Foreign exchange impact	-18					-2	**-21**
Other	0	0	0	0	-15	-2	**-17**
Present value of the obligation at closing date	**765**	**31**	**181**	**588**	**326**	**134**	**2,024**
Of which present value of unfunded obligations	*284*	*31*	*181*	*588*	*326*	*134*	***1,543***
Of which present value of fully or partially funded obligations	*480*						***480***

31/12/2017 In € millions	Pensions and other similar benefits
Fair value of plan assets at opening date	**356**
Implicit return on plan assets	9
Actuarial gains and losses generated during the period	20
Effect of curtailments and settlements	0
Employer's fund contribution	8
Employee fund contribution	0
Benefits paid by the fund	-9
Effect of changes in Group structure	-13
Foreign exchange impact	-14
Other	-1
Fair value of plan assets at closing date	**356**

Effect of the asset ceiling at opening date	**0**
Change in effect of the asset ceiling	0
Interest expense on effect of the asset ceiling	0
Effect of the asset ceiling at closing date	**1**

31/12/2017 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL
(+) Present value of the obligation at closing date	765	31	181	588	326	134	**2,024**
(-) Fair value of plan assets at closing date	-356	0	0	0	0	0	**-356**
(-) Effect of the asset ceiling at closing date	-1	0	0	0	0	0	**-1**
Total net liabilities (assets) at closing date	**409**	**31**	**181**	**588**	**326**	**134**	**1,668**
Assets available after effect of the asset ceiling	1						**1**
Total liabilities at closing date	**410**	**31**	**181**	**588**	**326**	**134**	**1,669**

Changes in the present value of obligations, the fair value of plan assets and the net liabilities (assets) for 2016 are as follows:

31/12/2016 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL
Present value of the obligation at opening date	**728**	**33**	**181**	**554**	**327**	**126**	**1,949**
Current service cost	31	1	3	24	32	26	**116**
Employee contribution	0						**0**
Past service cost arising from a plan amendment	0	0	0	0	0	6	**6**
Past service cost arising from a plan curtailment	-2	0	0	0	0	-2	**-4**
Effect of settlements	-2	0	0	0	0	0	**-2**
Finance cost	19	1	3	9	6	2	**40**
Actuarial gains and losses generated during the period	98	-4	-4	6	-3	-3	**91**
Benefits paid to employees by the company	-13	-1	-8	-32	-29	-15	**-98**
Benefits paid by the fund	-10	0	0	0	0	0	**-10**
Effect of changes in Group structure	3	0	0	0	0	1	**4**
Foreign exchange impact	-55					1	**-54**
Other	0	0	0	0	0	0	**0**
Present value of the obligation at closing date	**797**	**29**	**175**	**561**	**333**	**142**	**2,036**
Of which present value of unfunded obligations	*285*	*29*	*175*	*561*	*333*	*142*	***1,524***
Of which present value of fully or partially funded obligations	*512*						***512***

31/12/2016 In € millions	Pensions and other similar benefits
Fair value of plan assets at opening date	**358**
Implicit return on plan assets	13
Actuarial gains and losses generated during the period	32
Effect of curtailments and settlements	-1
Employer's fund contribution	9
Employee fund contribution	0
Benefits paid by the fund	-10
Effect of changes in Group structure	0
Foreign exchange impact	-44
Other	-1
Fair value of plan assets at closing date	**356**

Effect of the asset ceiling at opening date	**1**
Change in effect of the asset ceiling	0
Interest expense on effect of the asset ceiling	0
Effect of the asset ceiling at closing date	**0**

31/12/2016 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL
(+) Present value of the obligation at closing date	797	29	175	561	333	142	**2,036**
(-) Fair value of plan assets at closing date	-356	0	0	0	0	0	**-356**
(-) Effect of the asset ceiling at closing date	0	0	0	0	0	0	**0**
Total net liabilities (assets) at closing date	**441**	**29**	**175**	**561**	**333**	**142**	**1,680**
Assets available after effect of the asset ceiling	0						**0**
Total liabilities at closing date	**441**	**29**	**175**	**561**	**333**	**142**	**1,680**

5.2.3 Breakdown of plan assets

In € millions	31/12/2017	31/12/2016
Bonds	82	80
Shares	251	246
Real estate	1	3
Cash and cash equivalents	2	2
Other	21	25
Total fair value of plan assets	**356**	**356**
Of which active market	*350*	*315*
Of which Euro zone	*14*	*15*

Assets mainly concern the pension plans for the Group's UK subsidiaries.

5.2.4 Reimbursement rights

Certain SNCF Logistics subsidiaries, mainly in Germany, have reimbursement rights (€12.1 million as at 31 December 2017, compared to €11.4 million as at 31 December 2016), which are recognised at fair value as a separate asset in the statement of financial position. Actuarial gains and losses generated over the period with respect to these reimbursement rights are recognised immediately in non-recyclable reserves, under the same terms and conditions as the actuarial gains and losses arising from the plan assets.

5.2.5 Analysis of contributions payable to the pension fund in Y+1

Under plans totally or partially funded by plan assets (mainly in Anglo-Saxon countries), the contributions payable in fiscal 2018 by companies and/or beneficiaries break down as follows:

31/12/2017 **In € millions**	Pensions and other similar benefits
Employer's fund contribution	7
Employee fund contribution	5
Total contributions payable	**12**

31/12/2016 **In € millions**	Pensions and other similar benefits
Employer's fund contribution	8
Employee fund contribution	5
Total contributions payable	**13**

5.3 EMPLOYEE BENEFIT PLAN EXPENSES

For the basic plans and other defined-contribution plans, the Group expenses contributions payable when they are due. No provisions are recognised as the Group does not have any obligation beyond the contributions paid. This has primarily involved the special retirement plan for employees with SNCF qualifying status since the creation of the SNCF Employee Pension and Provident Fund in 2007.

In the case of defined-benefit plans, when benefits are covered by third parties (insurance contracts, provident organisations unrelated to the Group), and the Group has no legal or implicit obligation to cover any losses relating to past services over the period or prior periods, no obligation is recognised and the insurance/provident premiums paid are recognised as payments to a defined contribution plan, the obligation to provide benefits to employees being the sole responsibility of the third party organisation.

In the other cases, the obligations are subject to actuarial valuations and provisions are recorded on the balance sheet upon vesting of benefit rights by employees. The actuarial liability (or present value of the obligation with respect to defined benefits) is determined according to the projected unit credit actuarial method, which stipulates that each period of service gives rise to an additional unit of benefit and measures each unit separately to determine the final obligation.

These calculations include assumptions concerning the discount rate, mortality, employee turnover and expected future salary levels.

In the case of plans partially or fully funded by plan assets, the net liability (asset) is recognised in the amount of the negative or positive difference between the present value of the obligation and the fair value of the plan assets.

Changes in the net obligation are recorded according to their nature. The net charge is recognised:

- In current operating profit (within gross profit under "Employee benefit expense") for the portion corresponding to service costs representing the straight-line vesting of benefits, past service costs relating to a plan amendment and curtailment and the impact of settlements. Past service costs are immediately recorded in profit or loss whether the rights are vested or not.

- In finance cost for the portion corresponding to the net financial interest (cost of the reverse discounting of the debt less the implicit return on plan assets, if any, and the interest on the asset ceiling impact) and the actuarial gains and losses generated by other long-term benefits.

5.3.1 Net expense with respect to defined benefit plans

The income statement expense for 2017 and 2016 breaks down as follows.

31/12/2017 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL
Current service cost	34	1	3	25	37	36	**137**
Past service cost	-1	0	0	0	0	-3	**-5**
Of which effect of plan amendments	*-1*	*0*	*0*	*0*	*0*	*-3*	***-3***
Of which effect of plan curtailments	*-1*	*0*	*0*	*0*	*0*	*0*	***-1***
Effect of settlements on the obligation	-1	0	0	0	0	-1	**-2**
Effect of settlements on plan assets	0						**0**
Other	0	0	0	0	0	0	**0**
Gross profit	**32**	**1**	**3**	**25**	**37**	**32**	**131**
Net financial interest	6	0	3	9	5	1	**25**
Of which finance cost	*16*	*0*	*3*	*9*	*5*	*1*	***34***
Of which implicit return on plan assets	*-9*						***-9***
Of which interest on asset ceiling	*0*						***0***
Actuarial gains and losses generated during the year with respect to long-term benefits	0			0	-8	0	**-7**
Other	1	0	0	0	0	0	***1***
Finance cost	**7**	**0**	**3**	**9**	**-3**	**2**	**19**
Total expense recognised	**39**	**1**	**6**	**34**	**35**	**34**	**149**

31/12/2016 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL
Current service cost	31	1	3	24	32	26	**116**
Past service cost	-2	0	0	0	0	4	**2**
Of which effect of plan amendments	*0*	*0*	*0*	*0*	*0*	*6*	***6***
Of which effect of plan curtailments	*-2*	*0*	*0*	*0*	*0*	*-2*	***-4***
Effect of settlements on the obligation	-2	0	0	0	0	0	**-2**
Effect of settlements on plan assets	1						**1**
Other	1	0	0	0	0	0	**0**
Gross profit	**29**	**1**	**3**	**24**	**32**	**29**	**117**
Net financial interest	6	1	3	9	6	2	**26**
Of which finance cost	*19*	*1*	*3*	*9*	*6*	*2*	***40***
Of which implicit return on plan assets	*-13*						***-13***
Of which interest on asset ceiling	*0*						***0***
Actuarial gains and losses generated during the year with respect to long-term benefits	0			0	-3	-3	**-6**
Other	1	0	0	0	0	0	***1***
Finance cost	**6**	**1**	**3**	**9**	**2**	**0**	**21**
Total expense recognised	**35**	**1**	**6**	**33**	**34**	**29**	**139**

5.3.2 Net expense with respect to defined contribution plans

The expense recorded for defined contribution plans included in "Employee benefits expense" amounted to €1.0 billion in 2017 (€0.9 billion in 2016). It has primarily involved the special retirement plan for employees with SNCF qualifying status since the creation of the SNCF Employee Pension and Provident Fund in 2007.

5.3.3 Remeasurements of the net defined liability (asset) benefit in non-recyclable reserves

As of 1 January 2013, given the application of IAS 19 revised and the elimination of the corridor method, the actuarial gains and losses generated over the period for post-employment benefits are immediately offset in non-recyclable reserves (equity).

In the event of the partial or total derecognition of the liability, the gains and losses will never be transferred to profit or loss in subsequent periods. Where necessary, they may be transferred to another equity component (mainly Other reserves).

Actuarial gains and losses generated for other long-term benefits (compensation for work-related injuries of active employees over the period of service, long service awards, time-savings account and gradual cessation of activity) continue to be immediately recognised in finance costs over the period.

31/12/2017 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Post-employment compensation for work-related injuries	TOTAL
(losses) and gains					
Remeasurements at opening date	-216	-7	70	-312	-465
Actuarial gains and losses generated during the year with respect to obligations	11	-2	-7	-24	**-22**
Actuarial gains and losses generated during the year with respect to plan assets	20				**20**
Actuarial gains and losses generated during the year with respect to reimbursement rights	0				**0**
Net changes in the effect of the asset ceiling	0				**0**
Foreign exchange impact	5				**5**
Other	-1				**-1**
Remeasurements at the closing date	-182	-10	63	-335	-464

31/12/2016 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Post-employment compensation for work-related injuries	TOTAL
(losses) and gains					
Remeasurements at opening date	-160	-11	66	-306	-411
Actuarial gains and losses generated during the year with respect to obligations	-98	4	4	-6	**-97**
Actuarial gains and losses generated during the year with respect to plan assets	32				**32**
Actuarial gains and losses generated during the year with respect to reimbursement rights	0				**0**
Net changes in the effect of the asset ceiling	0				**0**
Foreign exchange impact	11				**11**
Other	0				**0**
Remeasurements at the closing date	-216	-7	70	-312	-465

5.4 ACTUARIAL ASSUMPTIONS AND GAINS AND LOSSES

5.4.1 Main actuarial assumptions used

Provisions for employee obligations are calculated on an actuarial basis, using the projected unit credit method. The parameters used in the modelling of the main employee benefits are as follows:

Discount rate

Obligations relating to the main post-employment benefits were discounted at the closing dates market rate based on leading corporate bonds of comparable maturity. The benchmark used to determine the discount rate is Bloomberg AA for the Eurozone. The last two rates indicated correspond to the plans of the subsidiaries that apply the rail (Geodis) and freight transport collective agreements. The rate for Sweden concerns the plans covering the subsidiaries of the SNCF Logistics business unit, while that for the UK concerns Eurostar, the subsidiary of the Voyages SNCF business unit.

Mortality table

Since the second half of 2013, EPIC SNCF Mobilités social welfare initiatives and provident obligations have been measured using a prospective mortality table by gender specific to railway employees (special pension plan base). This table prepared by the Caisse de Prévoyance Retraite (provident pension fund) was validated by a certifying actuary.

A table including a degradation coefficient was extrapolated for compensation for work-related injuries/illnesses. Based on the CPR certified table, the mortality tables of the other plans were also modified.

These mortality table changes satisfy the requirement of the revised standard according to which mortality assumptions must reflect that of the plan members both during and after employment.

Gradual cessation of activity plan membership

The amount of the obligation under the gradual cessation of activity agreement was calculated using a membership assumption. In connection with the rail reform and the transfers on 1 July 2015, the breakdown of the commitment between the EPICs was determined using a different rate. The membership rate of EPIC SNCF Mobilités beneficiaries is 25.94%, unchanged since 2015. A 100 point increase or decrease in this assumption would have an impact of around €9 million on the obligation amount (€10 million as at 31 December 2016).

5.4.1.1 Assumptions used for the EPIC SNCF Mobilités main plans

As the obligations under the EPIC SNCF Mobilités plans represent more than 71% of the Group total, the actuarial assumptions used for their measurement are described below.

	31/12/2017	31/12/2016
Discount rate	1.23%	1.60%
Inflation rate	1.75%	1.75%
Benefit remeasurement rate		
Provident plan	*2.40%*	*2.40%*
Social welfare initiatives	*1.75%*	*1.75%*
Compensation for work-related injuries	*1.75%*	*1.75%*
Gradual cessation of activity	*2.37%*	*2.37%*
Retirement benefits and long-service awards	*2.37%*	*2.37%*
Mortality table		
Provident obligations and social welfare initiatives	*CPR M / CPRF*	*CPR M / CPRF*
Active and retired employees with work-related injuries	*CPR AT*	*CPR AT*
Widows of employees with work-related injuries	*CPR F*	*CPR F*
Gradual cessation of activity	*CPR 80%M 20%W*	*CPR 80%M 20%W*
Retirement benefits and long-service awards	*CPR 80%M 20%W*	*CPR 80%M 20%W*
Gradual cessation of activity plan membership	25.94%	25.94%

5.4.1.2 Assumptions used for other plans by geographical area

With respect to the plans granted by Group subsidiaries, the assumptions used for the principal monetary zones according to the plan terms are as follows:

	31/12/2017					31/12/2016				
	Eurozone			UK	Sweden	Eurozone			UK	Sweden
	Geodis Logistics Deutschland GmbH	SNCF Logistics	Keolis	Eurostar	Geodis Wilson Holding AB	Geodis Logistics Deutschland GmbH	SNCF Logistics	Keolis	Eurostar	Geodis Wilson Holding AB
Discount rate	1.35%	1.10%	0.88%	2.70%	2.80%	1.23%	0.96%	1.21%	2.60%	2.75%
Salary increase rate	2.00%	2.61%	4.34%	2.60%	3.00%	2.00%	3.22%	4.34%	2.70%	3.00%
Inflation rate	1.75%	1.75%	1.75%	3.20%	2.00%	1.75%	1.75%	1.75%	3.30%	1.50%

5.4.2 Analysis by nature of actuarial gains and losses

Actuarial gains and losses are recognised according to the plan's qualification:

- For defined benefit plans covering post-employment benefits, actuarial gains and losses are recognised in other comprehensive income under non-recyclable reserves. They are never recycled in profit or loss but can be reclassified in undistributed reserves if the entity concerned is removed from the consolidation scope.
- For other long-term defined benefit plans (long-service awards, unemployment, salary maintenance, gradual cessation of activity, etc.), actuarial gains and losses and any past service costs are immediately recognised in finance cost.

5.4.2.1 Change and breakdown of actuarial gains and losses

31/12/2017 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	employment compensation for work-related	**TOTAL Post-employment benefits**	Long-term compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits (*)	**TOTAL Long-term benefits**
Opening actuarial gains (losses)	**-216**	**-7**	**70**	**-312**	**-465**				
Experience adjustments relating to liabilities	-12	-1	4	7	**-2**	0	24	4	**28**
Effects of changes in demographic assumptions relating to liabilities	11	0	0	0	**11**	0	0	0	**0**
Effects of changes in financial assumptions relating to liabilities	12	-2	-10	-31	**-30**	-1	-16	-4	**-22**
Actuarial gains and losses on the obligation generated over the year	**11**	**-2**	**-7**	**-24**	**-22**	**0**	**8**	**0**	**7**
Experience adjustments relating to assets	20				**20**				
Effects of changes in financial assumptions relating to assets	0				**0**				
Actuarial gains and losses generated during the year with respect to plan assets	**20**				**20**				
Foreign exchange impact	5				**5**				
Other	-1				**-1**				
Closing actuarial gains (losses)	**-182**	**-10**	**63**	**-335**	**-464**				
Total experience adjustments	*8*	*-1*	*4*	*7*	***17***	*0*	*24*	*4*	***28***
Total impacts relating to changes in actuarial assumptions	*23*	*-2*	*-10*	*-31*	***-19***	*-1*	*-16*	*-4*	***-22***

31/12/2016 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Post-employment compensation for work-related injuries	**TOTAL Post-employment benefits**	Long-term compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits (*)	**TOTAL Long-term benefits**
Opening actuarial gains (losses)	**-160**	**-11**	**66**	**-306**	**-411**				
Experience adjustments relating to liabilities	3	3	8	6	**20**	0	9	4	**14**
Effects of changes in demographic assumptions relating to liabilities	0	0	0	0	**0**	0	0	0	**0**
Effects of changes in financial assumptions relating to liabilities	-102	1	-4	-12	**-116**	0	-6	-1	**-8**
Actuarial gains and losses on the obligation generated over the year	**-98**	**4**	**4**	**-6**	**-97**	**0**	**3**	**3**	**6**
					0				**0**
Experience adjustments relating to assets	32				**32**				**0**
Effects of changes in financial assumptions relating to assets	0				**0**				**0**
Actuarial gains and losses generated during the year with respect to plan assets	**32**				**32**				**0**
Foreign exchange impact	11				**11**				**0**
Other	0				**0**				**0**
Closing actuarial gains (losses)	**-216**	**-7**	**70**	**-312**	**-465**				**0**
Total experience adjustments	*35*	*3*	*8*	*6*	***51***	*0*	*9*	*4*	***14***
Total impacts relating to changes in actuarial assumptions	*-102*	*1*	*-4*	*-12*	***-116***	*0*	*-6*	*-1*	***-8***

(*) For other long-term benefits, actuarial gains and losses were not monitored as they have always been recognised immediately in net finance cost for the period.

With respect to fiscal 2017, the impacts relating to changes in financial assumptions were mainly due to the decline in the discount rate.

With respect to fiscal 2016, the impacts relating to changes in financial assumptions were mainly due to the decline in the discount rate. Those relating to experience adjustments were primarily due to the decline in the number of beneficiaries on certain EPIC SNCF Mobilités plans.

5.4.2.2 Analysis of the obligation's sensitivity to the main actuarial assumptions

The amounts below correspond to the decrease (actuarial gain) or increase (actuarial loss) in obligations as recognised as at 31 December 2017.

31/12/2017 In € millions Gains (-) / Losses (+)	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account
Sensitivity to the discount rate					
Change of + 0.25 pt	-39	-1	-7	-22	-9
Change of - 0.25 pt	28	1	8	23	10
Sensitivity to the inflation rate					
Change of + 0.25 pt		1	7	23	
Change of - 0.25 pt		-1	-7	-22	
Sensitivity to Gradual cessation of activity membership rate					
Change of + 1pt					9
Change of - 1pt					-9

31/12/2016 In € millions Gains (-) / Losses (+)	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account
Sensitivity to the discount rate					
Change of + 0.25 pt	-34	-1	-6	-20	-9
Change of - 0.25 pt	34	1	7	21	9
Sensitivity to the inflation rate					
Change of + 0.25 pt		1	7	21	0
Change of - 0.25 pt		-1	-6	-20	0
Sensitivity to Gradual cessation of activity membership rate					
Change of + 1pt					10
Change of - 1pt					-10

5.5 MANAGEMENT COMPENSATION

The Group's key management personnel are the Chairman and CEO, General Directors and Deputy General Directors. It also includes other members of the Executive Committee.

Their cumulative taxable compensation indicated below corresponds to short-term benefits. The prior year amount corresponded to a net compensation. It was adjusted to reflect the gross compensation.

In € millions	31/12/2017	31/12/2016
Short-term benefits	2.8	2.6
Post-employment benefits	0.0	0.0
Termination benefits	0.0	0.0
Total	**2.8**	**2.6**

6 CAPITAL AND FINANCING

6.1 NET INDEBTEDNESS

Net indebtedness is the sum of current and non-current financial liabilities less current and non-current financial assets, when the latter arise from transactions which, in substance, only involve exchanges of cash flow: issue or receipt of cash in consideration for a cash reimbursement or expected cash reimbursement. Net indebtedness excludes the following items:

- Pension assets and liabilities which are covered by IAS 19 and presented in Note 5.
- Concession financial assets and liabilities, as they compensate for a transportation service or the right to use an infrastructure under a concession agreement.
- Non-controlling interest purchase commitments as they are equity transactions and do not involve an exchange of cash flow. Keeping in line with the exclusion of equity from net indebtedness, the financial liabilities arising from these transactions are also excluded.
- Non-consolidated investments, classified as available-for-sale assets.

6.1.1 Net borrowing costs

Net borrowing costs consist of:

- interest paid on Group borrowings;
- proceeds from the SNCF Réseau receivable (see Note 6.1.2.1);
- proceeds from the Public Debt Fund receivable (see Note 6.1.2.2);
- and interest received on available cash balances.

These items are presented after hedging transactions and include fair value gains and losses on derivative instruments not qualifying for IFRS hedge accounting. Net changes in fair value and hedges records gains and losses on financial instruments at fair value through profit or loss, the ineffective portion of hedges, and the change in fair value of borrowings using the fair value option.

Net borrowing and other costs break down as follows:

In € millions	31/12/2017	31/12/2016	Change
Net changes in fair value and hedges	13	36	-23
Net borrowing costs	-259	-301	42
Other interest expense and income	-26	-14	-12
Net borrowing and other costs	**-272**	**-279**	**7**

In € millions	31/12/2017	31/12/2016	Change
Interest expense	-628	-796	167
Interest income	356	516	-160
Net borrowing and other costs	**-272**	**-279**	**7**

6.1.2 Calculation of net indebtedness

The following tables present the categories and classes of financial assets and liabilities as well as the methods used for their fair value measurement.

The items excluded from the net indebtedness calculation do not appear in the "Net indebtedness" column or the "Group net indebtedness" sub-total.

Financial assets or liabilities maturing in less than 12 months at the balance sheet date are recorded in current financial assets or current financial liabilities. The fair value of asset or liability derivative instruments is classified as current or non-current based on the final maturity of the derivative.

The loans, borrowings and fair value of derivative instrument line items include accrued interest.

"Regular way" purchases are recorded at the settlement date.

The level of hierarchy used to calculate the fair value of financial instruments, whether recognised at fair value or amortised cost, is shown by category and comprises the following three levels under IFRS 13:

- Level 1: fair value measured using quoted prices by reference to the closing stock market price for listed financial instruments.
- Level 2: fair value measured using inputs other than quoted prices that are observable directly or indirectly on the market. It is used for unlisted financial instruments, for which there exists listed instruments of a similar nature and maturity and by reference to the stock market price of such instruments.
- Level 3: fair value determined using valuation techniques not based on observable market data. It is used for other unlisted instruments. The fair value is determined using valuation techniques such as the revalued net asset method, discounted cash flows or option valuation models.

31/12/2017 **Balance sheet heading and classes of financial instruments** **In € millions**	**Note**	**Non-current**	**Current**	**Net indebtedness**	Financial instruments				Total	Fair value			
					At fair value through equity	Loans, receivables, debt at amortised cost	At fair value through profit or loss	Derivatives qualified for hedging	Net carrying amount of the class on the balance sheet	Fair value of the class	Level 1	Level 2	Level 3
SNCF Réseau receivable	*6.1.2.1*	665	26	691	-	691	-	-	691	981	-	981	-
SNCF receivable	*6.1.2.1*	356	51	407	-	407	-	-	407	448	-	448	-
Public Debt Fund receivable	*6.1.2.2*	1,491	42	1,533	-	1,533	-	-	1,533	1,923	-	1,923	-
Cash collateral assets		-	573	573	-	573	-	-	573	573	-	573	-
Other loans and receivables	*6.1.2.3*	453	57	510	-	510	-	-	510	530	1	528	1
Concession financial assets	*3.2*	1,195	117		-	1,312	-	-	1,312	1,439	-	1,439	-
Sub-total loans and receivables		**4,160**	**867**	**3,715**	**-**	**5,027**	**-**	**-**	**5,027**	**5,895**	**1**	**5,892**	**1**
Pension assets	5	13											
Available-for-sale assets	*6.1.2.4*	229	0		229	-	-	-	229	229	-	38	191
Assets at fair value through profit or loss	*6.1.2.5*	-	1	1	-	-	1	-	1	1	1	0	-
Positive fair value of hedging derivatives	6.3	336	91	426	-	-	-	426	426	426	-	426	-
Positive fair value of trading derivatives	6.3	736	115	852	-	-	852	-	852	852	-	852	-
Cash and cash equivalents	*6.1.2.7*	-	6,394	6,394	-	-	6,394	-	6,394	6,394	5,624	770	0
Total current and non-current financial assets		5,474	7,468	11,387	229	5,027	7,246	426	12,929	13,796	5,626	7,978	193
Bonds		10,878	1,598	12,476	-	12,297	179	-	12,476	14,598	-	14,598	-
Bank borrowings		2,004	95	2,099	-	2,099	-	-	2,099	2,112	0	2,111	0
Finance-lease borrowings		641	217	858	-	858	-	-	858	857	0	857	0
Sub-total borrowings	*6.1.2.6*	**13,523**	**1,910**	**15,433**	**-**	**15,254**	**179**	**-**	**15,433**	**17,566**	**0**	**17,566**	**0**
of which:		-	-	-	-	-	-	-	-	-	-	-	-
- measured at amortised cost		*11,215*	*1,837*	*13,052*	-	*13,052*	-	-	*13,052*	*15,085*	*0*	*15,084*	*0*
- recognised using fair value hedge accounting		*2,162*	*40*	*2,202*	-	*2,202*	-	-	*2,202*	*2,302*	-	*2,302*	-
- designated at fair value (*)		*147*	*32*	*179*	-	-	*179*	-	*179*	*179*	-	*179*	-
Negative fair value of hedging derivatives	6.3	494	31	525	-	-	-	525	525	525	-	525	-
Negative fair value of trading derivatives	6.3	590	114	704	-	-	704	-	704	704	-	704	-
Loans and borrowings		**14,608**	**2,054**	**16,662**	**-**	**15,254**	**883**	**525**	**16,662**	**18,795**	**0**	**18,794**	**0**
Cash borrowings and overdrafts	*6.1.2.7*	-	2,640	2,640	-	2,640	-	-	2,640	2,640	262	2,378	-
Amounts payable on non-controlling interest purchase commitments	*6.1.2.6*	1,275	-		1,275	-	-	-	1,275	1,275	-	-	1,275
Total current and non-current liabilities		15,883	4,693	19,301	1,275	17,893	883	525	20,576	22,710	262	21,172	1,275
		-	-	-	-	-	-	-	-	-	-	-	-
Group net indebtedness		10,571	-2,657	7,914	-	14,178	-6,364	99	7,914	9,307	-5,364	14,671	-1

(*) The nominal amount of liabilities designated under the fair value option was €145 million.

31/12/2016 Balance sheet heading and classes of financial instruments In € millions	Note	Non-current	Current	Net indebtedness	Financial instruments: At fair value through equity	Financial instruments: Loans, receivables, debt at amortised cost	Financial instruments: At fair value through profit or loss	Financial instruments: Derivatives qualified for hedging	Total: Net carrying amount of the class on the balance sheet	Fair value: Fair value of the class	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3
SNCF Réseau receivable	*6.1.2.1*	670	27	697	-	697	-	-	697	1,045	-	1,045	-
SNCF receivable	*6.1.2.1*	405	51	456	-	456	-	-	456	511	-	511	-
Public Debt Fund receivable	*6.1.2.2*	1,503	42	1,545	-	1,545	-	-	1,545	2,041	-	2,041	-
Cash collateral assets		-	802	802	-	802	-	-	802	802	0	802	-
Other loans and receivables	*6.1.2.3*	488	103	591	-	591	-	-	591	620	7	611	2
Concession financial assets	*3.2*	1,227	155		-	1,383	-	-	1,383	1,603	-	1,603	-
Sub-total loans and receivables		**4,293**	**1,180**	**4,091**	**-**	**5,473**	**-**	**-**	**5,473**	**6,622**	**7**	**6,613**	**2**
Pension assets	5	12									-	-	-
Available-for-sale assets	*6.1.2.4*	204	-		204	-	-	-	204	204	0	0	204
Assets at fair value through profit or loss	*6.1.2.5*	-	0	0	-	-	0	-	0	0	0	-	-
Positive fair value of hedging derivatives	6.3	567	51	617	-	-	-	617	617	617	-	617	-
Positive fair value of trading derivatives	6.3	912	118	1,030	-	-	1,030	-	1,030	1,030	-	1,030	-
Cash and cash equivalents	*6.1.2.7*	-	4,584	4,584	-	-	4,584	-	4,584	4,584	4,150	434	0
Total current and non-current financial assets		5,988	5,932	10,322	204	5,473	5,614	617	11,909	13,058	4,157	8,694	207
Bonds		10,526	906	11,432	-	11,237	195	-	11,432	13,962	-	13,962	-
Bank borrowings		1,698	147	1,845	-	1,845	-	-	1,845	1,870	1	1,869	0
Finance-lease borrowings		796	64	860	-	860	-	-	860	864	0	864	-
Sub-total borrowings	*6.1.2.6*	**13,020**	**1,117**	**14,137**	**-**	**13,942**	**195**	**-**	**14,137**	**16,697**	**1**	**16,696**	**0**
of which:													
- measured at amortised cost		*11,446*	*998*	*12,444*	-	*12,444*	-	-	*12,444*	*14,936*	*1*	*14,935*	*0*
- recognised using fair value hedge accounting		*1,381*	*118*	*1,499*	-	*1,499*	-	-	*1,499*	*1,566*	*0*	*1,566*	-
- designated at fair value (*)		*193*	*2*	*195*	-	-	*195*	-	*195*	*195*	*0*	*194*	*0*
Negative fair value of hedging derivatives	6.3	549	44	593	-	-	-	593	593	593	-	593	-
Negative fair value of trading derivatives	6.3	736	86	822	-	-	822	-	822	822	-	822	-
Loans and borrowings		**14,305**	**1,247**	**15,552**	**-**	**13,942**	**1,017**	**593**	**15,552**	**18,111**	**1**	**18,110**	**0**
Cash borrowings and overdrafts	*6.1.2.7*	-	2,744	2,744	-	2,744	-	-	2,744	2,744	287	2,457	-
Amounts payable on non-controlling interest purchase commitments	*6.1.2.6*	1,176	1		1,177	-	-	-	1,177	1,177	-	1,146	31
Total current and non-current liabilities		15,481	3,992	18,296	1,177	16,686	1,017	593	19,473	22,032	288	21,713	31
Group net indebtedness		9,760	-1,786	7,974	-	12,595	-4,597	-25	7,974	9,605	-3,869	13,477	-2

* The nominal amount of liabilities designated under the fair value option was €153 million.

6.1.2.1 Public Rail Group receivables

SNCF Réseau (formerly Réseau Ferré de France until 31 December 2014) receivable

In the law of 13 February 1997 that led to the creation of Réseau Ferré de France (RFF), Article 7 provides for the transfer of a €20.5 billion liability to Réseau Ferré de France in consideration of the transfer of infrastructure assets as at 1 January 1997.

This transfer resulted in the recognition of an RFF receivable in the SNCF Mobilités Group's assets, with no change in liabilities.

The RFF receivable was constructed line by line so as to present a maturity, currency and interest rate structure identical in all respects to that of the company's liability, which totalled €30.3 billion as at 31 December 1996, after swap contracts.

The 1996 year-end exchange rate was the initial rate used for the foreign currencies included in the receivable.

Deferred income and expenses corresponding to issue premiums and costs or swap contract income or expenses were also transferred, resulting in a cash payment. This payment was recognised in the SNCF Mobilités Group financial statements as deferred income, which is released to the income statement according to the maturities of the corresponding transactions.

The RFF receivable is embodied in an agreement signed by both companies.

The receivable is recorded at amortised cost and, where appropriate, is subject to fair value or cash flow hedge accounting. As at 31 December 2017, the SNCF Réseau receivable was not subject to fair value or cash flow hedging, as was the case as at 31 December 2016.

SNCF receivable

The SNCF receivable resulted from the transfers pursuant to the Law of 4 August 2014 on rail reform. It reflects the fixed-rate payment by SNCF of the transfer price in ten annual instalments until 1 July 2025 and is recognized at amortised cost.

6.1.2.2 Public debt fund receivable

In accordance with the corporate plan (contrat de plan) signed by the French State and SNCF Mobilités (formerly SNCF) in 1990, a Special Debt Account was set up on 1 January 1991 in order to isolate a portion of SNCF Mobilités' debt.

On the preparation of SNCF Mobilités opening IFRS balance sheet as at 1 January 2006, the debt from the Special Debt Account was transferred to the EPIC Mobilités balance sheet. At the same time, confirmation of the French State's commitment to contribute to the amortisation and servicing of the debt led to the recognition of a receivable in respect of expected payments from the French State.

In December 2007, in order to find a long-term and definitive solution to the future of these commitments and the financing of Special Debt Account debts, a series of transactions were carried out in order to replace the French State receivable with a Public Debt Fund receivable, the terms and conditions of which reflect commitments to third-parties ring-fenced in the Special Debt Account.

Following these transactions, SNCF Mobilités:

- remains indebted towards holders of securities with the banking counterparties of forward financial instruments (foreign currency and interest rate swaps) it has contracted;
- holds a receivable on the Public Debt Fund exactly reflecting the amount of the Special Debt Account debt and its terms and conditions and also covering the related derivatives.

The method of accounting for the receivable is unchanged in relation to the method that had been adopted for the recognition of a receivable in respect of expected payments from the French State in the opening IFRS balance sheet as at 1 January 2006, namely:

- the receivable is initially recorded, at the transfer date, at the fair value of debts transferred and subsequently at amortised cost;
- derivative instruments relating to the receivable are recorded at fair value, with gains and losses on remeasurement recognised in profit or loss.

The net carrying amounts do not include derivative instruments.

6.1.2.3 Other loans and receivables

Other loans and receivables include the investment-related receivables, "construction assistance" loans and other loans and guarantee deposits (excluding cash collateral assets) These financial instruments are initially valued at fair value and then subsequently at amortised cost based on the effective interest rate (EIR).

These instruments are presented in non-current assets, except for assets maturing in less than 12 months at the closing date, which are recorded in current assets.

In the event of an objective indication of impairment of financial assets, which is to say a significant and extended fall in an asset's value, an impairment loss is recognised through profit or loss. An objective indication arises from the Group's knowledge of the debtor's financial difficulties (payment default, liquidation, etc.).

6.1.2.4 Available-for-sale assets

Available-for-sale assets include Group investments in the share capital of non-consolidated companies for €229 million (€204 million as at 31 December 2016) that the Group does not hold for short-term profit (particularly the low-rental housing companies (ESH) described in Note 10.2) and investments that do not qualify for inclusion in other asset categories.

Group investments are measured at fair value unless this cannot be reliably determined, in which case they are retained in the balance sheet at acquisition cost. Fair value is determined based on the financial criteria most appropriate to the specific situation of each company. It is measured according to Level 1 when quoted prices are available, according to Level 2 when similar transaction prices are observable on the market, and, otherwise, according to Level 3, based on the share of equity or profitability outlooks.

Other investments are measured at fair value using the market data, yield curves and credit spreads of each securities issuer. The measurement of these investments is compared to the listed price when available.

Fair value gains and losses on available-for-sale assets are recorded in a specific account in other comprehensive income. Amounts recognised in equity are only transferred to profit or loss on disposal of the asset. In the event of a significant or extended fall in the fair value below the net carrying amount, an impairment loss is recognised. This is recorded in an impairment loss account through profit or loss and cannot be reversed if it concerns shares.

6.1.2.5 Assets at fair value through profit or loss (trading assets)

Trading assets consist of assets that the Group intends to sell in the near term in order to realise a capital gain and assets recorded in this category by designation.

In particular, SNCF Mobilités Group cash flow is globally managed pursuant to a general market risk management framework approved by the Board of Directors and combining investments in negotiable debt instruments and French money market mutual funds (UCITS). Its performance is measured, in the same way as that of UCITS, by reference to EONIA (Euro Overnight Index Average). As UCITS are measured at net asset value taking into account portfolio fair value, and in order to achieve overall consistency, investments with an initial maturity of more than three months are recorded in this category by designation.

Assets are measured at fair value at the balance sheet date and fair value gains and losses are recorded in finance cost.

6.1.2.6 Current and non-current liabilities

Financial liabilities include guarantee deposits received in respect of derivative instruments. The outstanding amounts of these deposits are included in the aggregate "Cash collateral liabilities."

Borrowings and other financial liabilities are initially measured at fair value less transaction costs and subsequently at amortised cost determined using the effective interest rate.

Certain borrowings are subject to fair value or cash flow hedge accounting. In addition, certain borrowings with detachable embedded derivatives recorded using hedge accounting are recorded at fair value ("fair value" option). Fair value gains and losses are recorded in finance cost.

The option to record liabilities at fair value through profit or loss is used when the corresponding liabilities comprise an embedded derivative significantly modifying the cash flows which would otherwise result in the contract or where the Group is unable to value the embedded derivative separately. This option only concerns liabilities of EPIC Mobilités. The Group considers that exposure to own credit risk does not give rise to any change in value.

The fair value of financial liabilities is determined using measurement techniques such as option valuation models or the discounted cash flow method. The models take into account assumptions based on market data at the balance sheet date.

IFRS 10, "Consolidated financial statements", and IAS 32, "Financial instruments: presentation", as they currently stand, lead the Group to record firm and conditional non-controlling interest purchase commitments as a financial liability with an offsetting reduction in non-controlling interests. Where the commitment value exceeds the amount of non-controlling interests, the residual balance is deducted from Group equity. The fair value of non-controlling interest purchase commitments is reviewed at each balance sheet date. It is measured according to Level 1 when quoted prices are available, Level 2 when the commitment stems from a recent transaction and, otherwise, Level 3. The corresponding financial liability is offset in equity.

6.1.2.7 Cash and cash equivalents

Cash and cash equivalents consist of immediately available liquid assets (cash) and short-term investments, easily converted into a known amount of cash with an initial maturity of less than or equal to three months and which are exposed to a negligible risk of change in value. In particular, investments in French mutual funds (SICAV) and monetary funds with marginal sensitivity are classified in this category and notably French mutual funds and monetary funds classified by the French Financial Markets Authority (AMF) in the Euro monetary category or which have a sensitivity of less than 0.25 basis points.

For these securities, the fair value adopted is the UCITS net asset value. The fair value falls under Level 1 of the fair value hierarchy set forth in paragraph 72 of IFRS 13. However, considering their residual life at closing, other investments, particularly, negotiable debt securities, are recognised at nominal value, as the Group considers this to be a reasonable estimate of their market value.

Current bank facilities classified as current financial liabilities are included in cash and cash equivalents in the cash flow statement.

In € millions	31/12/2017	31/12/2016	Change
Monetary mutual funds equivalent to cash and negotiable debt securities maturing in less than three months (*)	4,798	2,673	2,124
Cash at bank and in hand	1,596	1,911	-314
Cash and cash equivalents in the statement of financial position	**6,394**	**4,584**	**1,810**
Accrued interest payable	-1	-1	0
Current bank facilities	-261	-286	25
Cash and cash equivalents in the cash flow statement	**6,132**	**4,297**	**1,835**

(*) Including deposits and commercial paper

The Group considers the nominal value of negotiable debt securities recorded in cash and cash equivalents to be a reasonable estimate of their market value. The risk of changes in value is immaterial for these instruments. Monetary mutual funds equivalent to cash are stated at fair value and amounted to €4,027 million as at 31 December 2017 (€2,239 million as at 31 December 2016).

Net cash from operating activities posted a net inflow of €2,395 million in 2017 (€1,364 million in 2016), primarily generated from operations for €2,054 million (€1,475 million in 2016). The impact of the change in WCR had a positive balance in 2017 (€23 million) compared to a negative balance of -€697 million in 2016. Receivables from the Organising Authorities (French State, Régions, Île-de-France Mobilités (formerly STIF)) had increased by €484 million in 2016.

Net cash used in investing activities totalled €1,467 million in 2017 (net cash of €1,563 million was used in investing activities in 2016).

- The cash outflows were primarily attributable to:
  - capital expenditure on intangible assets and property, plant and equipment in the amount of €2,482 million in 2017 (€2,585 million in 2016); it is described in Note 4.1.3;
  - new concession financial assets for €1,047 million in 2017 (€769 million in 2016).
- They were offset by:
  - changes in Group structure impacts for €61 million in 2017 (€41 million in 2016), including €180 million in cash from the sale of STVA (see Note 2.1);
  - disposals of intangible assets and property, plant and equipment for €336 million in 2017 compared to €427 million in 2016;
  - investment grants received for €315 million in 2017, compared to €617 million in 2016;
  - amounts received from concession financial assets for €1,031 million in 2017, compared to €814 million in 2016.

Net cash from financing activities totalled €936 million in 2017 (net cash of €806 million was generated by financing activities in 2016). The item essentially stems from:

- payment of dividends to EPIC SNCF for €110 million (€126 million in 2016);
- net financial interest payment for €296 million (€291 million in 2016);
- cash liability repayments for -€49 million (compared to an increase in cash liabilities for €706 million in 2016);
- borrowing repayments, net of amounts received on the SNCF Réseau and PDF receivables, for €393 million (€607 million in 2016, of which €292 million for Akiem); amounts received from the SNCF Réseau and PDF receivables totalled €6 million (€138 million in 2016) and €0 million (€0 million in 2016), respectively.
- new borrowings for €1,810 million (€1,187 million in 2016), of which €1,444 million for EPIC SNCF Mobilités (€667 million in 2016). A €1 billion fixed-rate bond, swapped at floating rates for half the amount, was issued on 2 February 2017 by EPIC SNCF Mobilités. Both the bond and

swap mature on 2 February 2029. A second tranche of €300 million was issued on 31 May 2017 (see Note 2.1 to the consolidated financial statements).

6.1.2.8 Changes in liabilities arising from financing activities

A new amendment to IAS 7 – Statement of cash flows requires SNCF Mobilités Group to provide disclosures on changes in liabilities arising from financing activities presented in the cash flow statement as well as on changes in the financial assets covering these financial liabilities.

The opening and closing balances of liabilities arising from financing activities and the financial assets hedging these liabilities in the consolidated statement of financial position were reconciled as follows:

In € millions	31/12/2016	Cash flow from/(used in) financing activities					Non-monetary changes					31/12/2017
	Total	Issue of debt instruments	Repayments of borrowings	Net borrowing costs paid	Increase/(decrease) in cash borrowings	Cash from equity transactions	Changes in fair value	Exchange rate fluctuations	Change in scope	Non-monetary change in leases	Other	Total
Liabilities (A)	**19,186**	**1,810**	**-395**	**11**	**-49**	**-4**	**-404**	**-76**	**179**	**61**	**-4**	**20,314**
Bonds	11,432	1,428	-118	22	0	0	-288	0	0	0	0	12,476
Bank borrowings	1,845	370	-198	1	0	0	13	-69	158	0	-20	2,099
Finance-lease borrowings	860	12	-79	0	0	0	0	-3	4	61	3	858
Cash borrowings and overdrafts	2,457	0	0	0	-49	0	-45	0	0	0	15	2,378
Financial liabilities related to non-controlling interest purchase commitments	1,177	0	0	0	0	-4	86	0	16	0	0	1,275
Negative fair value of hedging and trading derivatives	1,415	0	0	-12	0	0	-170	-4	1	0	-1	1,229
Assets (B)	**3,929**	**0**	**-2**	**3**	**0**	**0**	**-383**	**-2**	**0**	**0**	**-3**	**3,541**
SNCF Réseau receivable	697	0	-6	0	0	0	0	0	0	0	0	691
SNCF receivable - Accrued interest	6	0	0	-1	0	0	0	0	0	0	0	6
Public Debt Fund receivable	1,545	0	0	0	0	0	-12	0	0	0	0	1,533
Other loans and receivables - Accrued interest	4	0	0	0	0	0	0	0	0	0	-2	3
Deposits and securities	29	0	4	0	0	0	0	-2	0	0	-1	30
Positive fair value of hedging and trading derivatives	1,647	0	0	4	0	0	-371	0	0	0	-1	1,278
Financial income and expenses (C)	**0**	**0**	**0**	**-303**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-303**
Expenses	0	0	0	-597	0	0	0	0	0	0	0	-597
Income	0	0	0	293	0	0	0	0	0	0	0	293
Financing cash flows in the CFS (A-B+C)	**15,257**	**1,810**	**-393**	**-296**	**-49**	**-4**	**-21**	**-74**	**179**	**61**	**0**	**16,773**

In € millions	31/12/2015 Total	Cash flow from/(used in) financing activities: Issue of debt instruments	Repayments of borrowings	Net borrowing costs paid	Increase/(decrease) in cash borrowings	Cash from equity transactions	Non-monetary changes: Changes in fair value	Exchange rate fluctuations	Change in scope	Non-monetary change in leases	Other	31/12/2016 Total
Liabilities (A)	**18,615**	**1,187**	**-745**	**-26**	**706**	**0**	**-209**	**-58**	**73**	**38**	**-395**	**19,186**
Bonds	11,023	652	-122	2	0	0	-123	0	0	0	0	11,432
Bank borrowings	2,078	525	-327	-4	0	0	-26	-39	31	0	-393	1,844
Finance-lease borrowings	1,100	10	-295	0	0	0	0	-3	11	38	0	860
Cash borrowings and overdrafts	1,756	0	0	0	706	0	-5	0	1	0	1	2,457
Financial liabilities related to non-controlling interest purchase commitments	1,276	0	0	0	0	0	-129	0	30	0	0	1,177
Negative fair value of hedging and trading derivatives	1,383	0	0	-24	0	0	74	-15	0	0	-3	1,415
Assets (B)	**4,244**	**0**	**-137**	**-27**	**0**	**0**	**-148**	**0**	**0**	**0**	**-3**	**3,929**
SNCF Réseau receivable	859	0	-136	-2	0	0	-24	0	0	0	0	697
SNCF receivable - Accrued interest	0	0	0	-1	0	0	0	0	0	0	8	6
Public Debt Fund receivable	1,556	0	0	0	0	0	-11	0	0	0	0	1,545
Other loans and receivables - Accrued interest	12	0	0	0	0	0	0	0	0	0	-8	4
Deposits and securities	30	0	-1	0	0	0	0	0	0	0	0	29
Positive fair value of hedging and trading derivatives	1,787	0	0	-23	0	0	-112	0	0	0	-3	1,647
Financial income and expenses (C)	**0**	**0**	**0**	**-292**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-292**
Expenses	0	0	0	-633	0	0	0	0	0	0	0	-633
Income	0	0	0	341	0	0	0	0	0	0	0	341
Financing cash flows in the CFS (A-B+C)	**14,371**	**1,187**	**-607**	**-292**	**706**	**0**	**-62**	**-58**	**73**	**38**	**-392**	**15,256**

6.2 MANAGEMENT OF MARKET RISKS AND HEDGING

The management of market risks is governed by a general framework, approved by the Group's Board of Directors, setting out the management principles for parent company risks that may be hedged by financial instruments.

This general framework defines the principles governing the selection of financial products, counterparties and underlyings for derivative instruments.

More specifically, the general framework defines risk limits for the management of euro and foreign currency cash balances and long-term net indebtedness.

In addition, it describes the delegation and decision-making system and the reporting and control system and its frequency (daily, twice monthly, monthly and annually).

6.2.1 Interest rate risk management

The cost of long-term net indebtedness is optimised, with regard to interest rates, by managing the mix of fixed and floating rate borrowings. The Group uses firm and optional interest rate swap instruments within the limits defined, for SNCF Mobilités, by the aforementioned general framework.

From an economic standpoint, fixed-rate net borrowings of the parent company represented 108.50% of total borrowings as at 31 December 2017, compared to 95.70% as at 31 December 2016. On the same basis, the cost of long-term net indebtedness was 3.01% for fiscal year 2017, compared to 3.50% for fiscal year 2016.

Sensitivity analysis

The sensitivity of profit or loss to the risk of interest rate fluctuations is related to:

- floating-rate net debt after taking into account hedges;
- fair value option debt;
- derivative instruments not qualified as hedges within the meaning of IAS 39.

The sensitivity of recyclable reserves (equity) to the risk of interest rate fluctuations is related to derivatives qualified as cash flow hedges.

The sensitivity analysis was determined based on a 50 basis point (bp) increase and decrease in the interest rate curve at the year-end, and breaks down as follows:

In € millions	31/12/2017				31/12/2016			
	+50 bp		- 50 bp		+50 bp		- 50 bp	
	Profit or loss	Recyclable reserves	Profit or loss	Recyclable reserves	Profit or loss	Recyclable reserves	Profit or loss	Recyclable reserves
Floating-rate financial instruments (after taking into account fair value hedges)	4	0	-5	0	-2	0	2	0
Fair value option debt	4	0	-5	0	6	0	-6	0
Derivatives not qualified as hedges	8	0	-19	0	11	0	-19	0
Derivatives qualified as cash flow hedges	0	43	0	-38	0	50	0	-54
Total	**16**	**43**	**-28**	**-38**	**15**	**50**	**-23**	**-54**

The breakdown by interest rate of loans and borrowings, before and after adjustment for derivatives (hedging and trading), is as follows:

In € millions	Initial debt structure		Structure after IFRS hedging	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Fixed rate	12,493	11,368	11,566	10,977
Floating rate	2,940	2,770	3,867	3,161
Total loans and borrowings	**15,433**	**14,137**	**15,433**	**14,138**

6.2.2 Foreign currency risk management

Foreign currency-denominated transactions are translated by the subsidiary into its functional currency at the exchange rate prevailing on the transaction date.

Monetary items in the balance sheet are retranslated at the closing exchange rate at each balance sheet date. The resulting translation differences are recorded in profit or loss or as a separate equity component if they relate to hedging transactions qualifying as net investments or cash flow hedges under IFRS.

The commercial activities of the Group do not expose it to material foreign currency risk.

Excluding subsidiaries operating in their own country, Group indebtedness denominated in currencies other than the euro is managed in line with the acceptable risk limit defined, for SNCF Mobilités, in the same general framework. The Group uses currency swaps for this purpose, generally set up when the borrowing is issued.

As at 31 December 2017, the portion of foreign currency denominated net debt for EPIC Mobilités, after hedging by currency swaps, decreased to -0.17% (0.27% as at 31 December 2016).

Given the small percentage of unhedged foreign currency denominated borrowings, net profit or loss is not, in the Group's opinion, sensitive to foreign currency risk.

The breakdown by currency of loans and borrowings, before and after adjustment for derivatives (hedging and trading), is as follows:

In € millions	Initial debt structure 31/12/2017	Initial debt structure 31/12/2016	Structure after currency hedging 31/12/2017	Structure after currency hedging 31/12/2016
Euro	12,229	10,755	14,705	13,468
Swiss franc	1,137	1,335	0	0
US dollar	408	376	283	233
Canadian dollar	34	31	34	31
Pound sterling	1,093	1,147	292	312
Yen	277	306	0	0
Australian dollar	74	77	74	77
Hong Kong dollar	136	93	0	0
Other	45	15	45	15
Total loans and borrowings	15,433	14,137	15,433	14,137

The pound sterling denominated debt is fully hedged by pound sterling assets, the Swiss franc denominated debt has fully matured and Dollar denominated debt is partially hedged by Dollar assets.

6.2.3 Commodity risk management

The Group's production requirements expose it to the risk of fluctuations in the price of petroleum products. This risk is managed using firm and optional derivatives (swaps, options, caps, floors).

For 2016, the set-up of two swaps designated for cash flow hedging at EPIC SNCF Mobilités for a volume of 12,000 tonnes of diesel resulted in the payment of a strike differential of €0.193 million.

For 2017 and considering the fall in barrel prices to below $50, the decision was made to hedge a portion of oil consumption by implementing derivatives for a volume of 8,400 tonnes. These derivatives generated a gain of €0.236 million during the year.

At Keolis, six zero premium diesel hedging tunnels for a volume of 6,822 tonnes of diesel as at 31 December 2017 were set up by Keolis SA and designated as cash flow hedges. These tunnels are accounted for as operating receivables and present a fair value of +€0.2 million as at 31 December 2017. These tunnels expire between 30 June 2018 and 30 September 2019.

6.2.4 Counterparty risk management

The transactions which could generate counterparty risk are mainly financial investments and financial instruments as described below. Customer credit risk is limited and presented in Note 4.4.2.

6.2.4.1 Financial investments

The aforementioned general framework defines, for SNCF Mobilités, the counterparty approval procedure, which is based on a quantitative and qualitative analysis of counterparties.

Volume limits according to investment terms are defined for each counterparty, taking into account its equity, rating and nationality. The extent to which authorised limits are used, based on the nominal amount of the transactions, is measured daily and reported.

Cash and cash equivalents

Financial investments are diversified. They primarily consist of negotiable debt instruments (certificates of deposit, commercial paper), treasury note repos and subscriptions to French money market mutual funds (UCITS). Given their short residual term and breakdown, no major credit risk exposure is generated.

Portfolio of available-for-sale assets

Since 31 December 2014, available-for-sale assets have solely comprised non-consolidated investments.

6.2.4.2 Derivative financial instruments

Derivative transactions seek to manage interest rate, foreign currency and commodity risk.

The aforementioned general framework defines, for the parent company, the counterparty approval procedure, which is based on a quantitative and qualitative analysis of counterparties. Investment volume and term limits are also defined for each counterparty. The extent to which authorised limits are used, based on future payments or replacement costs, is measured daily and reported.

The counterparty approval procedure for derivative products also involves the signature of a framework agreement. A collateral agreement defining the methods of payment/receipt of collateral is signed with all bank counterparties working with the parent company in order to limit credit risk. All the medium and long-term derivative financial instruments (interest rate swaps, currency swaps) negotiated with bank counterparties are hedged by these collateral agreements.

The extent to which the allocated limit is used is measured based on the collateral limit plus a lump-sum amount, taking into account the absolute value of the most significant changes in market value for all collaterised financial agreements with the counterparty.

The table below presents the information required by IFRS 7 "Disclosures: offsetting financial assets and financial liabilities." For financial assets and liabilities subscribed as part of agreements with a legally enforceable netting clause, this involves a presentation of amounts before and after offsetting as at 31 December. It includes commodity derivatives recognised in operating payables and receivables. As at 31 December 2017, they were classified as assets for €2 million (€3 million as at 31 December 2016) and liabilities for €3 million (€15 million as at 31 December 2016). The "Cash collateral" column corresponds to the outstanding on collateralisation agreements for derivative financial instruments that do not meet the offsetting criteria established by IAS 32 "Financial instruments: Presentation."

31/12/2017 *In € millions*	Gross amount	Amounts offset in the balance sheet	Net amounts presented in the balance sheet	Amounts not offset in the balance sheet		Net amounts based on IFRS 7
				Cash collateral	Derivatives with netting agreement	
Asset derivatives	1,280	0	1,280	710	393	177
Liability derivatives	1,233	0	1,233	573	392	268
Net derivative position	48	0	48	137	1	-90

31/12/2016 *In € millions*	Gross amount	Amounts offset in the balance sheet	Net amounts presented in the balance sheet	Amounts not offset in the balance sheet		Net amounts based on IFRS 7
				Cash collateral	Derivatives with netting agreement	
Asset derivatives	1,650		1,650	1,173	435	42
Liability derivatives	1,430		1,430	802	449	179
Net derivative position	220		220	371	-14	-137

As at 31 December 2017, three counterparties represented 99% of the active position's credit risk.

As at 31 December 2016, three counterparties represented 93% of the active position's credit risk.

The remaining exposure is explained by trigger thresholds in the collateralisation agreements and monthly margin calls.

6.2.5 Liquidity risk management

SNCF Mobilités assures its daily liquidity through a Neu-CP programme (formerly a commercial paper programme) capped at €3,049 million, used in the amount of €800 million as at 31 December 2017 (€150 million as at 31 December 2016) and in the amount of €390 million on average in 2017, compared to €70 million in 2016.

SNCF Mobilités also set up a Euro Commercial Paper program in early 2009 for a maximum amount of €2,000 million, used in the amount of €860 million as at 31 December 2017 (€1,130 million as at 31 December 2016) and in the amount of €410 million on average in 2017 (€270 million in 2016).

In addition, the company has bilateral credit lines of €815 million (€780 million in 2016). Total confirmed credit lines of the Group break down as follows:

In € millions	Total	Maturity schedule		
		< 1 year	1 to 5 years	> 5 years
Confirmed credit lines as at 31/12/2017	1,437	402	1,029	6
Confirmed credit lines as at 31/12/2016	1,380	211	1,163	6

The maturity schedule for the carrying amounts of loans and borrowings is as follows:

In € millions	31/12/2017	31/12/2016
Less than 1 year	1,849	1,089
1 to 5 years	3,116	3,825
5 to 10 years	6,979	5,658
10 to 20 years	2,386	2,134
20 years and thereafter	989	1,067
Changes in fair value (designated at "fair value")	25	41
Changes in fair value (hedge accounting)	89	323
Total	15,433	14,137
Fair value of non-current derivatives	1,084	1,284
Fair value of current derivatives	144	130
Total loans and borrowings	16,661	15,551

The maturity schedule of financial assets and liabilities included into the definition of indebtedness based on year-end exchange and interest rates (outflows in negative and inflows in positive) is as follows:

Maturity schedule *In € millions*	31/12/2017 Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	-15,651	-1,786	-3,065	-6,798	-2,708	-1,293
Principal	*-11,778*	*-1,322*	*-1,457*	*-5,773*	*-2,216*	*-1,009*
Interest cash flow	*-3,872*	*-464*	*-1,608*	*-1,025*	*-492*	*-284*
Bank borrowings	-2,128	-102	-1,423	-573	-28	-2
Principal	*-2,096*	-93	-1,405	-568	-28	-2
Interest cash flow	*-32*	-9	-18	-5	0	0
Finance-lease liabilities	-871	-227	-419	-107	-117	0
Principal	*-858*	-217	-414	-108	-119	0
Interest cash flow	*-13*	-11	-5	1	1	0
Borrowings sub-total	-18,650	-2,115	-4,907	-7,478	-2,854	-1,295
Principal	*-14,732*	*-1,632*	*-3,277*	*-6,449*	*-2,364*	*-1,011*
Interest cash flow	*-3,917*	*-484*	*-1,630*	*-1,029*	*-491*	*-284*
Cash borrowings and overdrafts	-2,640	-2,640	0	0	0	0
I - Total borrowings	-21,289	-4,755	-4,907	-7,478	-2,854	-1,295
SNCF Réseau receivable	996	59	268	669	0	0
Principal	*670*	*5*	*50*	*614*	*0*	*0*
Interest cash flow	*326*	*54*	*217*	*54*	*0*	*0*
SNCF receivable	454	56	227	170	0	0
Principal	*401*	*45*	*195*	*161*	*0*	*0*
Interest cash flow	*53*	*11*	*32*	*9*	*0*	*0*
Public Debt Fund receivable	1,944	99	858	988	0	0
Principal	*1,407*	*0*	*500*	*907*	*0*	*0*
Interest cash flow	*537*	*99*	*358*	*81*	*0*	*0*
Other loans and receivables and cash collateral	1,178	660	268	184	66	1
Principal	*1,141*	*624*	*267*	*183*	*66*	*1*
Interest cash flow	*37*	*35*	*1*	*0*	*0*	*0*
Cash and cash equivalents	6,394	6,394	0	0	0	0
II - Financial assets	10,966	7,268	1,621	2,010	66	1
Interest cash flow on hedging derivatives with a negative fair value	*-66*	*-47*	*-52*	*22*	*18*	*-8*
Interest cash flow on trading derivatives with a negative fair value	*-797*	*-106*	*-419*	*-273*	*0*	*0*
Interest cash flow on hedging derivatives with a positive fair value	*335*	*48*	*124*	*77*	*75*	*12*
Interest cash flow on trading derivatives with a positive fair value	*1,015*	*153*	*564*	*298*	*0*	*0*
III - Derivative financial instruments	486	48	217	123	94	4
Net indebtedness (I + II + III)	-9,837	2,561	-3,068	-5,344	-2,694	-1,290

Maturity schedule *In € millions*	31/12/2016					
	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	-14,754	-1,094	-3,983	-6,255	-1,997	-1,425
Principal	*-10,675*	*-652*	*-2,378*	*-5,057*	*-1,493*	*-1,095*
Interest cash flow	*-4,078*	*-442*	*-1,606*	*-1,198*	*-503*	*-330*
Bank borrowings	-1,882	-167	-1,233	-254	-229	0
Principal	*-1,844*	-146	-1,217	-252	-229	0
Interest cash flow	*-38*	-20	-16	-1	0	0
Finance-lease liabilities	-869	-66	-572	-111	-120	0
Principal	*-860*	-64	-567	-107	-122	0
Interest cash flow	*-9*	-1	-6	-4	2	0
Borrowings sub-total	-17,505	-1,326	-5,788	-6,619	-2,345	-1,425
Principal	*-13,380*	*-863*	*-4,161*	*-5,416*	*-1,844*	*-1,096*
Interest cash flow	*-4,125*	*-463*	*-1,627*	*-1,203*	*-501*	*-330*
Cash borrowings and overdrafts	-2,744	-2,744	0	0	0	0
I - Total borrowings	-20,249	-4,070	-5,788	-6,619	-2,345	-1,425
SNCF Réseau receivable	1,056	60	272	724	0	0
Principal	*676*	*6*	*55*	*615*	*0*	*0*
Interest cash flow	*380*	*54*	*217*	*109*	*0*	*0*
SNCF receivable	516	57	229	229	0	0
Principal	*449*	*44*	*191*	*214*	*0*	*0*
Interest cash flow	*66*	*13*	*38*	*15*	*0*	*0*
Public Debt Fund receivable	2,043	99	876	1,068	0	0
Principal	*1,407*	*0*	*500*	*907*	*0*	*0*
Interest cash flow	*636*	*99*	*376*	*161*	*0*	*0*
Other loans and receivables and cash collateral	1,487	913	289	155	127	3
Principal	*1,448*	*899*	*268*	*152*	*126*	*3*
Interest cash flow	*39*	*14*	*21*	*3*	*1*	*0*
Cash and cash equivalents	4,584	4,584	0	0	0	0
II - Financial assets	9,686	5,713	1,666	2,176	127	3
Interest cash flow on hedging derivatives with a negative fair value	*-410*	*-74*	*-185*	*-72*	*-66*	*-13*
Interest cash flow on trading derivatives with a negative fair value	*-889*	*-103*	*-414*	*-366*	*-5*	*0*
Interest cash flow on hedging derivatives with a positive fair value	*492*	*58*	*180*	*121*	*107*	*28*
Interest cash flow on trading derivatives with a positive fair value	*1,156*	*151*	*584*	*419*	*2*	*0*
III - Derivative financial instruments	349	31	164	102	37	15
Net indebtedness (I + II + III)	-10,214	1,673	-3,958	-4,341	-2,181	-1,407

The maturity schedule of concession financial assets (not included in the definition of indebtedness) based on year-end exchange and interest rates is as follows:

Maturity schedule	31/12/2017					
In € million	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Concession financial assets	1,435	159	1,259	2	15	0
Principal	*1,341*	*108*	*1,216*	*2*	*15*	*0*
Interest cash flow	*93*	*51*	*43*	*0*	*0*	*0*

Maturity schedule	31/12/2016					
In € million	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Concession financial assets	1,604	202	1,396	6	0	0
Principal	*1,476*	*155*	*1,315*	*6*	*0*	*0*
Interest cash flow	*128*	*46*	*81*	*0*	*0*	*0*

6.3 HEDGING AND DERIVATIVE INSTRUMENTS

The derivative instruments used by the Group to manage currency, interest rate and commodity risks are initially recognised at fair value and remeasured in the balance sheet to their fair value at closing.

Fair value is determined using measurement techniques such as option valuation models or the discounted cash flows method. The models fall under Level 2 of the fair value hierarchy set forth in paragraph 81 of IFRS 13.

Changes in the fair value of derivative financial instruments that are not associated with operations and not part of a designated hedging relationship as defined by IAS 39 are recorded in profit or loss for the period, in finance costs. Hedge accounting depends on their designation.

Cash flow hedge

The Group trades on the derivatives market to hedge floating-rate receivables and payables and receipts and payments related to its commercial activities.

When IAS 39 criteria are met, the derivative instruments are designated as cash flows hedges and fair value gains and losses are recorded directly in a specific account in other comprehensive income, except for the ineffective portion of the hedge, which is recorded in profit or loss. When the hedged item impacts profit or loss, the amounts deferred in other comprehensive income are released to profit or loss to match the flows of the hedged item.

Fair value hedges

The Group also uses derivative instruments to hedge the fair value of fixed-rate receivables and payables denominated in euro and foreign currencies.

When IAS 39 criteria are met, the derivative instruments are designated as fair value hedges and:

- fair value gains and losses arising on the derivative are recorded in profit or loss for the period,
- the hedged item is initially recognised at amortised cost and remeasured to its fair value at the balance sheet date, for the hedged portion of the risk, through profit or loss.

As such, fair value gains and losses on the derivative and the hedged item cancel out in profit or loss, except for the ineffective portion of the hedge.

The fair value of current and non-current asset and liability derivative instruments breaks down as follows:

In € millions	31/12/2017			31/12/2016		
	Non-current	Current	Total	Non-current	Current	Total
Asset derivative instruments						
Cash flow hedging derivatives	240	76	315	428	11	439
Fair value hedging derivatives	96	15	111	138	40	178
Trading derivatives	736	115	852	912	118	1,030
Total asset derivative instruments	**1,072**	**206**	**1,278**	**1,479**	**168**	**1,647**
Liability derivative instruments						
Cash flow hedging derivatives	452	48	500	537	54	591
Fair value hedging derivatives	42	-17	25	12	-10	2
Trading derivatives	590	114	704	736	86	822
Total liability derivative instruments	**1,084**	**144**	**1,229**	**1,284**	**130**	**1,415**

6.3.1 Asset derivative instruments

The SNCF Mobilités Group operates regularly on the foreign currency derivatives market, primarily in order to hedge borrowings issued. The fair value of these instruments in the balance sheet breaks down as follows by instrument and transaction type:

In € millions	BALANCE SHEET FAIR VALUE AS AT 31/12/2017					BALANCE SHEET FAIR VALUE AS AT 31/12/2016				
	Cash flow hedge	Fair value hedge	Trading	Net investment hedge	TOTAL	Cash flow hedge	Fair value hedge	Trading	Net investment hedge	TOTAL
Currency swaps (with principal)			2		2			5		5
Currency swaps	297	58	32		386	436	125	48		610
Forward foreign currency purchases										
Forward foreign currency sales	1		0		2	0				0
Foreign currency options										
Asset derivative instruments	**298**	**58**	**34**	**0**	**390**	**436**	**125**	**54**	**0**	**615**
Currency swaps (with principal)			27		27			2		2
Currency swaps	78	16	2		96	38	-6	0		31
Forward foreign currency purchases			0		0					
Forward foreign currency sales						2	0	2		3
Foreign currency options										
Liability derivative instruments	**78**	**16**	**28**	**0**	**122**	**39**	**-6**	**4**	**0**	**37**
Net foreign currency position	**220**	**41**	**6**	**0**	**267**	**397**	**131**	**50**	**0**	**578**

As at 31 December 2017 and 2016, the nominal commitments and maturities of the different instruments subscribed were as follows:

6.3.1.1 Currency swaps with an underlying liability

In € millions	Nominal commitments received as at 31/12/2017											
	Less than 1 year		1 to 5 years		5 to 10 years		10 to 20 years		20 years and thereafter		TOTAL	
	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate
Swiss franc	325	278	950	812							1,275	1,090
US dollar									150	125	150	125
Canadian dollar												
Pound sterling					500	564	50	56			550	620
Yen	4,000	30			13,500	100			15,000	111	32,500	241
Australian dollar												
Hong Kong dollar			801	85	494	53					1,295	138
Singapore dollar												
Euro (1)			60	60							60	60
Total		**307**		**957**		**716**		**56**		**236**		**2,274**

(1) Former EUR/ESP currency swap

In € millions	Nominal commitments received as at 31/12/2016											
	Less than 1 year		1 to 5 years		5 to 10 years		10 to 20 years		20 years and thereafter		TOTAL	
	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate
Swiss franc	100	93	1275	1187							1,375	1,280
US dollar									150	142	150	142
Canadian dollar												
Pound sterling							500	584	50	58	550	642
Yen			4,000	32			13,500	109	15,000	122	32,500	263
Australian dollar												
Hong Kong dollar			801	98							801	98
Singapore dollar												
Euro (1)			60	60							60	60
Total		**93**		**1,378**		**0**		**693**		**322**		**2,487**

(1) Former EUR/ESP currency swap

In € millions	Nominal commitments given as at 31/12/2017				
	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Euro	247	792	984	79	218
Total	**247**	**792**	**984**	**79**	**218**

In € millions	Nominal commitments given as at 31/12/2016				
	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Euro	66	1,038	0	924	297
Total	**66**	**1,038**	**0**	**924**	**297**

6.3.1.2 Currency swaps with an underlying asset

In € millions	Nominal commitments given as at 31/12/2017									
	Less than 1 year		1 to 5 years		5 to 10 years		10 to 20 years		20 years and thereafter	
	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate
US dollar	36	30								
Canadian dollar										
Total		**30**								

In € millions	Nominal commitments given as at 31/12/2016									
	Less than 1 year		1 to 5 years		5 to 10 years		10 to 20 years		20 years and thereafter	
	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate
US dollar	32	31								
Pound sterling	2	2								
Total		**32**								

In € millions	Nominal commitments received as at 31/12/2017				
	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Euro	31				
Total	**31**				

In € millions	Nominal commitments received as at 31/12/2016				
	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Euro	31				
Total	**31**				

6.3.2 Interest rate derivatives

The Group operates in the interest rate swap and swaption market in order to manage its exposure to interest rate risk on borrowings. The fair value of these instruments in the balance sheet breaks down as follows by instrument and transaction type:

In € millions	BALANCE SHEET FAIR VALUE AS AT 31/12/2017					BALANCE SHEET FAIR VALUE AS AT 31/12/2016				
	Cash flow hedge	Fair value hedge	Trading	Net investment hedge	TOTAL	Cash flow hedge	Fair value hedge	Trading	Net investment hedge	TOTAL
Fixed-rate receiver swaps	0	53	817	0	871	0	53	976	0	1,029
Fixed-rate payer swaps	18	0	0	0	18	3	0	0	0	3
Swaptions	0	0	0	0	0	0	0	0	0	0
Asset derivative instruments	**18**	**53**	**817**	**0**	**888**	**3**	**53**	**976**	**0**	**1,032**
Fixed-rate receiver swaps	0	9	0	0	9	0	8	0	0	8
Fixed-rate payer swaps	421	0	673	0	1,095	549	0	809	0	1,359
Swaptions	1	0	2	0	3	2	0	9	0	10
Liability derivative instruments	**422**	**9**	**675**	**0**	**1,106**	**551**	**8**	**818**	**0**	**1,377**
Net interest rate position	**-405**	**44**	**142**	**0**	**-218**	**-549**	**45**	**158**	**0**	**-346**

As at 31 December 2017 and 2016, the nominal value and long-term/short-term breakdown of the different instruments subscribed were as follows:

In € millions	31/12/2017		31/12/2016	
	Net long-term debt	Net short-term debt	Net long-term debt	Net short-term debt
Fixed-rate receiver swaps	5,058	0	4,242	0
Fixed-rate payer swaps	6,073	67	6,223	95
Index swaps	0	0	0	0
Swaptions	512	75	665	25

6.3.3 Cash flow hedge

The fair value of derivatives designated as cash flow hedges breaks down by hedged item as follows:

In € millions	Balance sheet fair value as at 31/12/2017	Maturity schedule				
		Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	-80	52	175	-307	-8	9
Non-bond borrowings	-92	-20	-52	-20	0	0
Finance lease borrowings	-14	-4	-10	0	0	0
Loans and receivables	1	1	0	0	0	0
Fair value of derivatives designated as cash flow hedges	-185	29	113	-327	-8	9

In € millions	Balance sheet fair value as at 31/12/2016	Maturity schedule				
		Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	-5	-14	336	0	-339	12
Non-bond borrowings	-125	-25	-62	-39	0	0
Finance lease borrowings	-21	0	-21	0	0	0
Loans and receivables	0	0	0	0	0	0
Fair value of derivatives designated as cash flow hedges	-152	-39	253	-39	-339	12

The impacts on equity, profit or loss for the period and reserves break down as follows (- debit, + credit):

In € millions	Recyclable equity
Opening balance 01/01/2016	-185
Recycled in profit or loss	71
Changes in effective portion	-89
Change in value of available-for-sale assets	-2
Closing balance 31/12/2016	-205
Opening balance 01/01/2017	-205
Recycled in profit or loss	143
Changes in effective portion	-62
Change in value of available-for-sale assets	10
Closing balance 31/12/2017	-113

6.3.4 Fair value hedges

The P&L impacts of remeasurements relating to fair value hedges and the ineffectiveness recognized in finance costs are as follows (a positive amount is a gain, a negative amount is an expense):

In € millions	2017	2016
P&L impact of loan remeasurements	105	37
Change in fair value of asset derivatives	-75	-26
Change in fair value of liability derivatives	-30	-12
Fair value hedging ineffectiveness	0	-1

6.4 EQUITY

6.4.1 Share capital

On 1 January 1983, the State-owned industrial and commercial institution (EPIC) Société Nationale des Chemins de fer Français (SNCF) was created, pursuant to the French Orientation Law on Domestic Transport (LOTI) of 30 December 1982. The French State is the sole shareholder.

On the creation of the industrial and commercial public institution EPIC SNCF (which became SNCF Mobilités on 1 January 2015), the State-owned or private real estate assets previously given under concession to the semi-public limited liability company (created on 31 August 1937) which it succeeded were appropriated to it. These assets made available by the French State, without transfer of title, are recorded in the EPIC statement of financial position under the appropriate asset headings and offset in share capital for the same amount.

As at 31 December 2017, the SNCF Mobilités share capital primarily comprised:

- €1.2 billion in capital grants essentially representing the various cash contributions of the French State; these grants, which amounted to €2.2 billion as at 31 December 2015, were reduced by €1 billion by allocation to distributable reserves following a ministerial order of November 2016;
- €2.8 billion in property grants representing the various contributions in kind received from the French State.

A dividend was approved and paid to EPIC SNCF in June 2017 for €110 million.

A dividend was approved and paid to EPIC SNCF in December 2016 for €126 million.

6.4.2 Non-controlling interests (minority interests)

Non-controlling interests break down according to the following sub-groups:

In € millions	31/12/2017	31/12/2016	Change
Geodis	11	10	1
STVA	0	1	-1
Ermewa	7	6	1
CapTrain	21	20	1
Keolis	86	87	0
Other	8	5	3
Total	**134**	**130**	**4**

The Keolis sub-group, whose main indicators are monitored by Group management (Note 3.1), is 30% owned by minority shareholders.

The condensed financial information for this sub-group, before cancellation of transactions with the rest of the group, is as follows:

In € millions	31/12/2017	31/12/2016
Revenue	5,401	5,073
Net profit/(loss) for the year	34	40
Total comprehensive income/(loss)	43	34
Cash flow generated during the period	-16	50
Of which dividends paid to minority shareholders	*-11*	*-12*
Current assets	1,308	1,157
Non-current assets	2,550	2,432
Current liabilities	1,933	1,845
Non-current liabilities	1,532	1,353
Net assets	**392**	**391**

The approval of Keolis minority shareholders is required for divestments, disposals or restructurings exceeding a predefined threshold.

The net profit of the Keolis sub-group attributable to minority shareholders totalled €16 million for the year ended 31 December 2017 (€16 million for the year ended 31 December 2016).

7 INCOME TAX EXPENSE

Income tax expense encompasses all taxes calculated on an accounting profit or loss net of income and expenses. The following items are recognized under this line item at the bottom of the income statement:

- Corporate income tax and the various additional contributions associated with it.
- Sponsorship and foreign tax credits.
- Fixed-rate taxes calculated on an item of net profit or loss.
- The additional corporate income tax contribution on dividends paid by a company that does not satisfy the holding conditions to be included in the tax consolidation group.
- The tax on rail company profits (Taxe sur le Résultat des Entreprises Ferroviaires - TREF): established by Article 65 of the 2011 Finance Law, it is based on corporate taxable income, before the allocation of tax loss carry-forwards, with respect to the last year closed before the tax due date. The tax was capped at €226 million as from 1 January 2016 (€200 million as from 1 January 2013) and calculated after the add-back of depreciation and amortisation charges. Taking into account its base, this tax is recorded under "Income tax expense." Only EPIC SNCF Mobilités is impacted by this tax within the Group.
- The impact of tax reassessments in respect of income tax.
- Deferred tax.

Deferred tax

The Group recognises, for each tax entity, deferred tax on all timing differences between the tax and book values of assets and liabilities in the consolidated balance sheet. Deferred tax is calculated using the liability method, applying the most recently voted tax rate at the year-end applicable to the period in which the timing differences are expected to reverse.

Deferred tax assets in respect of timing differences and tax losses or credits carried forward are recognised when recovery is deemed probable. The Group's ability to recover these tax assets is assessed through an analysis of its business plan and the uncertainties presented by the economy and Group markets. The bases used are the same as those used to calculate values in use in impairment tests.

A deferred tax liability is recognised in respect of investments in subsidiaries, joint ventures and associates on all timing differences between the book and tax values of shares, unless:

- the Group controls the date at which the timing difference will reverse (e.g. through a dividend distribution or the sale of an investment); and
- it is probable that this difference will not reverse in the foreseeable future.

Therefore, a deferred tax liability is only recognised in respect of wholly consolidated companies or joint ventures in the amount of any withholding tax due on dividend distributions planned by the Group.

A deferred tax asset is only recognised to the extent that it is probable that:

- the timing difference will reverse in the foreseeable future; and
- taxable profits will exist against which this timing difference can be offset.

Deferred tax assets and liabilities are not discounted and are offset in a separate line item under non-current assets and liabilities.

Other income tax expense

Income tax expense other than deferred tax is offset against operating payables and receivables in the balance sheet.

7.1 INCOME TAX EXPENSE ANALYSIS

7.1.1 Tax in the income statement

In € millions	31/12/2017	31/12/2016	Change
Current tax (expense)/income	-392	-397	5
Deferred tax (expense)/income	146	-47	193
Total	-245	-443	198

Since the increase in the ceiling introduced by the Amending Finance Act for 2016, the Tax on rail company profits (TREF) has amounted to €226 million as at 31 December 2017, compared to €252 million as at 31 December 2016. The expense recorded in 2016 included a TREF adjustment of €26 million with respect to the 2015 net income. This tax had a negative €148 million tax proof impact on "Differences in tax rates" in 2017 (€165 million in 2016).

The deferred tax income in 2017 was attributable to the capitalisation of deferred taxes for €324 million for EPIC Mobilités given the new taxable profit outlook that has improved due to the replacement, as from 1 January 2019, of the non-taxable CICE through reductions in taxable expenses. This capitalisation was offset by the decrease in deferred taxes recognised in the balance sheet for -€151 million.

The tax rate change introduced in France by the 2018 Finance Act, gradually reducing the tax rate as from 2019 and to 25.83% as from 2022, gave rise to a deferred tax expense of -€10 million for French entities. The tax rate changes introduced by the tax reform in the US reduced the rate from 40% to 26%, resulting in a deferred tax expense of -€14 million.

The deferred tax charge for 2016 primarily stems from the impact of the change in the income tax rate introduced in France by the 2017 Finance Act. The applicable rate, gradually phased in as of 2017, is 28.92%. All the French entities of the group will be concerned without exception as of 2020. The Group has therefore revalued its deferred taxes based on these new rates, resulting in a tax charge of €55 million.

As from 1 January 2015, a new tax group within the meaning of Article 223 A bis of the French General Tax Code was set up. EPIC SNCF Mobilités, the parent of the former SNCF tax group until 31 December 2014, its consolidated subsidiaries and EPIC SNCF Réseau joined this new group, whose parent is EPIC SNCF as from 1 January 2015. Hence, subsidiary tax losses can no longer be offset against subsidiary tax profits within the SNCF Mobilités Group.

A tax audit took place at EPIC SNCF Mobilités in respect of 2014, with no major repercussions. The audit is still in progress for 2015.

7.1.2 Tax in comprehensive income

As at 31 December 2017, the deferred tax expense recognised in other comprehensive income amounted to €17 million.

In 2016, the deferred tax income recognised in other comprehensive income amounted to €18 million.

7.2 TAX PROOF

For its tax proof, the Group adopted the corporate income tax rate (33.33%) applicable in France, plus the 3.3% social security contribution, but without both 15% exceptional contributions which apply to companies whose revenue for the years ended from 31 December 2017 and to 31 December 2018 exceeds €1 billion or €3 billion, respectively. These exceptional contributions were treated as rate differences with immaterial impacts on P&L and the tax proof.

In € millions	31/12/2017	31/12/2016
Net profit/(loss) for the year	**1,170**	**494**
Share of net profit/(loss) of companies consolidated under the equity method	39	47
Income tax expense	-245	-443
Net profit/(loss) before tax from ordinary activities and before the share of net profit of companies consolidated under the equity method	**1,376**	**890**
Income tax rate applicable in France	34.43%	34.43%
THEORETICAL INCOME TAX (EXPENSE)/INCOME	-474	-307
Permanent differences	15	41
Capitalisation of prior year losses	345	29
Tax losses and temporary differences of the period not capitalised	-53	-52
Impairment of deferred taxes previously capitalised	-22	0
Utilisation of tax losses and temporary differences not previously capitalised	-3	-21
Differences in tax rates	-115	-171
Tax credits	91	83
Prior year adjustments	-2	-1
Impacts of tax rate fluctuations	-24	-46
INCOME TAX (EXPENSE)/INCOME RECORDED	-245	-443
EFFECTIVE TAX RATE	17.82%	49.81%

The successive Finance Acts introduced the following measures applicable in France:

- After having dropped from 34.43% to 28.92% depending on the size of the entity between 2017 and 2020, the income tax rate will gradually decrease from 32.02% in 2019, 28.92% in 2020 to 27.37% in 2021 and will total 25.83% as from 1 January 2022. This change generated a negative impact of -€10 million under the tax proof heading "Impacts of tax rate fluctuations." (-€55 million in 2016);
- With respect to tax loss carry-forwards, the allocation of prior losses to the income recognised for a fiscal year is capped at €1 million plus 50% of the taxable income of the fiscal year exceeding this initial limit. The portion of the loss that cannot be deducted from income due to the application of these provisions can still be allocated to subsequent fiscal years, under the same conditions and for an unlimited period of time;
- Only 75% of the net financial expenses obtained according to a calculation defined by the Amending Finance Law were deductible from taxable income as from 2014. The non-deductible portion represents a permanent difference in the tax proof;
- The additional 3% corporate income tax contribution on dividends paid outside of the tax consolidation group as from 1 August 2012 falls under "Differences in tax rates" in the tax proof. The impact recorded under the "Income tax expense" heading was immaterial. This contribution was limited to paying companies that do not satisfy the holding conditions to be included in the tax consolidated group set forth by the 2017 Amending Finance Law and has since been abolished as it was deemed anticonstitutional. The refund receivable from the French State was treated identically under "Differences in tax rates" in the tax proof with a positive impact of €15 million in 2017;
- A Competitiveness and Employment Tax Credit (CICE) was set up to finance and improve the competitiveness of French companies and came into effect as from 1 January 2013 (see Note 3.3.4). There was a positive impact of €87 million in "Tax credits" in the tax proof (€75 million as at 31 December 2016). It should be abolished as from 1 January 2019 and replaced by employee expense reductions.

7.3 DEFERRED TAX SOURCES

Group tax losses carried forward as at 31 December 2017 amounted to €8.5 billion, compared to €8.5 billion as at 31 December 2016. Out of this amount, €6.5 billion involve French entities for which the losses can be carried forward indefinitely (€6.4 billion as at 31 December 2016). Tax assets not recognised at this date totalled €3.3 billion (€3.9 billion as at 31 December 2016).

In € millions	**31/12/2016**	Net profit	Equity	Reclassification	Change in consolidation scope and foreign exchange	**31/12/2017**
Tax losses carried forward	2,497	-104	7	0	-53	2,347
Employee benefits	*58*	*-11*	*4*	*-1*	*0*	*50*
Differences in asset values	*-101*	*-3*	*19*	*0*	*11*	*-75*
Finance leases	*2*	*1*	*-19*	*0*	*0*	*-16*
Tax-driven provisions	*-144*	*3*	*0*	*0*	*6*	*-134*
Financial instruments	*35*	*17*	*-34*	*1*	*-4*	*15*
Remeasurement of identifiable assets and liabilities acquired in business combinations	*-309*	*50*	*0*	*0*	*10*	*-249*
Internal profits and losses	*63*	*0*	*0*	*0*	*0*	*63*
Total consolidation restatements	-397	56	-30	0	23	-348
Non-deductible provisions and other tax differences	2,216	-346	-7	2	-7	1,858
Deferred taxes not recognised	-3,861	541	18	0	41	-3,261
Net deferred taxes recognised	456	147	-11	2	4	597
Deferred tax assets	872	0	0	0	0	969
Deferred tax liabilities	416	0	0	0	0	373
Net deferred taxes on balance sheet	456	0	0	0	0	597

8 RELATED PARTY TRANSACTIONS

SNCF Réseau, as an industrial and commercial public institution wholly owned by the French State (via the French Government Shareholding Agency), is related, in the meaning of IAS 24, "Related Party Disclosures", to all companies and entities controlled by the French State.

Disclosures on individually or collectively material transactions with these entities concern the following related parties

- The EPICs belonging to the Public Rail Group, SNCF Réseau and SNCF;
- The French State, as shareholder, and the transport organising authorities (Régions and STIF); conversely, taxes paid pursuant to ordinary law are excluded from the scope of related party transactions.
- ICF Group ESH low-rental housing companies.

Transactions between SNCF Mobilités Group and other State companies (EDF, Orange, La Poste, etc.) are all performed on an arms length basis, except for transactions entered into by mutual agreement with SNCF Réseau.

No Group companies other than the parent company carry out material transactions with these related parties.

8.1 RELATIONS WITH THE PUBLIC RAIL GROUP

8.1.1 Relations with SNCF Réseau

SNCF Mobilités is currently SNCF Réseau's main customer.

8.1.1.1 Balance sheet headings

In € millions	31/12/2017	31/12/2016
SNCF Réseau net receivables (*)	820	792
SNCF Réseau payables	802	842
SNCF Réseau net receivables and payables	**19**	**-50**

(*) Balance sheet headings excluding the financial receivable presented separately in assets (see Note 6.1).

8.1.1.2 Income and expenses

In € millions	31/12/2017	31/12/2016
Revenue with SNCF Réseau	587	547
Other operating income	42	30
Infrastructure fees paid on the French rail network (*)	-3,758	-3,702
Revenue net of infrastructure fees	**-3,129**	**-3,125**

(*) of which €3,607 million paid directly to SNCF Réseau (€3,545 million as at 31 December 2016) and €151 million through the STIF (€157 million as at 31 December 2016)

As these transactions are between related parties owned by the French State, credit risk is considered nil. No doubtful receivables were identified.

8.1.2 Relations with SNCF

In charge of the economic and strategic steering of the Public Rail Group, SNCF carries out general safety, energy supply, IT outsourcing and general services to SNCF Mobilités. In addition, as SNCF recovered the external leases, it reinvoices the lease payments for the surface area occupied by SNCF Mobilités.

8.1.2.1 Balance sheet headings

In € millions	31/12/2017	31/12/2016
Operating receivables (*)	71	86
Non-current financial liabilities	0	0
Operating payables	113	252
Current financial liabilities	9	37

(*) Balance sheet headings excluding the financial receivables presented separately in assets (see Note 6.1.2)

8.1.2.2 Income and expenses

In € millions	31/12/2017	31/12/2016
Revenue	106	131
Purchases and external charges	-1,145	-1,265
Other income and expenses	-9	-36
Gross profit with SNCF	-1,048	-1,170

8.2 RELATIONS WITH OTHER RELATED PARTIES

8.2.1 Transactions with the French State and local communities

The information presented below concerns transactions entered into with the French State via its ministries, central authorities and transport Organising Authorities (OA), not governed by ordinary law.

The operating grants transferred to SNCF Mobilités Group by the State and local communities are presented in the following table:

In € millions	31/12/2017	31/12/2016
Operating grants received	42	50

The amounts received from the French State and the OA in connection with transport services are described in Note 3.2.

8.2.2 Transactions with ICF Group ESH low-rental housing companies

8.2.2.1 Balance sheet headings

In € millions	31/12/2017	31/12/2016
Current financial assets	9	11
Non-current financial assets	270	275
Current financial liabilities	0	0
Non-current financial liabilities	0	0

Non-current financial assets primarily comprise building loans granted by SNCF Mobilités and ICF to ESH subsidiaries and equity investments of the ESH subsidiaries. The latter amounted to €145 million (€145 million as at 31 December 2016) and are included in available-for-sale assets (see Note 6.1.2.3). Given the low rental housing regulations and the SNCF Mobilités structure, these assets cannot be transferred to other Group entities.

8.2.2.2 Income and expenses

Transactions with low-rental housing companies recorded in the income statement are not material.

9 OFF-BALANCE SHEET COMMITMENTS

9.1 COMMITMENTS RECEIVED AND GIVEN

Commitments received and given are detailed in the following tables and the percentage of commitments with joint ventures included in the total amounted to:

- €1 million for commitments received as at 31 December 2017 (€0 million for 2016).
- €95 million for commitments given as at 31 December 2017 (€114 million for 2016).

Commitments received (in M€)		31/12/2017 Total commitment	Amount of commitments per period: Less than 1 year	1 to 5 years	More than 5 years	31/12/2016 Total commitment
Commitments relating to financing		**1,488**	**412**	**1,036**	**40**	**1,438**
Personal collateral		47	10	3	34	54
Security interests		4	0	4	0	4
Unused confirmed credit lines	*6.2.5*	1,437	402	1,029	6	1,380
Commitments relating to operations		**9,917**	**2,465**	**6,411**	**1,041**	**6,928**
Investment commitments for operation of rail equipment	*9.1.2.1*	5,918	1,099	4,487	333	2,878
Purchase commitments for non-current assets other than rail equipment	*9.1.2.2*	1,557	332	1,017	208	1,260
Property sale undertakings	*9.1.2.3*	53	51	0	2	202
Operational and financial guarantees	*9.1.2.4*	908	628	270	9	1,098
Operating leases: equipment	*9.1.2.5*	457	188	228	40	457
Operating leases: property	*9.1.2.5*	1,014	163	409	443	1,006
Commitments relating to operating and fixed asset purchase agreements		10	5	0	6	28
Commitments relating to the Group consolidation scope		**17**	**10**	**0**	**7**	**18**
Warranties		0	0	0	0	1
Security commitments (option contracts)		17	10	0	7	17
Other commitments received		**9**	**0**	**8**	**0**	**8**
Total commitments received		**11,430**	**2,887**	**7,455**	**1,088**	**8,392**

Commitments given (in M€)		31/12/2017 Total commitment	Amount of commitments per period: Less than 1 year	1 to 5 years	More than 5 years	31/12/2016 Total commitment
Commitments relating to financing		**933**	**635**	**85**	**212**	**990**
Personal collateral	*9.1.1.1*	183	121	35	27	239
Security interests		750	515	50	185	751
Commitments relating to operations		**14,850**	**4,489**	**9,043**	**1,317**	**11,665**
Investment commitments for operation of rail equipment	*9.1.2.1*	6,828	1,839	4,769	219	4,413
Purchase commitments for non-current assets other than rail equipment	*9.1.2.2*	3,180	953	2,123	103	2,563
Property sale undertakings	*9.1.2.3*	51	51	0	0	200
Operational and financial guarantees	*9.1.2.4*	904	281	255	368	805
Customs guarantees (Geodis)		166	128	11	27	175
Operating leases: equipment	*9.1.2.5*	1,439	326	743	370	1,387
Operating leases: property	*9.1.2.5*	1,575	419	931	225	1,515
Commitments relating to operating and fixed asset purchase agreements	*9.1.2.6*	218	212	4	2	180
Firm commodity purchase commitments (electricity, diesel, etc.)	*9.1.2.7*	489	279	207	3	423
Commitments relating to the Group consolidation scope		**12**	**1**	**9**	**2**	**17**
Other commitments relating to the Group consolidation scope		12	1	9	2	17
Other commitments given		**37**	**8**	**22**	**6**	**19**
Total commitments given		**15,830**	**5,134**	**9,159**	**1,538**	**12,691**

9.1.1 Commitments relating to financing

9.1.1.1 Personal collateral

Commitments given declined by €56 million as at 31 December 2017, of which €35 million following the expiry of pre-operating commitments during the start-up of a Keolis contract in the Netherlands and the removal of Akiem for €15 million.

9.1.2 Commitments relating to operations

9.1.2.1 Investment commitments for operation of rail equipment

Commitments given concern investments concluded with rolling stock manufacturers, some of whom work in cooperation with the transport Organising Authorities (OA)for the future commissioning of rail equipment. The net increase was due to the fact that investments carried out during the period were lower than the new commitments undertaken.

Commitments received correspond to investment funding receivable from the OA for ordered rolling stock. They declined by the amount of the investments ordered by the Organising Authorities that have been carried out and, conversely, increased in the amount of new investment orders.

The rise in commitments received in 2017, for €3,041 million, was mainly attributable to:

- new commitments for 71 RER NG trains for €1,461 million and 83 Régio2N trains for €1,113 million less calls for funds carried out during the period for €291 million involving NAT, Tram Train and Regio2N trains;
- an increase in commitments involving subsidies receivable from OA for €297 million relating to rolling stock maintenance;
- an increase in compensation guarantees on rolling stock investments of €388 million involving the acquisition of 32 Régio2N trains particularly offset by the decline in debt repayments;

- a new financing agreement with the AFIFT for 30 additional Régiolis trains for €283 million offset by the collections from calls for funds in the amount of €212 million for the financing agreements covering 40 Omnéo and 34 Regiolis trains.

The €2,415 million increase in commitments given is explained by:

- new investment programmes for €2,971 million involving 71 RER NG trains with Alstom for €1,399 million, 83 Régio2N trains with Bombardier for €920 million, 15 TGV 3UFC trains with Alstom for €416 million and 30 Regiolis trains for €236 million;
- exercise of the option for the acquisition of 32 Régio2N trains for €156 million;
- an increase in rolling stock modernisation agreements for €229 million (TER for €205 million and Transilien for €24 million);
- offset by advances paid and deliveries completed for €973 million involving TGV 2N2 trains (€334 million), NAT trains (€162 million), Régio2N trains (€120 million), Tram Train trains (€44 million), 40 Omnéo trains (€51 million), 34 Régiolis trains (€110 million) and Siemens trains at Eurostar (€152 million).

9.1.2.2 Purchase and financing commitments for non-current assets other than rail equipment

The sharp increase in asset purchase commitments given was attributable to:

- a €679 million increase involving:
  - creation and adaptation projects for the workshops that will house the RER NG trains for €340 million and the Régiolis and Omneo trains for €68 million,
  - ticketing modernisation projects for €94 million,
  - new investments at SNCF Gare et Connexions for €141 million, including the Lyon Part Dieu multimodal exchange hub for €115 million,
- less €85 million following the advancement of projects at Transilien, the decline in SNCF Réseau's production capacity and the postponement of several projects.

The €296 million rise in commitments received to finance purchase commitments for non-current assets other than rail equipment was explained by:

- The State-Region Contractual Plan (CPER - Contrat de Plan État-Région) for €81 million relating to the financing agreement for the network's extension and the EOLE project increase in the amount of €173 million offset by a €122 million decrease following the postponement of certain projects to the next four-year investment plan;
- Investments not relating to the State-Region Contractual Plan for €91 million mainly involving ticketing modernisation projects;
- investments relating to TER workshops that will house Régiolis and Omnéo trains for €42 million;
- subsidies receivable for €133 million with regard to investments involving the TER workshops that will house Régiolis and Omnéo trains for €36 million, new projects at Gares & Connexions for €91 million, including the Lyon Part Dieu multimodal exchange hub for €75 million.

9.1.2.3 Property sale undertakings

The decrease in commitments relating to property sale undertakings was primarily attributable to the respective sales made by the Property Division, the subsidiaries S2FIT and EFA at rue d'Amsterdam, rue de Londres (Paris) and the La Chapelle International site.

9.1.2.4 Operational and financial guarantees

Operating and financial guarantees given increased by €99 million mainly due to the set-up of new operating guarantees for EPIC SNCF Mobilités in the amount of €10 million and Keolis in the amount of €81 million, including the signature of a new contract in Manchester for €57 million and a guarantee renewal at Docklands for €17 million.

Operating and financial guarantees received primarily concern bank guarantees received from rail equipment suppliers Bombardier and Alstom. The net decrease for €190 million mainly relates to the advancement of contracts for Regio2N and Régiolis trains at Intercités and TER for €300 million as well as new guarantees at Transilien involving RER NG and NAT trains for €110 million.

9.1.2.5 Commitments relating to equipment and property operating leases

The sharp €111 million rise in commitments given relating to equipment and property operating leases was primarily due to:

- new property leases for €121 million,
- new train leasing agreements at Keolis in the amount of €84 million offset by the scope exit of STVA for €50 million.

9.1.2.6 Commitments relating to operating and fixed asset purchase agreements

Other operating purchase commitments given increased by €38 million. These commitments include purchase commitments for rail and station access and track reservations. The increase was due to the new Keolis reservations in Germany.

9.1.2.7 Firm commodity purchase commitments (electricity, diesel, etc.)

Commodity purchase commitments essentially concern electricity supply contracts.

The rise in commodity purchase commitments for €65 million was primarily attributable to:

- the transfer of SNCF Combustible from SNCF to SNCF Mobilités on 1 July 2017, for a €32 million impact;
- electricity price revaluations at SNCF Energie for €30 million.

9.2 LEASE TRANSACTIONS

EPIC SNCF Mobilités carried out transactions in the form rather than substance of a lease. These transactions comprised:

- the leasing of a qualified technological equipment network to a US lessor, who immediately sub-leases it to EPIC SNCF Mobilités for a maximum period of 16 years. The assets in question are all the EPIC SNCF Mobilités ticket sale and reservation equipment; or
- the sale of rolling stock (Corail Téoz cars, TGV trains, etc. commissioned or to be delivered, etc.) to an investor who immediately sub-leases it to EPIC SNCF Mobilités for a determined period of 4 to 25 years according to the contracts;
- the leasing of rolling stock to a US lessor for a period of around 40 years, who immediately sub-leases it to EPIC SNCF Mobilités for a period of 20 years.

In certain cases, the lessor is a fiscally transparent special entity created for this transaction that can only operate for this purpose.

During the sub-leasing (16 years) or leasing (4 to 25 years) periods, all payments made and received in connection with the lease offset each other and do not impact the financial statements, apart from the net profit recognised in the transaction period under finance costs. This profit corresponds to the retrocession of a portion of the tax deferral obtained by the investor. The asset sold or leased is maintained in the Group balance sheet.

At the end of the sub-leasing or leasing periods, EPIC SNCF Mobilités has several options based on the type of transaction:

- exercise a purchase option at a pre-determined price, thus maintaining its initial profit,
- give the equipment to the lessor, who will use it for his own purpose,
- give the equipment to the lessor, for whom EPIC SNCF Mobilités will act as market sales agent for the equipment, guaranteeing a sale price at least equal to the amount of the purchase option,
- resell the equipment on the lessor's behalf, for a resale commission.

The use, replacement, operation or definition of assets is in no way affected. The risks borne by EPIC SNCF Mobilités are limited to equipment ownership, the risks generated by French law, and, depending on the case, counterparty risks covered by collateralisation contracts.

9.3 TRANSFER OF FINANCIAL ASSETS

9.3.1 Geodis factoring

SNCF Mobilités set up a revolving factoring facility for the assignment of trade receivables in the Geodis sector. The transactions cover the entire amount of assigned receivables and can be carried out on a monthly basis. Counterparty and late payment risks and the benefits associated with the receivables are transferred to the factor. As the receivables are denominated and assigned in euros, there is no foreign exchange risk. Accordingly, the Group is deemed to have transferred virtually all the risks and rewards relating to the receivables. As this involves operating receivables, assignments led to net receipts for the Group presented in "Net cash from operating activities" on the cash flow statement. Assignments at the year-end resulted in a net receipt of €121 million being obtained in advance from the factor compared to the usual debt collection period.

9.3.2 Assignment of the CICE receivable

In 2016, the receivable generated by the Competitiveness and Employment Tax Credit set up by the French government (see Note 3.3.4) and recorded for the Keolis French tax consolidation group was assigned under the Dailly Law. The assignment covered the entire receivable relating to the eligible payroll paid in the calendar year. It was carried out in December, without recourse to the discount. The counterparty and late payment risks were transferred to the banking institution along with the rewards attached to the receivable, as the Group can no longer collect the future refund of the tax credit or allocate it to a future cost. As the receivable was denominated and assigned in euros, there is no foreign exchange risk. Accordingly, the Group is deemed to have transferred virtually all the risks and rewards relating to the receivable.

As this involved an operating receivable, the Dailly assignment represented a net receipt of €58 million in 2017 (€50 million in 2016) in cash flows from operating activities in the cash flow statement.

Furthermore, at the end of December 2016, SNCF, head of the tax consolidation group that includes SNCF Mobilités, monetised the CICE receivable of SNCF Mobilités for fiscal years 2016 and 2015. The assignment covered the entire receivable relating to the eligible payroll paid in the calendar year. It was carried out in December 2016, without recourse to the discount. The counterparty and late payment risks were transferred to the banking institution along with the rewards attached to the receivable, as the Group can no longer collect the future refund of the tax credit or allocate it to a future cost. As the receivable was denominated and assigned in euros, there is no foreign exchange risk. Accordingly, the Group is deemed to have transferred virtually all the risks and rewards relating to the receivable.

As this involved an operating receivable, the monetisation represented a net receipt of €316 million in 2016 in cash flows from operating activities in the cash flow statement.

From the perspective of SNCF Mobilités, the monetisation generated in 2016 represents an early payment of its CICE receivable collected from its parent tax group.

10 SCOPE OF CONSOLIDATION

10.1 NUMBER OF CONSOLIDATED COMPANIES

The number of companies consolidated by SNCF Mobilités Group breaks down as follows:

	31/12/2017	31/12/2016	Change
Parent company and fully consolidated companies	840	829	11
Equity-accounted companies (joint ventures)	44	49	-5
Equity-accounted companies (significant influence)	67	65	2
Total scope of consolidation	951	943	8

10.2 ANALYSIS OF THE CONTROL OF CERTAIN ENTITIES

10.2.1 E.S.H. (Low-rental housing companies)

The assessment of control exercised over low-rental housing companies (Entreprises Sociales pour l'Habitat or ESH) is a complex issue that must be approached with pragmatism, taking into account the constraints resulting from the extremely strict regulatory framework governing low-rental housing and the focus set by SNCF Mobilités for its housing policy. It would appear that consolidation is not appropriate as:

- while SNCF Mobilités exercises influence over certain aspects of management of the ESH, it cannot be qualified as a controlling influence; SNCF Mobilités neither directs the relevant activities of the ESH pursuant to IFRS 10, nor influences policy-making pursuant to IAS 28 revised, due to the restrictions and strict supervision imposed by the Law;
- the SNCF Mobilités Groups decision to own the four ESH concerned is primarily based on institutional and general interest arguments and not on financial and asset ownership considerations, whether direct or indirect, the potential returns being very limited.

Shares in ESH are therefore retained in balance sheet assets and classified in available-for-sale financial assets (see Notes 6.1.2.4 and 8.2.2).

The main consolidated balance sheet headings of these companies were as follows:

- Non-current assets €4,432 million (€4,338 million in 2016) ;
- Non-current liabilities (debt): €2,402 million (€2,391 million in 2016).

The net indebtedness of unconsolidated ESH as at 31 December 2017 amounted to €2.38 billion (€2.36 billion as at 31 December 2016).

10.2.2 SOFIAP

SNCF Mobilités holds shares in a group of real-estate financing companies. Under the Socrif brand, the group comprises SNCF Habitat (a wholly-owned public interest cooperative), Sofiap (a credit institution 34% held and controlled by La Banque Postale since 20 May 2014 after having been 49% held by Crédit Immobilier de France Développement) and Soprim (a wholly-owned simplified joint stock company). Given the legal restrictions governing the returns obtained by investors from public interest cooperatives for home ownership (specific statutory regulations enacted by the French Construction and Housing Code), the Group is neither exposed to the variable returns of SNCF Habitat, nor can it exercise any power on these returns. Consequently, SNCF Habitat is not consolidated according to IFRS 10. The same is true for Sofiap and Soprim, which are indirectly held through SNCF Habitat, due to the absence of effective control. Soprim has a very limited activity. The shares are therefore retained in balance sheet assets and classified in available-for-sale financial assets. The year-end financial aggregates of Sofiap were as follows:

- Non-current assets: €1,937 million (€1,787 million as at 31 December 2016)
- Non-current liabilities: €1,924 million (€1,756 million as at 31 December 2016)

10.3 MAIN ENTITIES WITHIN THE SCOPE OF CONSOLIDATION

The following table lists only the main significant entities. A significant entity is any entity with revenue of over €30 million or total assets of over €50 million. The activities belonging to EPIC SNCF Mobilités are identified by the wording "EPIC".

Consolidation methods:

FC: Full Consolidation

JO: Joint Operation – Recognition of shares of assets, liabilities, revenues and expenses

JV: Joint Venture - Equity-accounted

SI: Significant Influence - Equity-accounted

NC: Non consolidated

F: Company absorbed by another Group company

Percentage interest: share in the share capital of the consolidated company held by the consolidating company, either directly or indirectly.

Percentage control: percentage of voting rights held by the consolidating company in the consolidated company, either directly or indirectly.

Geographical area	Country	Company	M	PC Year Y	PI Year Y	PC Year Y-1	PI Year Y-1
		Parent Company					
FRANCE	FRANCE	SNCF Mobilités	FC	100%	100%	100%	100%
	Segment	SNCF Transilien, Régions, Intercités					
FRANCE	FRANCE	SNCF – Transilien EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF – TER EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF – Intercités EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF - FC - Traction EPIC	FC	100%	100%	100%	100%
	Segment	SNCF Voyages					
EUROPE EXCL. FRANCE	AUSTRIA	Rail Holding AG	SI	17%	17%	17%	17%
	BELGIUM	THI Factory	FC	60%	60%	60%	60%
	UNITED KINGDOM	Groupe Eurostar	FC	55%	55%	55%	55%
	FRANCE	ID Bus	FC	95%	95%	95%	95%
	FRANCE	IDTGV	FC	100%	100%	100%	100%
FRANCE	FRANCE	RE 4A	FC	59%	59%	50%	50%
	FRANCE	SNCF - Voyages - Europe EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF - Voyages - TGV EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Voyages Central EPIC	FC	100%	100%	100%	100%
	Segment	Gares & Connexions					
FRANCE	FRANCE	Retail & Connexions	FC	100%	100%	100%	100%
	FRANCE	SNCF - Gares & Connexions EPIC	FC	100%	100%	100%	100%
	FRANCE	Société des commerces en gares	JV	50%	50%	50%	50%
	Segment	Keolis					
AMERICAS	CANADA	Keolis Canada Inc	FC	100%	70%	100%	70%
	UNITED STATES	Keolis Transit America	FC	100%	70%	100%	70%
		Keolis Commuter Services LLC	FC	60%	82%	100%	82%
ASIA, PACIFIC	AUSTRALIA	KDR Victoria Pty Ltd	FC	100%	36%	100%	36%
		Path Transit Pty Ltd	FC	100%	36%	100%	36%
		Southlink Pty Ltd	FC	100%	36%	100%	36%
EUROPE (EXCL. FRANCE)	GERMANY	Keolis Deutschland COKG	FC	100%	70%	100%	70%
	DENMARK	Keolis Danmark	FC	100%	70%	100%	70%
	UNITED KINGDOM	Govia Thameslink Railway Limited	JV	35%	24%	35%	24%
		Keolis-Amey Docklands Ltd	FC	70%	49%	70%	49%
		Keolis-Amey Metrolink	FC	60%	42%	0%	0%
		London Midland	JV	35%	24%	35%	24%
		London&South Eastern Railway - LSER	JV	35%	24%	35%	24%
	NETHERLANDS	Syntus	FC	100%	70%	100%	70%
	PORTUGAL	Prometro	SI	20%	14%	20%	14%
	SWEDEN	Keolis Sverige	FC	100%	70%	100%	70%
FRANCE	FRANCE	Effia Concessions	FC	100%	70%	100%	70%
		Effia Stationnement et Mobilité	FC	100%	70%	100%	70%
		Keolis	FC	100%	70%	100%	70%
		Keolis Amiens	FC	100%	70%	100%	70%
		Keolis Angers	FC	100%	70%	100%	70%

		Keolis Atlantique	FC	100%	70%	100%	70%
		Keolis Bordeaux Métropole	FC	100%	70%	100%	70%
		Keolis Brest	FC	100%	70%	100%	70%
		Keolis Caen	FC	100%	70%	100%	70%
		Keolis CIF	FC	100%	70%	100%	70%
		Keolis Dijon	FC	100%	70%	100%	70%
		Keolis Lille	FC	100%	70%	100%	70%
		Keolis Lorient	FC	100%	70%	100%	70%
		Keolis Lyon	FC	100%	70%	100%	70%
		Keolis Nîmes	FC	100%	70%	100%	70%
		Keolis Orléans	FC	100%	70%	100%	70%
		Keolis Pays d'Aix	FC	100%	70%	100%	70%
		Keolis Rennes	FC	100%	70%	100%	70%
		Keolis Tours	FC	100%	70%	100%	70%
		SAEMES	JV	33%	23%	33%	23%
		Transport Daniel MEYER	FC	100%	70%	100%	70%
		Transports de l'agglomération de Metz Métropole	SI	40%	32%	40%	32%
	Segment	SNCF Logistics					
	SOUTH AFRICA	Geodis Wilson, South Africa (Pty.) Ltd.	FC	100%	100%	100%	100%
AMERICAS	BRAZIL	GW Freight Management Brazil	FC	100%	100%	100%	100%
	CHILE	Geodis Wilson Chile Limitada	FC	100%	100%	100%	100%
	UNITED STATES	Geodis USA, Inc.	FC	100%	100%	100%	100%
		Geodis America	FC	100%	100%	100%	100%
		Geodis Global Solutions USA Inc	FC	100%	100%	100%	100%
		Ozburn-Hessey Logistics, LLC (Logistic activity)	FC	100%	100%	100%	100%
		Ozburn-Hessey Transportation, LLC	FC	100%	100%	100%	100%
	MEXICO	Geodis Wilson Mexico S.A. de C.V.	FC	100%	100%	100%	100%
		Geodis Global Solutions Mexico	FC	100%	100%	100%	100%
ASIA, PACIFIC	AUSTRALIA	Geodis Wilson Pty Ltd Australia	FC	100%	100%	100%	100%
	CHINA	Shanghai Eastern Fudart Transportation Sces Co., Ltd.	SI	20%	20%	20%	20%
		Geodis Wilson Hong Kong Ltd.	FC	100%	100%	100%	100%
		Geodis Wilson China Limited	FC	100%	100%	100%	100%
		Combined Logistics (Hong Kong) Limited	FC	100%	100%	100%	100%
	INDIA	Geodis Overseas India	FC	100%	100%	100%	100%
	NEW ZEALAND	Geodis Wilson. New Zealand Ltd	FC	100%	100%	100%	100%
	SINGAPORE	Geodis Wilson Singapore Pte Ltd	FC	100%	100%	100%	100%
	TAIWAN	Geodis Wilson Taïwan Ltd	FC	100%	100%	100%	100%
EUROPE (EXCL. FRANCE)	GERMANY	Captrain Deutschland CargoWest GmbH	FC	100%	100%	100%	100%
		Forwardis Gmbh	FC	100%	100%	100%	100%
		Geodis Logistics Deutschland GmbH	FC	100%	100%	100%	100%
		Geodis Wilson Germany GmbH & Co KG	FC	100%	100%	100%	100%
		ITL Eisenbahngesellschaft mbH	FC	100%	100%	100%	100%
		NEB	JV	67%	34%	67%	34%
		WEA	NC	0%	0%	100%	98%
	AUSTRIA	Chemfreight (Rail Cargo Logistics)	JV	34%	34%	34%	34%

	BELGIUM	Geodis Wilson Belgium N.V.	FC	100%	100%	100%	100%
	DENMARK	Geodis Wilson Denmark A/S	FC	100%	100%	100%	100%
	SPAIN	Geodis Wilson Spain, S.L.U.	FC	100%	100%	100%	100%
		Geodis BM Iberica	FC	100%	100%	100%	100%
	UNITED KINGDOM	STVA UK	NC	0%	0%	100%	98%
		Geodis Wilson UK Ltd	FC	100%	100%	100%	100%
		Geodis UK Ltd Messagerie	FC	100%	100%	100%	100%
	IRELAND	Geodis Ireland Ltd	FC	100%	100%	100%	100%
	ITALY	Geodis Wilson Italia Spa	FC	100%	100%	100%	100%
		Geodis Logistics S.P.A.	FC	100%	100%	100%	100%
		Cap Train Italia	FC	100%	100%	100%	100%
		Bourgey Montreuil Italia	FC	100%	100%	100%	100%
	LUXEMBOURG	LORRY Rail	FC	58%	58%	58%	58%
		Lexsis (ex. BM Sidérurgie Luxembourg)	NC	0%	0%	100%	100%
	NETHERLANDS	Geodis BM Netherlands BV	FC	100%	100%	100%	100%
		Geodis Wilson Netherlands B.V.	FC	100%	100%	100%	100%
		Geodis Logistics Netherlands BV	FC	100%	100%	100%	100%
	POLAND	Geodis Polska	FC	100%	100%	100%	100%
	SWEDEN	Geodis Wilson Sweden AB	FC	100%	100%	100%	100%
		Geodis Wilson Holding AB	FC	100%	100%	100%	100%
	SWITZERLAND	PIRCO SA	FC	100%	100%	45%	45%
		Ermewa Intermodal	FC	100%	100%	100%	100%
		BLS CARGO	SI	45%	45%	0%	0%
FRANCE	FRANCE	AKIEM Holding	JV	50%	50%	50%	50%
		AKIEM SAS	JV	50%	50%	50%	50%
		ALPS1	JV	50%	50%	50%	50%
		BM Virolle	SI	35%	35%	35%	35%
		Bourgey Montreuil Alsace	FC	100%	100%	100%	100%
		Calberson Alsace	FC	100%	100%	100%	100%
		Calberson Armorique	FC	100%	100%	100%	100%
		Calberson Bretagne	FC	100%	100%	100%	100%
		Calberson Ile de France	FC	100%	100%	100%	100%
		Calberson Loiret	FC	100%	100%	100%	100%
		Calberson Méditerranée	FC	100%	100%	100%	100%
		Calberson Normandie	FC	100%	100%	100%	100%
		Calberson Paris Europe	FC	100%	100%	100%	100%
		Calberson Picardie	FC	100%	100%	100%	100%
		Calberson Rhône Alpes	FC	100%	100%	100%	100%
		Calberson Sud-Ouest	FC	100%	100%	100%	100%
		Challenge International	FC	100%	100%	100%	100%
		Chaveneau Bernis Transport	FC	100%	72%	100%	72%
		Dusolier Calberson	FC	100%	100%	100%	100%
		Ermewa (Paris)	FC	100%	100%	100%	100%
		Ermewa Ferroviaire	FC	100%	100%	100%	100%
		Ermewa Holding	FC	100%	100%	100%	100%
		Ermewa Intermodal	FC	100%	100%	100%	100%
		Eurotainer SAS	FC	100%	100%	100%	100%

		Flandre Express	FC	100%	100%	100%	100%
		Forwardis SA	FC	100%	100%	100%	100%
		Geodis Automotive Est	FC	100%	100%	100%	100%
		Geodis BM Réseau	FC	100%	100%	100%	100%
		Geodis Calberson Aquitaine	FC	100%	100%	100%	100%
		Geodis Calberson Lille Europe	FC	100%	100%	100%	100%
		Geodis Calberson Valenciennes	FC	100%	100%	100%	100%
		Geodis Euromatic	FC	100%	100%	100%	100%
		Geodis Logistics Ile-de-France	FC	100%	100%	100%	100%
		Geodis Logistics Rhône-Alpes	FC	100%	100%	100%	100%
		Geodis Projets	FC	100%	100%	100%	100%
		Geodis SA	FC	100%	100%	100%	100%
		Geodis Freight Forwarding France	FC	100%	100%	100%	100%
		Geoparts	FC	100%	100%	100%	100%
		Giraud Rhône-Alpes	FC	100%	100%	100%	100%
		Grimaldi ACL France	JV	60%	60%	60%	60%
		Naviland Cargo	FC	100%	100%	100%	100%
		Rhône Dauphiné Express	FC	100%	100%	100%	100%
		SCO Aerospace and Defence	FC	100%	100%	100%	100%
		SCI Ney - Geodis	FC	100%	100%	100%	100%
		S.M.T.R. Calberson	FC	100%	100%	100%	100%
		Sealogis	FC	100%	100%	100%	100%
		SNCF Geodis - Fret	FC	100%	100%	100%	100%
		STVA SA	NC	0%	0%	98%	98%
		Transfer International	FC	98%	98%	98%	98%
		Transports Bernis	FC	68%	68%	68%	68%
		VFLI	FC	100%	100%	100%	100%
		VIIA	FC	100%	100%	100%	100%
		Walbaum	FC	100%	100%	100%	100%
		Corporate					
EUROPE (EXCL. FRANCE)	SWITZERLAND	EUROFIMA	SI	23%	23%	23%	23%
FRANCE	FRANCE	Espaces Ferroviaires Aménagement	FC	100%	100%	100%	100%
	FRANCE	ICF	FC	100%	100%	100%	100%
	FRANCE	MASTERIS	FC	100%	100%	100%	100%
	FRANCE	NOVEDIS-ICF	FC	100%	100%	100%	100%
	FRANCE	S2FIT1	FC	100%	100%	100%	100%
	FRANCE	SNCF - FC - DFT-FM EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF - FC - DI EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF - FC - Entreprise EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF - FC - Matériel EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF - FC S&F (excluding DFT-FM) EPIC	FC	100%	100%	100%	100%

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex, France

ERNST & YOUNG Audit
Member of Ernst & Young Global Limited
Tour First
TSA 14444
92037 Paris-La Défense Cedex, France

Statutory Auditors' report on the consolidated financial statements

For the year ended December 31, 2017

SNCF Mobilités
9, rue Jean-Philippe Rameau
CS20012
93212 Saint Denis cedex 02
France

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Qualified opinion

In compliance with the engagement entrusted to us on 18 April 2014 by the French Minister for the Economy, Industry and Digital Affairs, we have audited the accompanying consolidated financial statements of SNCF Mobilités for the year ended 31 December 2017.

Subject to the qualification described in the "Basis of the qualified audit opinion" section of our report, in our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit, Accounts and Risk Committee.

Basis of the qualified audit opinion

Reason for issuing a qualified opinion

As indicated in Note 4.3.2.3 to the consolidated financial statements, in connection with the drafting of the ten-year performance contract between the French State and SNCF Mobilités and its financial trajectory, the Gares & Connexions strategic plan was revised during the second half of 2016, resulting in a €273 million reversal of the impairment recognised for the Gares & Connexions CGU as at 31 December 2016. The Group did not identify any new indications of impairment or increases in value as at 31 December 2017.

The recoverable amount of these assets remains highly sensitive to the economic and financial assumptions as at 31 December 2017. Various major risks and uncertainties continue to weigh upon the economic and financial outlook of the Gares & Connexions CGU, namely, (i) a business and pricing model, and consequently a draft *Document de Référence des Gares* 2018-2019, still under discussion with ARAFER, (ii) a possible transfer of Gares & Connexions out of the scope of SNCF Mobilités following the consultation organised by the French government with a view to defining an overall strategy for overhauling the rail transport model, the implications of which for the activity's operating, economic and financial framework are difficult to gauge at present, (iii) and a financial trajectory that, as shown over the past few years, is subject to adjustment to take into account changes in the economic and regulatory environment.
These factors could be realised in the near future, leading to interactions that cannot be precisely determined, which could affect the value in use of the Gares & Connexions CGU's assets as measured by SNCF Mobilités.

Accordingly, we are unable to assess the reliability of the projections underlying the carrying amount of the Gares & Connexions CGU's assets, and are therefore unable to give an opinion on that carrying amount, which totalled €1,681 million as at 31 December 2017.

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "*Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements*" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2017 to the date of our report and in particular we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, apart from the matter described in the "Basis of the qualified opinion" section of our report, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

<u>Measurement of the assets of the TGV France and Europe (excluding Eurostar and Thalys) CGU</u>

SNCF Mobilités owns assets, primarily rolling stock, for the purpose of operating its high-speed passenger train activity in France. These assets are allocated to the TGV France and Europe (excluding Eurostar and Thalys) cash-generating unit (CGU).

They are recognised in the balance sheet at cost and depreciated over their estimated useful life as determined by management. They are tested for impairment whenever an indication of impairment is identified by management in order to determine a value in use and any adjustment that might be required to their carrying amount.

The carrying amount of these assets totalled €2.1 billion as at 31 December 2017, after deducting impairment of €4.4 billion recognised as a result of the impairment tests carried out in 2011, 2013 and 2015.

As indicated in Note 4.3.2.2 to the consolidated financial statements, revenue and gross profit generated by the TGV France and Europe (excluding Eurostar and Thalys) CGU were significantly over budget in 2017. Furthermore, during the year, management carried out a strategic review of the TGV business model, including the creation of a high added-value offering with inOUI, the ramp-up of OUIgo and an overhaul of production methods. This overhaul of the high-speed business model is reflected in the new strategic plan that was approved by the Board of Directors of SNCF Mobilités on 23 February 2018.

In view of these indications of change in value, management performed a further impairment test to estimate the value in use of the assets of the TGV France and Europe (excluding Eurostar and Thalys) CGU as at 31 December 2017.

Value in use is determined by management by discounting estimated future cash flows over a period of 10 years and adding a terminal value projected to infinity.

As indicated in Note 4.3.2.2 to the consolidated financial statements, these forecasts rely on a significant number of key assumptions, including, (i) trends in traffic revenue in a context of radical change in the offering and in competition, (ii) trends in consumer behaviour, (iii) infrastructure fee trajectory, (iv) achievement of performance plans, (v) investment level, including the cost of TGV 2020.

These forecasts were prepared in a context of risk and uncertainty surrounding the economic and financial assumptions used, which was exacerbated by the consultation carried out by the French government with a view to defining an overall strategy for overhauling the rail transport model, as well as by the *Assises de la Mobilité* conference, which is expected to result in the proposal of a new mobility law in 2018.

Given the materiality of these assets and the related impairment, the degree of uncertainty surrounding the economic and financial assumptions used, and the very high level of sensitivity of recoverable amount to those assumptions, we deemed management’s measurement of the value in use of the CGU’s assets to be a key audit matter.

How our audit addressed this matter

We assessed the consistency of the methodology used with the appropriate accounting standards and examined the methodology for implementing the impairment test.

Our work consisted primarily in:

- examining management's identification of indications of impairment or increases in value;
- based on the impairment test prepared by management, reconciling the net economic assets tested with the underlying accounting data;
- examining the process used for preparing forecasts and assessing any differences between those forecasts and past outcomes;
- comparing the cash flows used in the impairment test with the strategic plan defined by management and approved by the Board of Directors of SNCF Mobilités on 23 February 2018;
- assessing the consistency of the cash flow projections with available sources of information;
- examining the methodology for calculating the recoverable amount and assessing the reasonableness of the inputs used (discount rates and long-term growth rates) with the support of our valuation experts;
- examining the sensitivity tests performed by management and comparing the results with those described in Note 4.3.2.2 to the consolidated financial statements.

Lastly, we obtained assurance that Notes 4.3, 4.3.2.1 and 4.3.2.2 to the consolidated financial statements provide appropriate disclosures on (i) the context, risks and uncertainties surrounding the assumptions used, and (ii) the analysis of sensitivity of value in use to changes in those assumptions.

As stated in prior years and in Note 4.3.2.2 to the consolidated financial statements, given the uncertainty surrounding the assumptions and the very high level of sensitivity of recoverable amounts to those assumptions, we conclude that the estimated value of those assets could vary significantly over time.

<u>Measurement of the Eurostar CGU's intangible assets and financial liabilities</u>

As at 31 December 2017, goodwill and intangible assets with an indefinite useful life allocated to the Eurostar cash-generating unit (CGU) amounted to €620 million. As indicated in Note 4.3 to the consolidated financial statements, the impairment test performed by management to determine the recoverable amount of these assets consists in discounting the CGU's estimated future cash flows based on estimates and assumptions rendered uncertain due to the difficulty in gauging the implications of issues such as multimodal competition, the arrival of rail competition, Brexit and a general feeling of insecurity due to terrorist attacks.

Furthermore, a financial liability corresponding to the irrevocable commitment made by SNCF Mobilités to purchase the interests in Eurostar owned by the CDPQ/Hermès consortium and SNCB, which is included in the €1.3 billion liability corresponding to non-controlling interest purchase commitments, has been recognised at fair value on the same basis.

Given (i) the materiality of these assets in the group's financial statements, (ii) the estimates and assumptions used to determine their recoverable value, which is based on discounted future cash flow forecasts, the achievement of which is inherently uncertain, and (iii) the high level of sensitivity of recoverable amount to those assumptions, we deemed management's measurement of the value in use of these assets and the associated purchase commitments to be a key audit matter.

How our audit addressed this matter

We assessed the consistency of the methodology applied with the appropriate accounting standards and examined the methodology for implementing the test.

Our work consisted primarily in:

- reconciling the net economic assets tested with the underlying accounting data, based on the impairment test prepared by management;
- examining the process used for preparing forecasts and assessing any differences between those forecasts and past outcomes;
- comparing the cash flows used in the impairment test with the strategic plan defined by management and approved by the Board of Directors of Eurostar on 14 December 2017;
- assessing the consistency of the cash flow projections with available sources of information;
- examining the methodology for calculating the recoverable amount and assessing the reasonableness of the inputs used by management (discount rates and long-term growth rates) with the guidance of our valuation experts;
- examining the sensitivity tests performed by management and comparing the results with those described in Note 4.3.1.4 to the consolidated financial statements.

Lastly, we obtained assurance that Note 4.3.1.4 to the consolidated financial statements provides appropriate disclosures on (i) the context, risk and uncertainties surrounding the assumptions used, and (ii) the analysis of sensitivity of value in use to changes in those assumptions.

As stated in prior years and in Note 4.3.1.4 to the consolidated financial statements, given the uncertainty surrounding the assumptions and the very high level of sensitivity of recoverable amount to those assumptions, we consider that the estimated value of those assets could vary significantly over time.

Estimate of deferred tax assets

As at 31 December 2017, deferred tax assets and liabilities were recognised in the balance sheet for an amount of €969 million and an amount of €373 million, respectively.

As described in Note 7 to the consolidated financial statements, deferred tax assets arising on temporary differences or tax loss carryforwards are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to offset them in the future. The probability of this occurring is assessed using an analysis based primarily on the business plans used for impairment testing purposes.

Given the materiality of the deferred taxes and the uncertainty surrounding certain economic and financial assumptions, particularly those used in the business plans for TGV, Gares & Connexions and Eurostar, as described in this report, we deemed management’s estimate of deferred tax assets recognised in the balance sheet to be a key audit matter.

How our audit addressed this matter

We familiarised ourselves with the method used by management to identify the deferred tax asset bases and we assessed its consistency with accounting standards.

We assessed by sampling the probability of there being sufficient future taxable profit to offset the tax loss carryforwards generated at the year-end, where necessary with guidance from our tax experts.

We verified by sampling that the rates used to calculate deferred taxes corresponded to the rates enacted at the year-end.

We also obtained assurance that the estimates of future taxable profits, as defined by IAS 12, underlying the recognition and recoverability of the deferred tax assets, were based on business plans similar to those used for impairment testing purposes.

We also assessed the appropriateness of the disclosures provided in Note 7 “Income tax expense” and, in particular, Note 7.3 “Deferred tax sources” to the consolidated financial statements.

As stated in prior years and in Notes 4.3.2.2, 4.3.2.3 and 4.3.1.4 to the consolidated financial statements, given the uncertainty surrounding the assumptions underlying the business plans of TGV, Gares & Connexions and Eurostar, we conclude that the estimated value of these assets could vary significantly over time.

Measurement of employee benefit obligations

Employees of SNCF Mobilités qualify for various post-employment benefit plans, which are classified, where appropriate, on the basis of legal analyses as either defined-benefit or defined-contribution plans.

As at 31 December 2017, the defined benefit plans gave rise to the recognition of a net liability of €1,667 million after taking into account plan assets measured at €356 million. Employee benefit obligations mainly comprise:

- Post-employment benefits, social welfare initiatives and compensation for work-related injuries;
- Other long-term benefit plans such as long-service awards and similar benefits, and gradual cessation of activity.

As indicated in Note 5 to the consolidated financial statements, these obligations are primarily measured by independent experts on an actuarial basis using financial and demographic assumptions such as discount rate, mortality, staff turnover and projected future salary increases.

As indicated in Note 5 to the consolidated financial statements, since the creation of the SNCF Employee Pension and Provident Fund (*Caisse autonome de Prévoyance et de Retraite du Personnel de SNCF*), the special retirement plan for employees with SNCF qualifying status is considered to be a defined-contribution plan. No liability is recognised for defined-contribution plans as the Group does not have any obligations beyond the contributions paid each year.

Given the complexity of the plans and the analysis underlying their classification, the number of employee benefit plans in the Group and the materiality of the associated liabilities, the complexity of the actuarial calculations performed, the degree of uncertainty surrounding the underlying financial and demographic assumptions, and the very high level of sensitivity of the actuarial value of the liability to those assumptions, we deemed management's estimate of the value of its employee benefit obligations to be a key audit matter.

How our audit addressed this matter

We familiarised ourselves with the procedure used by management to classify and measure its main employee benefit obligations.
Our work also consisted in:

- obtaining and examining internal and external documentation relating to these benefit obligations, including statements of plan assets;
- assessing, on the basis of management's analyses:
    - the classification of new post-employment benefit plans as defined-benefit or defined-contribution plans;
    - the potential impact of developments and events during the year on the classification of existing plans, and in particular changes in contribution rates and appeals to the French Council of State (*Conseil d'État*);
- verifying, on a sample basis, the basic data used in the actuarial calculations against the underlying accounting data;
- assessing, with the guidance of our actuarial experts, the appropriateness of the main actuarial assumptions used to measure the benefit obligations according to the type and duration thereof and the available market data (discount and inflation rate, mortality, staff turnover and projected future salary increases);
- verifying the consistency of the principles and methods used to measure and recognise the net liability with the prevailing contractual, legal and regulatory provisions.

Lastly, we obtained assurance that Notes 5 and 4.5 to the consolidated financial statements provide appropriate disclosures on the classification of certain obligations, the description of legal appeals pending and the sensitivity of the value of the obligations to the assumptions used.

Verification of the information pertaining to the Group presented in the management report

As required by law and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the management report of the Board of Directors.

With the exception of the potential impact of the matter described in the "Basis of the qualified audit opinion" section of our report, we have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of SNCF Mobilités by the French Minister for the Economy, Industry and Employment on 21 April 2008 for PricewaterhouseCoopers Audit and by the French Minister for the Economy, Industry and Digital Affairs on 18 April 2014 for Ernst & Young Audit.

As at 31 December 2017, PricewaterhouseCoopers Audit and Ernst & Young Audit were in the tenth year and the fourth year of total uninterrupted engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it expects to liquidate the company or to cease operations.

The Audit, Accounts and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of your company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements.

- Assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion.

- Evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit, Accounts and Risk Committee

We submit a report to the Audit, Accounts and Risk Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit, Accounts and Risk Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit, Accounts and Risk Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit, Accounts and Risk Committee.

Neuilly-sur-Seine and Paris La Défense, 23 February 2018

The Statutory Auditors

PricewaterhouseCoopers Audit	ERNST & YOUNG Audit

Laurent Daniel	Pierre Marty	Christine Vitrac	Denis Thibon