SNCF MOBILITÉS GROUP

30 JUNE 2019 FINANCIAL REPORT

IFRS In € millions

MANAGEMENT STATEMENT
FOR THE HALF-YEAR FINANCIAL REPORT

La Plaine Saint-Denis, 26 July 2019,

We attest that, to the best of our knowledge, the half-year 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 30 June 2019 and of the results of its operations for the year then ended, and that the accompanying half-year activity report fairly presents the related-party transactions that have taken place over the first six months of 2018, the results and financial position of the issuer and a description of its main risks and uncertainties.

The Chairman

Guillaume PEPY

Executive Vice-President, Performance

Mathias EMMERICH

SNCF Mobilités Group

30 June 2019

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IFRS In € millions

HALF-YEAR ACTIVITY REPORT

IFRS In € millions

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SNCF MOBILITES GROUP IN 2019

SNCF Mobilités Group comprises EPIC SNCF Mobilités and its subsidiaries. EPIC is a State-owned industrial and commercial institution governed by French law. It was created pursuant to law no. 82-1153 of 30 December 1982, known as 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"), which came into force on 1 January 2015 and was completed by seven implementing decrees published in the *Journal Officiel* (French official gazette) on 11 February 2015. Decree 2015-138 of 10 February 2015 covering the purpose, mandates and by-laws 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 guarantees 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, SNCF is responsible for the Public Rail Group's strategic management, oversight, economic coherence, industrial integration and social unity.

1 MAJOR EVENTS IN THE FIRST HALF OF 2019

1.1 RAIL SYSTEM REFORM

Law 2018-515 of 27 June 2018 for a New Railway Pact enacted in the Journal officiel de la République française (the New Railway Pact) is based on the following principles:

- Reorganisation of the SNCF Group by 1 January 2020, thus transforming it into a major unified and integrated State-owned group comprising a fully state-owned limited company (société nationale à capitaux publics), SNCF, and two companies, SNCF Voyageurs and SNCF Réseau fulfilling the duties following :
    - o the *société nationale* SNCF (formerly SNCF Mobilités), responsible for leading and managing the State-owned unified group and, in particular, for ensuring its strategic and financial management and defining its organisation;
    - o SNCF Voyageurs, whose mission is to provide rail passenger transport services on the national rail network; and
    - o SNCF Réseau, whose missions include ensuring access to the rail infrastructure of the national rail network, the operational management of traffic on this network and passenger stations.
- SNCF Réseau and SNCF Voyageurs will become a limited liability company (société anonyme), to be wholly-owned by the holding company of the SNCF unified group which itself will be a State hollyowned limited liability company (société nationale à capitaux publics) (the "Holding Company"). The New Railway Pact also prohibits the sale or transfer of the shareholdings to be held by the French State in the Holding Company and the sale or transfer of the shareholdings to be held by the Holding Company in each of SNCF Réseau and SNCF Voyageurs (see below);
- Transfer, as part of the reorganization of the SNCF group, the Branch Gares & Connexions to SNCF Réseau;

- Transformation of the employment organisation by ceasing the recruitment of staff under the regulated railroad staff (cheminot) status, as from 1 January 2020. Current employees will continue to benefit from their current cheminot status. In parallel with such transformation, negotiations will be held with mployees and unions at the level of the railway branch; and
- Definition of the modalities for a successful opening up to the competition of the French passenger railway transport activities.

The 2018 Rail Reform Law also enables the French government to adopt legislative measures by way of orders (ordonnances) in order to implement the New Railway Pact.

The New Railway Pact has been completed by Order n°2019-552 dated 3 June 2019 introducing various provisions relating to the SNCF group (the "Order") the purpose of which is to specify the provisions of the New French Railway Pact relating to the operation and the establishment of the new State-owned unified group fulfilling the public service missions in the field of rail transport and mobility.

Transformation of the current SNCF group into a State-owned unified group

On 1 January 2020, the following operations, amongst others, are scheduled to occur:

- SNCF Mobilités, as an EPIC, will transfer by way of a contribution at the net accounting value to a newly formed and wholly-owned limited liability company all its assets, rights and liabilities related to the management of public railway stations. The financial debt associated with such activities will also be transferred to this limited liability company but SNCF Mobilités will remain the sole debtor of the relevant creditors. The share capital of this limited liability company will then be immediately transferred to SNCF Réseau, as an EPIC, at its net accounting value. SNCF Réseau will then transfer to this limited liability company all its assets and liabilities related to the management of the public railway stations.
- SNCF Mobilités, as an EPIC, will transfer by way of a contribution at the net accounting value to a newly formed and wholly-owned limited liability company ("SNCF Voyageurs") all its assets, rights and liabilities related to its passengers transport activities. The financial debt related to such activities will be transferred to SNCF Voyageurs but SNCF Mobilités will remain the sole debtor of the relevant creditors. In all the legal texts in force on 1 January 2020, the terms "SNCF Mobilités" are replaced by the terms "SNCF Voyageurs".
- SNCF Mobilités, as an EPIC, will transfer by way of a contribution at the net accounting value to a wholly-owned limited liability company all its assets, rights and liabilities (except for the financial indebtedness which will not be transferred) related to the supply of rail freight transport services activities in France and abroad (currently part of the SNCF Logistics Branch).

The scope of the assets, rights and liabilities so transferred will each have to be approved by an arrêté of the Minister for transport, the Minister for the economy and the Minister for the budget.

- SNCF, as an EPIC, will be wound up and all its assets and liabilities will be transferred at their net accounting value through a *devolution universelle de patrimoine* ("merger absorption") to SNCF Mobilités, as an EPIC.
- SNCF Réseau will be transformed from an EPIC into a limited liability company, to be wholly-owned by SNCF Mobilités.
- SNCF Mobilités will be transformed from an EPIC into a State wholly-owned limited liability company (*société nationale à capitaux publics*) and will be re-named *société nationale* SNCF.

The changes in the legal status of SNCF Réseau and SNCF Mobilités will not involve the creation of new legal entities or cessation of activities and all the rights and obligations of SNCF Réseau and SNCF Mobilités will remain unaffected as a result of such changes.

Following the above operations, the new State-owned unified group fulfilling the public service missions in the field of rail transport and mobility will be composed of the société nationale SNCF (formerly EPIC SNCF Mobilités) holding several subsidiaries, including SNCF Voyageurs and SNCF Réseau (formerly the EPIC SNCF Réseau).

Purpose of the société nationale SNCF

The *société nationale* SNCF will aim to organise and lead the State-owned unified group with a view to ensure the strategic and financial management and to define its general organisation.

In particular, it will define and lead the industrial and innovation policies, human resources, valuation and asset management policies of the State-owned unified group.

It will also provide (i) pooled business services, for the benefit of the entire State-owned unified group and (ii) transversal missions necessary for the proper functioning of the national rail transport system.

The New Railway Pact will be completed and clarified by orders adopted by the French Government and the publication of decrees involving the aforementioned aims.

The Group considers that the future SA SNCF (formerly SNCF Mobilités) will control SNCF Réseau as from 01/01/2020, due to its role consisting in ensuring the strategic and financial management and defining the organisation of the unified public group (including SNCF Réseau).

Other documents between the French State and SNCF will soon be formalised to confirm the position adopted on SA SNCF's control over SA SNCF Réseau and its indirect control of Gares & Connexion.

Hence, as at 30 June 2019, Gares & Connexions does not fall within the scope of IFRS 5.

Considering the June order and the items still to be obtained, the Group considers that the rail reform as at 1 January 2020 will have no impact that could call into question the losses that may be used at Group level and activities level.

1.2 LITIGATION REGARDING THE INVESTIGATION OF THE COMPETITION AUTHORITY IN THE DISTRIBUTION AND EXPRESS SEGMENT

Geodis and SNCF Mobilités appealed the decision of the Competition Authority dated 22 January 2016. In its ruling of 19 July 2018, the Paris Appeal Court reduced the fine of €196 million, paid in April 2016, to €166 million.

Following the appeal lodged by Geodis and SNCF Mobilités on 22 July 2018 and the observation filed by SNCF Mobilités on 17 December 2018, the Competition Authority did not lodge a cross-appeal within the 60-day deadline following the filing of observations, i.e. 20 February 2019.

Due to the lack of cross-appeal by the Competition Authority, Geodis recorded income of €30 million in its 30 June 2019 accounts, corresponding to the partial repayment of the fine paid in April 2016 (see Note 4.3.2 to the condensed half-year consolidated financial statements).

1.3 TER AGREEMENTS WITH THE SUD, NOUVELLE-AQUITAINE, GRAND-EST, HAUTS-DE-FRANCE AND BRETAGNE REGIONS

The 2019-2023 Sud region (PACA) and the 2019-2024 Nouvelle-Aquitaine agreements approved by the SNCF Mobilités Board of Directors were signed on 9 April and 29 April 2019, respectively. These agreements set out the operating terms and conditions for the TER lines in order to improve system performance and prepare for the opening of certain TER services to competition.

The operation of TER lines was partly opened to competition, as certain Organising Authorities published information notices in the first half of 2019.

Furthermore, on 28 June 2019, a framework agreement was signed with the Bretagne region to determine the terms and conditions of the future 2019-2028 TER agreement.

1.4 UNITED KINGDOM'S WITHDRAWAL FROM THE EUROPEAN UNION (BREXIT)

The Group operates passenger and freight transport activities through its subsidiaries in the UK. They generated a consolidated revenue of €936 million for the half-year ended 30 June 2019, including €556 million for Eurostar, and the share of net profit from joint ventures within Keolis represented €14 million in the consolidated statement of financial position as at 30 June 2019.

The expected date for the United Kingdom's exit from the European Union (Brexit) has been delayed to 31 October 2019 instead of 29 March 2019. The exit terms and conditions have yet to be defined. The possible scenarios remain a deal Brexit, a postponed Brexit or a no-deal Brexit.

Measures were adopted to guarantee Eurostar service continuity whatever the final Brexit scenario:

- Creation of the Eurostar France subsidiary and acquisition of the operating permit and safety certificate

- Agreements with the authorities on border control measures, cross-border employment of UK personnel and agreements on Channel Tunnel access.

However, the operational risks still depend on the actual Brexit terms and conditions, particularly the review of the levels of border control for passengers and costs of compliance with the new applicable post-Brexit rules.

All the necessary measures to avoid a combination of the most unfavourable factors that would likely culminate in a lengthy suspension of activity have been undertaken with the relevant authorities. However, in the event of a no-deal Brexit, as the company does not have all the key components to ensure service continuity, and given the exceptional nature of this situation, it is difficult to predict the consequences with sufficient assurance. The most unfavourable scenario could have a material impact on the value of its assets and even its ability to continue its operations without interruption.

In the light of the uncertainties surrounding the Brexit process, the Group cannot at this stage estimate the financial impacts and repercussions on its activity.

1.5 NEW ACCOUNTING SEPARATION REQUIREMENTS

ARAFER decision 2017-101 on accounting separation rules applicable to rail companies was approved by a ministerial ruling of 4 December 2017, rendering the decision enforceable for fiscal years beginning on or after 1 January 2018.

EPIC SNCF Mobilités presented the accounting separation rules document to ARAFER on 4 June 2018, followed by a revised version on 31 October 2018, which was approved by ARAFER on 31 January 2019 (through its decision 2019-003).

Despite the major work undertaken since 2018, this framework could only be partially implemented in 2018. Proceedings were initiated by ARAFER in July 2019. The company is unable to estimate the possible consequences of this situation.

1.6 CREATION OF STATIONORD (FORMERLY SEMOP)

As part of the Paris Gare du Nord 2024 project, SNCF Mobilités, via Gares & Connexions, set up a single-purpose semi-public company (*société d'économie mixte à opération unique*) called StatioNord with CEETRUS. The purpose of this company, which is 34% owned by SNCF Mobilités, will be to carry out the transformation work at Paris Nord station and ensure the operation and management of the commercial activities in the station. A work concession agreement and an agreement for the temporary occupation of public land were signed on 22 February 2019 (see Note 6).

1.7 SALE OF THE OUIBUS SUBSIDIARY

During the half-year, the Group sold its subsidiary Ouibus to Blablacar (BBC), both mobility players seeking to propose an inter-modal offering to passengers.

The transaction did not generate any significant disposal gain.

1.8 SIGNING OF A RENEWABLE POWER PURCHASE AGREEMENT

On 21 June 2019, the subsidiary SNCF Energie and Voltalia signed an agreement for the direct purchase of 150 MW of renewable electricity over 25 years for around €210 million. This long-term agreement is the first of its kind in France and one of the ten largest deals in Europe.

2 KEY FIGURES

In € millions	30/06/2019 with IFRS16	30/06/2019 without IFRS16	30/06/2018
Revenue	16,960	16,961	15,252
Gross profit	1,892	1,451	649
Current operating profit/(loss)	653	609	101
Operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method	704	660	3,493
Finance cost	-258	-191	-126
Net profit/(loss) for the period	231	248	3,239
Net profit/(loss) for the period attributable to equity holders of the parent	221		3,202
Recurring net profit/(loss) for the period attributable to equity holders of the parent (1)	164		-90
Cash from operations	1,409	1,033	380
Net investments (2)	-1,287	-1,314	-952
Total investments (3)	-1,852	-1,879	-1,594
Free cash flow (4)	-77	-75	-71
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	664	620	118
ROCE (5)	7.7%		5.7%
Employees	205,893	205,893	200,853

In € millions	30/06/2019 with IFRS16	30/06/2019 without IFRS16	31/12/2018
Net debt	8,077	8,237	7,186

(1) Recurring net profit/(loss) for the period attributable to equity holders of the parent is defined in the Group results and financial position note of this report.

(2) Net investments are calculated by adding up (in € millions):	30/06/2019 with IFRS16	30/06/2019 without IFRS16	30/06/2018
cash flow statement line items:			
- Purchases of intangible assets and property, plant and equipment	-1,122	-1,122	-1,061
- Investment grants received	189	189	161
- New concession financial assets	-730	-730	-505
- Cash inflows from concession financial assets	376	376	481
finance-leased investments described in Note 4.1 to the condensed half-year consolidated financial statements (*)	0	-27	-27
Total net investments	-1,287	-1,314	-952

(3) Total investments are calculated by adding up (in € millions):	30/06/2019 with IFRS16	30/06/2019 without IFRS16	30/06/2018
cash flow statement line items:			
- Purchases of intangible assets and property, plant and equipment	-1,122	-1,122	-1,061
- New concession financial assets	-730	-730	-505
finance-leased investments described in Note 4.1 to the condensed half-year consolidated financial statements (*)	0	-27	-27
Total investments	-1,852	-1,879	-1,594

(4) Free Cash Flow is calculated by adding up (in € millions):	30/06/2019 with IFRS16	30/06/2019 without IFRS16	30/06/2018
cash flow statement line items:			
- Cash from operations after net borrowing costs and taxes	1,409	1,033	380
- Purchases of intangible assets and property, plant and equipment	-1,122	-1,122	-1,061
- Investment grants received	189	189	161
- Repayment of lease liabilities	-411	0	0
- Repayments of IFRS 16 lease financial receivables	1	0	0
- Disposals of intangible assets and property, plant and equipment	114	114	103
- New concession financial assets	-730	-730	-505
- Cash inflows from concession financial assets	376	376	481
- Impact of change in working capital requirement	-143	-136	526
the change in tax WCR included in “Taxes paid (collected)” in the cash flow statement	214	214	-148
accrued interest on IFRS 16 lease liabilities included in the cash flow statement line item "Interest paid on lease liabilities"	13	0	0
dividends received from entities consolidated under the equity method included in “Dividends received” in the cash flow statement	13	13	21
finance-leased investments described in Note 4.1 to the condensed half-year consolidated financial statements (*)	0	-27	-27
Free cash flow	-77	-75	-71

(*) As of 30/06/2019, this information is no longer presented following the entry into force of IFRS 16.

(5) 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.

3 SUBSEQUENT EVENTS

There were no subsequent events.

GROUP RESULTS AND FINANCIAL POSITION

1 GENERAL OBSERVATIONS ON GROUP RESULTS

In € millions	30/06/2019	30/06/2018 (*)	Change 2019 vs. 2018	
Revenue	**16,960**	**15,252**	**1,708**	**11.2%**
Infrastructure fees	-2,308	-2,045	-263	12.8%
Purchases and external charges, excluding infrastructure fees	-6,244	-6,373	128	-2.0%
Taxes and duties other than income tax	-757	-754	-3	0.4%
Employee benefit expense	-5,827	-5,595	-231	4.1%
Other income and expenses	68	164	-97	-58.8%
Gross profit	**1,892**	**649**	**1,242**	**191.3%**
Depreciation and amortisation	-1,281	-733	-548	74.8%
Net movement in provisions	43	185	-142	-76.9%
Current operating profit/(loss)	**653**	**101**	**552**	**543.9%**
Net proceeds from asset disposals	46	51	-5	-10.0%
Fair value remeasurement of the previously held interest	-	16	-16	-100.0%
Impairment losses	-6	3,309	-3,315	-100.2%
Operating profit/(loss)	**693**	**3,477**	**-2,784**	**-80.1%**
Share of net profit of companies consolidated under the equity method	11	17	-6	-34.8%
Operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method	**704**	**3,493**	**-2,790**	**-79.9%**
Net finance costs of employee benefits	19	4	14	326.2%
Net borrowing and other costs	-277	-130	-147	112.5%
Finance cost	**-258**	**-126**	**-132**	**105.1%**
Net profit/(loss) before tax	**446**	**3,368**	**-2,922**	**-86.8%**
Income tax expense	-214	-129	-86	66.6%
Net profit/(loss) from ordinary activities	**231**	**3,239**	**-3,008**	**-92.9%**
Net profit before tax of transferred operations	-	-	-	n/a
Net profit/(loss) for the period	**231**	**3,239**	**-3,008**	**-92.9%**
Net profit/(loss) for the period attributable to equity holders of the parent	**221**	**3,202**	**-2,981**	**-93.1%**
Net profit/(loss) for the period attributable to non-controlling interests (minority interests)	10	37	-27	-73.1%
Recurring net profit/(loss) for the period attributable to equity holders of the parent (1)	**164**	**-90**	254	-282.0%

Gross profit / revenue	*11.2%*	*4.3%*
Current operating profit / revenue	*3.9%*	*0.7%*
ROCE (see definition in key figures)	*7.7%*	*5.7%*

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 Leases (see Note 1.3 to the condensed half-year consolidated financial statements)

(1) The Group discloses, internally and externally, a recurring net profit or loss for the period attributable to equity holders of the parent based on net profit or 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 or 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 or loss attributable to non-controlling interests (minority interests)".

This indicator better reflects net profit or loss for the period 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	Notes (*)	30/06/2019	30/06/2018
Net profit for the period attributable to equity holders of the		**221**	**3,202**
Distribution and Express segment competition fine		-30	
Impairment losses	4.2	6	-3,309
Impairment included in "Net movement in provisions"		-33	
Included in "Fair value remeasurement of the previously held interest"			-
Included in "Net proceeds from asset disposals"		-1	9
Included in "Share of net profit/(loss) of companies consolidated under the equity method"		-	-
Included in "Net borrowing and other costs" (changes in fair value)		47	-
Included in "Net borrowing and other costs" (specific financial instrument transactions)		-	-
Included in "Income tax expense"		-46	7
Included in "Net profit/(loss) attributable to non-controlling interests (minority interests)"		-	-
Recurring net profit/(loss) for the period attributable to equity		**164**	**-90**

(*) The references to the notes pertain to the condensed half-year consolidated financial statements.

1.1 COMPARABILITY OF FINANCIAL STATEMENTS

The comparability of the 2019 results with those of 2018 was impacted by the following Group structure, accounting standard and foreign exchange impacts:

In € millions			Impact on changes in revenue
SNCF Transilien & TER		**Change in 2018 Group structure (1)**	
		Sale of Itirémia	-2
		Accounting standard impact	
		IFRS 15 impacts	**-5**
Keolis		**Changes in 2018 Group structure (1)**	
		Sale of Millau Cars	0
		Acquisitions Keolis Santé	5
		Acquisition of Mediaco (EFFIA Cannes)	0
		Acquisition of Open Tours Group	10
		Changes in 2019 Group structure	
		Acquisitions Keolis Santé	1
		Acquisition of Effia Charenton	0
		Exchange rate fluctuations	**8**
SNCF Voyages		**Accounting standard impact**	
		IFRS 15 impacts	-1
		IFRS 16 impacts	-1
		Exchange rate fluctuations	**4**
SNCF Logistics	Geodis TFMM Ermewa & Other	**Change in 2018 Group structure (1)**	
		Acquisition of Taylor Minster Leasing BV	4
		Changes in 2019 Group structure	
		Acquisition of Captrain Espana	23
		Acquisition of Railtraxx/KCR	6
		Acquisition of Raffles Lease	4
		Exchange rate fluctuations	**45**
Corporate		**Change in 2018 Group structure (1)**	
		Loss of control in Vesta	-21
Total Group structure, accounting standard and exchange rate impacts			**79**

(1) Transactions carried out in 2018 having an impact on 2018/2019 revenue trends

1.2 2019 FIRST-HALF RESULTS

1.2.1 Revenue

Consolidated revenue of the SNCF Mobilités Group amounted to €16,960 million for the half-year ended 30 June 2019, for an increase of €1,708 million (+11.2%) compared to 2018, attributable to:

- Group structure and standard impacts for €23 million (*see 1.1*),
- a foreign exchange impact of €56 million (*see 1.1*),
- an organic increase of +€1,629 million (+10.7%) for the Group; the changes for the segments were as follows:

SNCF Transilien & TER	+€549 million,	+16.1%
Keolis	+€338 million,	+11.9%
Intercités	+€6 million,	+1.8%
Voyages SNCF	+€505 million,	+14.8%
SNCF Gares & Connexions	+€25 million,	+10.9%
SNCF Logistics	+€127 million,	+2.6%

1.2.2 Gross profit

Standing at €1,892 million in 2019, gross profit improved by €1,242 million, or 191.3%. Gross profit over revenue increased from 4.3% to 11.2% between 2018 and 2019.

In € millions	30/06/2019	30/06/2018	Change 2019 vs. 2018		Change 2019 vs. 2018 *on a constant Group structure, accounting standard and exchange rate basis*	
Revenue	16,960	15,252	1,708	11.2%	1,629	10.7%
Employee benefit expense	-5,827	-5,595	-231	4.1%	-186	3.3%
Purchases and external charges (excluding infrastructure fees, traction energy and fuel costs) and other income and expenses	-5,567	-5,719	152	-2.7%	-256	4.5%
Infrastructure fees	-2,308	-2,045	-263	12.8%	-259	12.7%
Traction energy and fuel prices	-610	-489	-121	24.7%	-114	23.4%
Taxes and duties other than income tax	-757	-754	-3	0.4%	-8	1.1%
Gross profit	1,892	649	1,242	191.3%	805	123.9%
Gross profit/revenue	*11.2%*	*4.3%*				

On a constant Group structure, accounting standard and exchange rate basis, gross profit rose by €805 million, of which €528 million relating to the counter effect of the strikes in the first half of 2018.

The €259 million increase in infrastructure fees (+12.7%) was impacted by €226 million by the counter effect of last-year's strikes.

Traction energy and fuel purchases rose by €114 million, partly due to a negative price impact on traction energy as well as greater consumption than in 2018.

1.2.3 Current operating profit/(loss)

Current operating profit stood at €653 million, up by €552 million compared to 2018.

The revenue to current operating profit conversion rate thus increased from 0.7% in 2018 to 3.9% in 2019.

The €1,242 million increase in gross profit was partly offset by the €548 million rise in depreciation and amortisation (impact of the adoption of IFRS 16 in 2019 for -€397 million), as well as the decline in the net movement of provisions: net reversal of €43 million 2019, compared to €185 million in 2018. Fiscal 2018 was primarily impacted by the reversal of provisions for litigation involving Moroccan employees.

1.2.4 Operating profit/(loss)

Operating profit decreased by €2,784 million, amounting to €693 million.

The decrease was primarily due to last year's **impairment** reversals for the TGV France and Europe (+€3,193 million) and Gares & Connexions (+€107 million) CGUs.

Net proceeds from asset disposals in 2019 essentially comprised real estate disposals.

The **fair value remeasurement of the previously held interest** heading was impacted in 2018 by the loss of control of the Orient Express subsidiary (€16 million).

1.2.5 Finance cost

The €132 million increase in finance cost between 2018 and 2019 was due to the -€76 million change in fair value impacts, including a fair value impact on electricity derivatives for -€47 million.

1.2.6 Income tax expense

This item mainly comprises the tax on rail company profits (TREF) for -€138 million (compared to -€78 million for the half-year ended 30/06/2018).

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

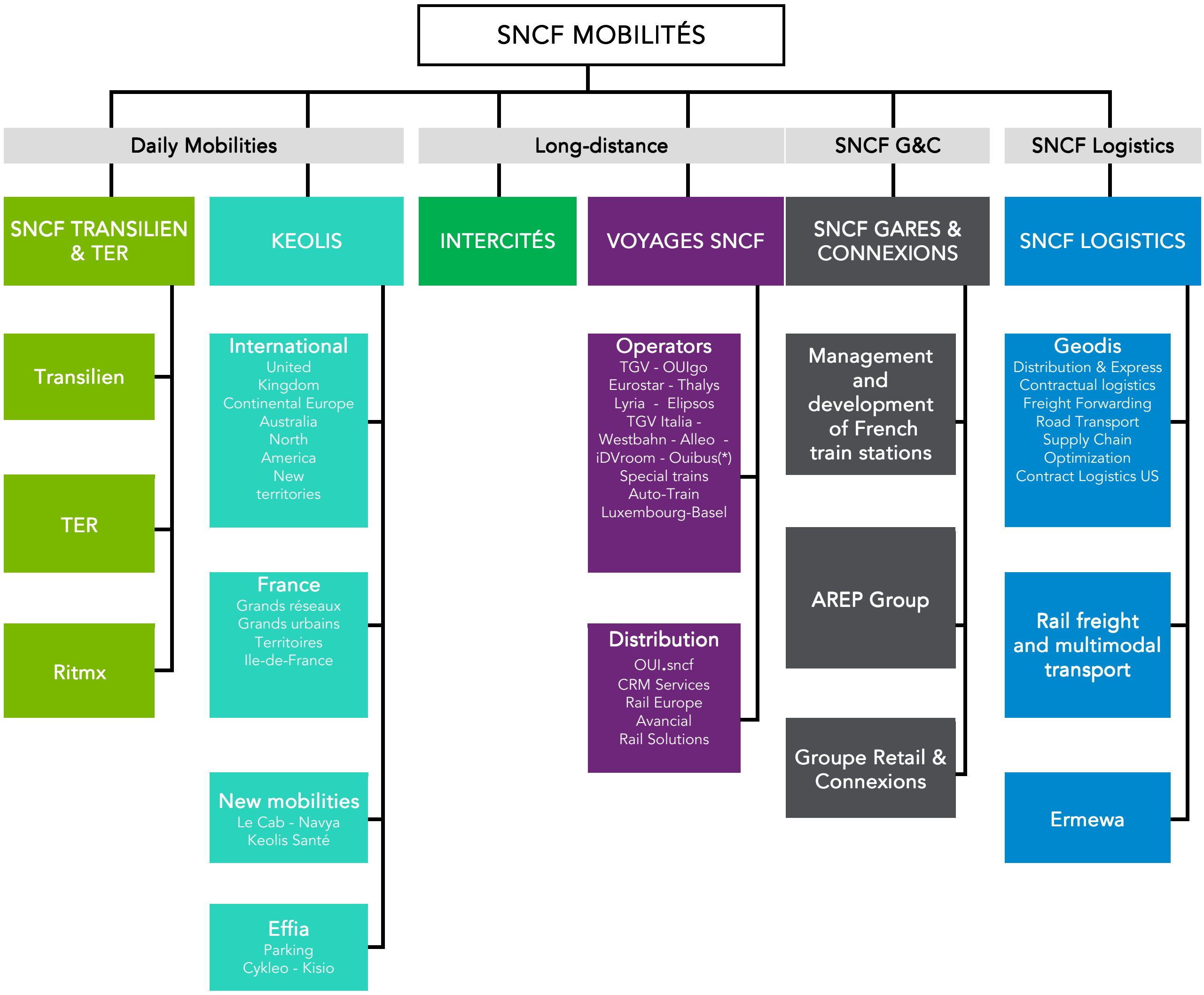
As a result of all these changes, the net profit attributable to equity holders of the parent was €221 million, compared to €3,202 million in 2018, after recognition of a net profit attributable to non-controlling interests (minority interests) of €10 million.

ROCE (calculated on current operating profit after share of net profit of companies consolidated under the equity method) increased from 5.7% to 7.7%.

2 ACTIVITIES AND RESULTS BY SEGMENT

SNCF Mobilités Group's activity is now organised from 1 January 2018 into four business units backed by support functions:

- Daily Mobilities which comprises the two segments SNCF Transilien & TER and Keolis;
- Long Distance which encompasses the segments Intercités and Voyages SNCF;
- SNCF Gares & Connexions which is a segment on its own;
- SNCF Logistics which is broken down into three segments: Geodis, Rail freight and multimodal transport (TFMM) and Ermewa.



Only the main subsidiaries are presented in this organisational chart and those that follow.
(*) subsidiary sold in the first half of 2019

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	Keolis	Intercités	Voyages SNCF	SNCF Gares & Con-nexions	SNCF Logistics	Industrial Department	Cor-porate	SNCF Mobilités
External revenue	3,953	3,199	332	3,915	254	5,045	121	142	16,960
Gross profit	288	307	23	624	103	500	19	27	1,892
Current operating profit/(loss)	176	35	19	269	20	126	11	-5	653
Current operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method	176	46	19	267	20	128	11	-4	664
Net investments	-421	-145	18	-343	-133	-183	-42	-37	-1,287

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

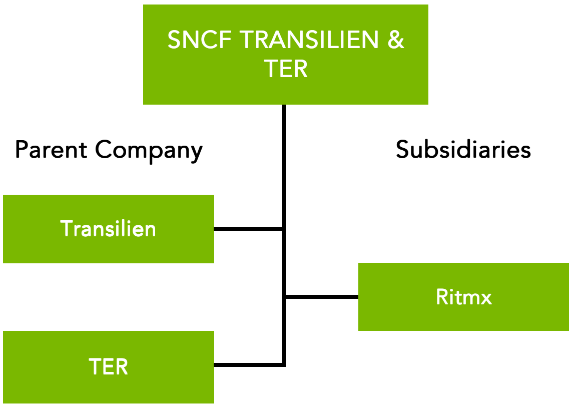
SNCF Mobilités management monitors the external revenue generated by each segment (group contribution) and not the revenue generated between each segment. The revenue presented in the analyses by segment is therefore external revenue.

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 condensed half-year consolidated financial statements.

2.1 DAILY MOBILITIES

2.1.1 SNCF Transilien & TER



SNCF Transilien and TER offer local transport services, rail transport regulated services, and services covering passenger transport (Ritmx).

In € millions	H1 2019	H1 2018	Change
External revenue	3,953	3,411	542
Gross profit	288	-3	291
Gross profit / revenue at SNCF Transilien & TER level	*6.7%*	*-0.1%*	
Current operating profit/(loss)	176	-24	200
Current operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method	176	-24	200
Net investments	-421	-196	-225

Highlights

Transilien

- Investment programmes backed by the Organising Authority:
  - Arrival of new rolling stock in connection with the acceleration of the Rolling Stock Master Plan: 12 Régio2N trains on the RER D and 10 NAT trains on line J Conflans Mantes,
  - First visible results of the ticketing system upgrade with the launch of Navigo Easy (contactless card designed to gradually replace the single use magnetic ticket) and the Navigo liberté+ experimental phase (first stage of the pay-per-use service).
  - Roll-out of the clean station plan with the installation of toilets, thorough cleaning of certain stations and the development of a cleanliness application.
- Improvement in train punctuality since the start of the 2019: with a total rate of over 91% since the start of the year, Transilien has delivered its best performance since 2012. Customer satisfaction has increased substantially by more than 8% compared to last year.
- Ongoing improvement in service robustness and passenger information with the creation of a new operational centre for lines C, N and U and the set-up of the Single Command Centre (Centre de Commandement Unique - CCU) for the RER A.

TER

- Signing of agreements with the Nouvelle-Aquitaine and PACA regions, as well as framework agreement with the Bretagne region, and approval of the Hauts-de-France agreement at the Board of Directors' Meeting of 26 June 2019.

- Substantial improvement in production robustness, reflected in a record level of traffic punctuality: 92.9% as at 30 June 2019, exceeding an objective of 91.5%.
- Increase in traffic and direct revenue compared to 2018.
- Delivery of 6 Régio2N and 4 Régiolis trains as well as 11 other Régiolis trains acquired by Intercités for the TER lines.

2019 first-half results

- Revenue

2019 first-half revenue was up by €542 million (+15.9%) compared to 2018. This increase was mainly due to Group structure impacts and the adoption of IFRS 15 for -€7 million (breakdown in Note 1.1 Comparability of the financial statements).

On a constant scope and accounting standard basis, revenue amounted to +€549 million (+16.1%).

Transilien reported growth of €201 million (+15.0%). Excluding the counter effect of the strikes, the increase totalled +€80 million (+5.5%), driven by the rising contribution of IdF-Mobilités due to favourable contractual impacts, and greater traffic income.

TER activity improved by +€343 million (+16.6%). Excluding the counter effect of the strikes, revenue rose by €152 million (+6.7%): regional contributions increased, with the transfer of the Hauts de France Intercités lines and renegotiated agreements. Direct revenue and traffic both improved.

- Gross profit

Gross profit for SNCF Transilien & TER rose by €291 million between 2018 and 2019. The counter impact of the first-half 2018 strikes on gross profit was estimated at +€146 million. Transilien gross profit improved by €109 million (with a strike counter effect of +€63 million). TER gross profit increased by €180 million (of which a strike counter impact of €83 million). Excluding the counter effect of the strikes, TER gross profit was impacted by favourable items relating to business growth and productivity gains.

- Current operating profit/(loss)

Current operating profit rose by €200 million. The increase in operating profit was offset by the net movement in provisions: a net charge of €6 million over the period compared to a net reversal of €62 million (settlement of litigation and disputes) for the year ended 30 June 2018.

- Net investments

Net investments for SNCF Transilien & TER increased by €225 million compared to 2018, including €117 million for TER: rise in gross investments for the purchase of new rolling stock and fixed installations. Net investments at Transilien increased by €105 million, mainly relating to the rise in gross investment. This increase was offset by a rise in grants received.

2019 second-half outlook

<u>Transilien</u>

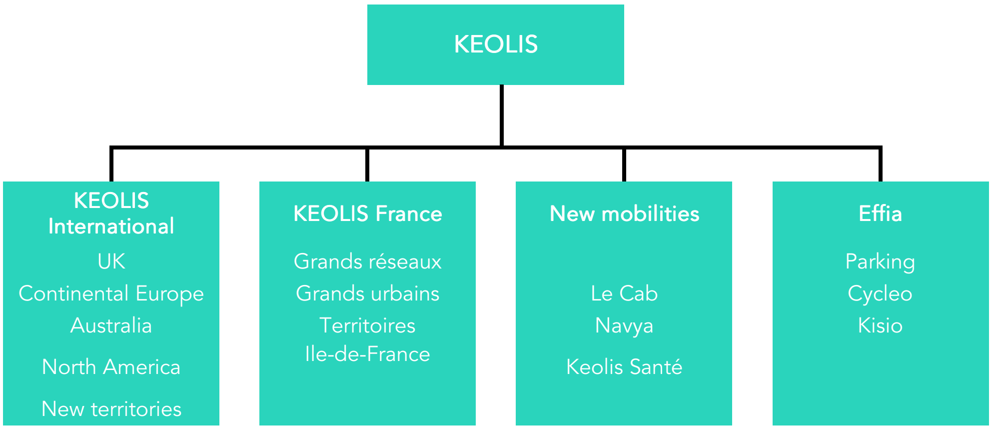
- Further implementation of the Rolling Stock Master Plan with the arrival of new Régio2N rolling stock on line N.
- Further ticketing upgrades with widespread use of smartphones to purchase and validate tickets, modernisation of ticket turnstiles, particularly those at Saint-Lazare station.
- A more responsive and multi-channel Passenger Information System with the roll-out of new templates on station information screens and switch-over to a real-time itinerary calculation.

<u>TER</u>

- Finalisation of the Bretagne agreement.
- Finalisation of the negotiation of the Normandie 2020 agreement that includes the resumption of Intercités lines in Normandy as of 1 January 2020.
- Ongoing preparations for calls for tenders on batches that will soon to open to competition and estimation of the impacts to be negotiated in the amendments to these agreements.

- Preparation for the implementation of the 2020 reform with the transfer of station personnel resources to SNCF Gares & Connexions and Fret.
- Start of operations on the Léman Express, a cross-border train in the France-Vaud-Geneva region.

2.1.2 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	H1 2019	H1 2018	Change
External revenue	3,199	2,837	362
Gross profit	307	164	143
Gross profit /revenue at Keolis level	*9.4%*	*5.7%*	
Current operating profit/(loss)	35	35	0
Current operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method	46	46	0
Net investments	-145	-28	-116

Highlights

- Acquisitions, disposals and investments in France and internationally:
  - Acquisition of Car Postal France, French subsidiary of the Swiss postal service which operates eight urban networks in Eastern and South-Eastern France.
  - Sale of Le Cab private hire taxi service to SnapCar.
- Contract start-ups, renewals and wins in France and internationally:
  - In France, the start of the year was marked by the successful resumption of the Nancy tram and Chambéry bus contracts (each with a 6-year term).
  - Keolis also confirmed its growth momentum in the Sud PACA region with the renewal of the municipal transport contract in Aix-en-Provence and aggressive wins in Menton and Antibes-Sophie-Antipolis.
  - With Tram 9, Keolis won the first call for tenders launched by Ile-de-France Mobilités for railway operations.
  - Internationally, Keolis will focus on the Wales & Borders rail agreement in 2019.
  - The first half-year was marked by the start of operations for the Waterloo tram network in Canada, the win of the Bergen Centre 100% electric bus contract in Norway and the launch of the Doha underground "Red Line" on 8 May (RKH Qitarat JV).
- "New Mobilities" and Digital strategy:

- The 2019 strategy focuses on transport on demand and autonomous shuttles.
- Regarding transport on demand, the first half-year was marked by a launch in Nancy in May and a win in Tours.
- Regarding autonomous shuttles, Keolis won the Montréal Lav VI project.

2019 first-half results

- Revenue

2019 revenue was up by €362 million (+12.8%) compared to 2018.

At constant Group structure and exchange rates, Keolis revenue increased by €338 million (+11.9%). The Group structure impact amounted to €16 million (breakdown in Note 1.1 Comparability of the financial statements), while the exchange rate impact totalled €8 million.

Growth was primarily driven by international activity (+€279 million), and particularly the Wales & Borders contract in the UK. The other geographical areas also reported growth.

Revenue in France also rose, by €41 million, due to the sound performance of Grands Réseaux and Grands Urbains (particularly the Nancy and Chambéry wins that were offset by the Nîmes loss).

Effia posted +€17 million revenue growth, particularly for Effia Stationnement and Kisio.

- Gross profit

Gross profit for Keolis rose by €143 million, including +€138 million for the impact arising from the adoption of IFRS 16. International business increased by +€3 million, particularly in Continental Europe and Australia. Gross profit in France declined by -€5 million, mainly in the Territoires and Grands Réseaux, and was offset by Grands Urbains. Effia reported a €6 million increase in its parking business.

- Current operating profit/(loss)

Keolis current operating profit was stable; the rise in gross profit was primarily offset by the impact arising from the adoption of IFRS 16 in 2019 that led to an increase in depreciation and amortisation (-€127 million).

- Net investments

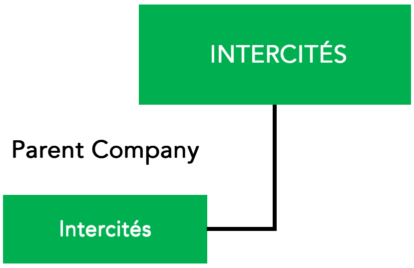
Investments increased by €116 million. This was attributable to an exceptional cash inflow in 2018 relating to the Lille contract (takeover of the former contract's assets upon renewal by the Organising Authority). Investments also increased in the United Kingdom (Wales & Borders network).

2019 second-half outlook

- Numerous calls for tender expected for the "Optile" bus network in Ile-de-France following its opening to competition.
- Internationally, the outcomes of a defensive bid for a major bus contract in the Netherlands and the Buenos Aires call for tenders are expected at the year-end.
- The year will also be marked by the ongoing mobilisation for the Doha underground.

2.2 LONG-DISTANCE

2.2.1 Intercités



Intercités proposes medium and long-distance transport activities in France.

In € millions	H1 2019	H1 2018	Change
External revenue	332	326	6
Gross profit	23	-1	24
Gross profit /revenue at Intercités level	*5.7%*	*-0.3%*	
Current operating profit/(loss)	19	-5	23
Current operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method	19	-5	23
Net investments	18	40	-22

Highlights

- Launch of new 100% ECO solutions for Paris-Le Croisic, Paris-La Rochelle and Paris-Grenoble lines.
- Launch of the new price range
- Launch of Wifi on board trains
- Inauguration of Coradia Liner rolling stock on the Toulouse – Bayonne line.

2019 first-half results

- Revenue

2019 revenue was up by €6 million (+1.8%) compared to 2018. Excluding the counter effect of the strikes, business declined by -€38 million, with the impact of line transfers to TER.

- Gross profit

Gross profit for Intercités increased by €24 million between 2018 and 2019. The strikes in the first half of 2018 had a positive impact on the 2019 financial statements for +€21 million.

- Current operating profit/(loss)

Current operating profit rose by €23 million in line with gross profit.

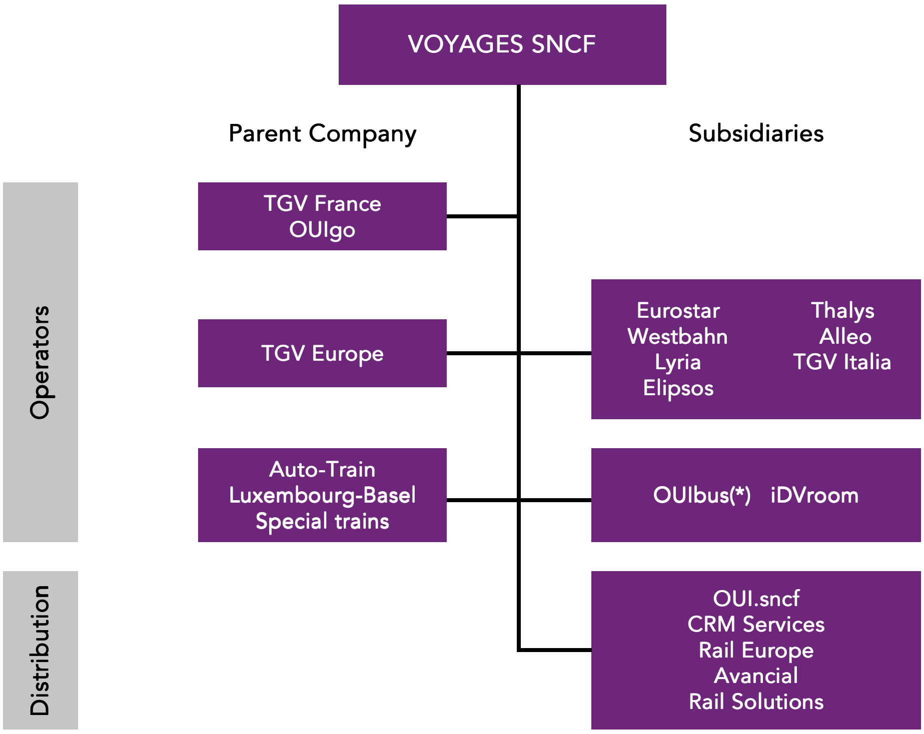
- Net investments

Intercités net investments rose by €22 million compared to 2018; this increase mainly concerned rising gross investments for new rolling stock (relating to the order of 40 Regio2N OMNEO Normandie trains and the latest order of 30 Régiolis trains) and was offset by greater grants received.

2019 second-half outlook

- Further work on Normandy line transfers.
- Creation of the passenger services department.

2.2.2 Voyages SNCF



(*) Subsidiary sold in the first half of 2019.

Voyages SNCF offers its customers:

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

In € millions	H1 2019	H1 2018	Change
External revenue	3,915	3,408	506
Gross profit	624	284	340
Gross profit / revenue at Voyages SNCF level	*15.2%*	*7.8%*	
Current operating profit	269	101	168
Current operating profit after share of net profit of companies consolidated under the equity method	267	100	167
Net investments	-343	-363	20

Highlights

- Successful new price range launched on 9 May, with the sale of 452,000 discount cards and 56,000 Liberté passes.
- TGV inOui now operates on the Paris-Lille (January) and Paris-Sud Provence Alpes Côte d'Azur (June) lines and partnered the FIFA 2019 Women's Football World Cup.
- New OUIGO links to Lille Flanders, a third London-Amsterdam return trip service for Eurostar and services to the Roissy Charles-de-Gaulle airport and Marne La Vallée stations for Thalys.
- Launch of the mobility PDA on 18 June; the SNCF app has become the no. 1 integrator and partner for all types of mobility in France.

2019 first-half results

- Revenue

Voyages SNCF revenue increased by €506 million (+14.8%). This was partly attributable to:

- an accounting standard impact of -€2 million (see Note 1.1 Comparability of the financial statements);
- a foreign exchange impact of €4 million.

On a constant accounting standard and exchange rate basis, Voyages SNCF revenue increased substantially by +€505 million (+14.8%). The 2018 strike impact had a counter effect in 2019 for +€373 million.

Grande Vitesse France revenue improved by +€487 million (+€130 million excluding the strike counter effect), due to the success of the offering policy (Ouigo operating in conjunction with inOui) and the launch of the new price range. Thalys revenue improved by +€9 million (excluding strikes) with the favourable impact arising from the launch of the new Marne-la-Vallée and Roissy-Charles-de-Gaulle routes and the performance of IZY. Eurostar revenue remained stable as the positive impact from the launch of the new London-Amsterdam route in 2018 was offset by the French customs strike in the first half of 2019.

- Gross profit

Gross profit rose by €340 million, of which a strike counter impact for +€247 million. Grande Vitesse France gross profit improved due to the boost in activity (successful offering policy) and lower employee costs. The subsidiaries posted a -€12 million decline in gross profit (despite the +€11 million counter effect of the strikes). Gross profit fell by -€6 million for Eurostar, due to the French customs strike and by -€3 million for Thalys, due to a rise in infrastructure and maintenance expenses.

- Current operating profit/(loss)

The increase in current operating profit of Voyages SNCF (+€168 million) was primarily due to the rise in gross profit. It was partly offset by the rise in depreciation and amortisation for €146 million, due to the TGV impairment reversals in 2018.

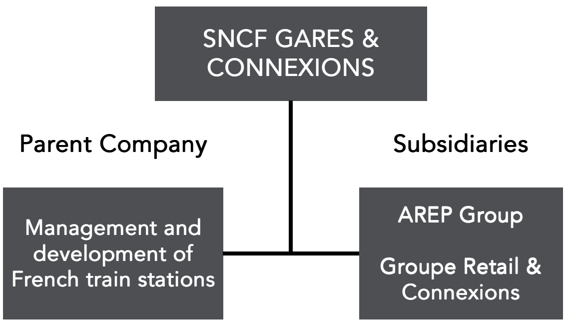
- Net investments

Net investments amounted to €343 million in 2019, compared to €363 million in 2018. The decrease was mainly driven by substantially lower investments for Eurostar train purchases, offset by greater investments in new rolling stock by EPIC (primarily relating to down-payments on the TGV2020 project), and the increase in industrial work on rolling stock.

2019 second-half outlook

- Finalisation of the SNCF Mobilités/BlaBlaCar partnership and the iDVROOM sale in July.
- OUIGO: opening of the OUIGO Paris-Toulouse service on 6 July, and services to Nîmes and Montpellier in December.
- Bordeaux-Brussels route operated by Thalys every Saturday during the summer.

2.3 SNCF GARES & CONNEXIONS



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

In € millions	H1 2019	H1 2018	Change
External revenue	254	229	25
Gross profit	103	97	6
Gross profit / revenue at SNCF Gares & Connexions level	*13.7%*	*13.5%*	
Current operating profit/(loss)	20	42	-22
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	20	41	-21
Net investments	-133	-118	-15

Highlights

- Creation of the single-purpose semi-public company (SEMOP) called "StatioNord" in February 2019 for the Gare du Nord 2024 project. It is 34% owned by SNCF Gares & Connexions and 66% owned by Ceetrus.
- Publication of the 2020 *Document de Référence des Gares* (DRG) in conjunction with SNCF Réseau on 17 June 2019, following the feedback on the consultation and exchanges with ARAFER.

2019 first-half results

- Revenue

SNCF Gares & Connexions revenue rose by €25 million (+10.9%) mainly in line with the rise in business concession activity at stations (Paris Nord and Paris Gare de Lyon) and an increase in development services for SNCF Réseau.

- Gross profit

Gross profit increased by €6 million between 2018 and 2019. A positive counter effect of the strikes was offset by compensation paid under the Gare du Nord 2024 project.

- Current operating profit/(loss)

Current operating profit decreased by €22 million; the increase in gross profit was curbed by the net movements in provisions: a net charge of €1 million over the period, compared to a net reversal of €10 million for the year ended 30 June 2018 and depreciation and amortisation rose by €11 million (following impairment reversals in 2018).

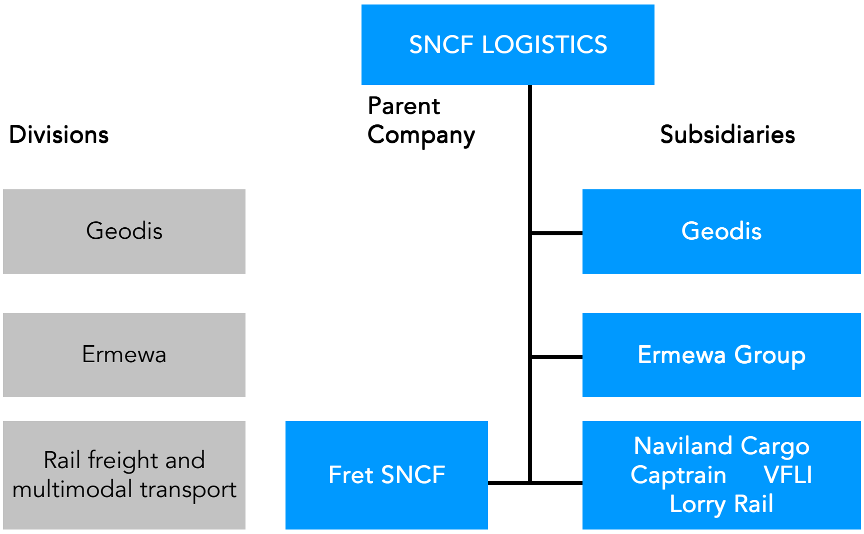
- Net investments

SNCF Gares & Connexions net investments rose by €15 million for fixed installations (station accessibility and passenger information).

2019 second-half outlook

- Publication of ARAFER's opinion on the 2020 *Document de Référence des Gares*.
- Preparation for the roll-out of the rail reform and the transfer of passenger activity personnel.
- Initial preparations for the Gare du Nord 2024 project.
- Ongoing investment & station refurbishment.
- Ongoing business strategy for station concessions and fees.

2.4 SNCF LOGISTICS



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

In € millions	H1 2019					H1 2018	Chg.
	Geodis	TFMM	Ermewa	Other	Total		
External revenue	4,010	833	201	0	5,045	4,836	209
Gross profit	355	14	126	6	500	99	401
Gross profit / revenue at SNCF Logistics level					*9.8%*	*2.0%*	
Current operating profit/(loss)	130	-55	51	0	126	7	119
Current operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method	131	-52	48	0	128	13	115
Net investments	-59	-19	-104	-	-183	-151	-31

Highlights

<u>Geodis</u>

- Growth in Geodis international revenue, driven by the momentum of Contract Logistics, particularly in the United States, that offset the decline by Freight Forwarding.
- More mixed revenue trend for Distribution & Express and Road Transport activities, impacted by dwindling volumes; Supply Chain Optimisation was impacted by the implementation of the new IBM agreement.
- Growth in gross profit for Contract Logistics, especially in the United States, and Distribution & Express.
- Improved customer payment deadlines.
- Upply: gradual development of the site, formation of teams and ongoing launch of the market place.

<u>TFMM</u>

- Fret SNCF
  - Sluggish activity in the cereal sector: certain customers experienced production problems with a negative impact on volumes. Solid momentum for Combined traffic.
  - Creation and presentation of the draft new Fret SNCF organisation, intended to boost responsiveness, flexibility and economic performance.
- Rail Transport Operators

  - Increase in track subsidies in Germany.
  - Integration of Captrain España into the Captrain European network following the takeover at the end of 2018.
  - Acquisition in March 2019 of Railtraxx, a Belgian rail company operating in Belgium, the Netherlands and Germany; operational integration of Railtraxx and Captrain Belgium under the Railtraxx safety certificate.
- Multi-modal transport
  - Rail motorways: launch in February 2019 of the Barcelona-Bettembourg line via Perpignan by Lorry-Rail and set-up in March 2019 of a stop in Mâcon on the Calais-Le Boulou line operated by VIIA.
  - Ongoing development of Combined volumes at Naviland Cargo.

Ermewa

- Finalisation of TML's integration within the Container BU.
- Acquisition of Raffles Lease, a tank container leasing company based in Singapore and its fleet of more than 13,000 containers for over USD200 million, making the Ermewa Group the world's leader in tank container leasing.
- Substantial commercial activity in wagons and containers.

2019 first-half results

- Revenue

2019 revenue was up by €209 million (+4.3%) compared to 2018. It was affected by:

  - a Group structure impact for +€37 million, which is described in Note 1.1 Comparability of the financial statements,
  - a foreign exchange impact for +€45 million.

On a constant Group structure and exchange rate basis, revenue rose by 2.6% (+€127 million).
The following comments involve figures at constant scope and exchange rates.

Geodis revenue rose by €13 million, with improvements in Contract Logistics, particularly in the United States, and Distribution & Express. However, revenue declined for Freight Forwarding, due to lower air and sea freight volumes as well as Supply Chain Optimisation, with a reduction in business on the IBM contract and Road Transport.

Rail freight and multi-modal transport revenue increased by €84 million. Adjusted for the 2018 strikes, revenue fell by €10 million with a traffic income decline for Fret SNCF, offset by the growth of Multimodel Rail Operators, particularly on rail motorways as well as Rail Transport Operators (mainly internationally).

Ermewa revenue increased by €29 million, mainly regarding workshops.

- Gross profit

Gross profit rose by €401 million, partly due to the counter effect of the 2018 strikes (+€81 million) as well as the final recognition of income for the Competition Authority fine repayment for Distribution and Express. The adoption of IFRS 16 in 2019 had a positive impact on gross profit for €253 million.

- Current operating profit/(loss)

Current operating profit rose by €119 million, mainly due to the increase in gross profit and greater depreciation and amortisation between 2018 and 2019 for €241 million (of which an IFRS 16 impact for €226 million) and the net movement in provisions (net reversal of €11 million as at 30 June 2019, compared to a net reversal of €51 million in June 2018).

- Net investments

SNCF Logistics investments rose by €31 million compared to 2018, amounting to €183 million. The increase was mainly recorded at Ermewa with the purchase of new wagons and at Geodis with slightly higher investments at logistics sites.

2019 second-half outlook

Geodis

- The gross profit target should be met, despite a slow-down in Freight Forwarding activities.
- Slow-down of Freight Forwarding activities, particularly for air freight, and a mixed economic context in France
- Foreign currency and oil price volatility.

Rail freight and multi-modal transport

- Fret SNCF:
    - Traffic heavily impacted by the Modane mudslide on 3 July in the Maurienne province. A precise quantified assessment will be made following the infrastructure restoration work.
    - Reduced business announced in the steel and automotive sectors.
    - Gradual roll-out of new operating processes relating to the new organisation, which will be fully effective as of 1 January 2020.
- Rail Transport Operators
    - Continuation and finalisation of the integration of Railtraxx and Captrain Belgium operations.
    - Roll-out of additional productivity plans in a few entities where volumes are low.
- Multi-modal transport
    - Expected outcome of the multiple initiatives undertaken in the first half of 2019 to tackle the quality issues identified at terminals
    - Further ramp-up of the latest rail motorway services
    - Resumption in September of the Calais–Orbassano (Turin) rail motorway following the suspension of traffic caused by the poor weather on 3 July in Maurienne

Ermewa

- Business strategy to boost the Eurotainer fleet and renew the Ermewa fleet, in keeping with 2018.
- Integration of Raffles Lease within the Ermewa Group.
- Completion of the Ermewa Group refinancing.

3 NET INVESTMENTS AND NET DEBT

3.1 NET INVESTMENTS

In € millions	30/06/2019	30/06/2018	Change	
Net investments	-1,287	-952	-335	+35%
Disposals	114	103	12	+12%
Investments, net of disposals	**-1,172**	**-849**	**-323**	**+38%**

Net investments stood at -€1,287 million as at 30 June 2019, an increase of €335 million compared to 30 June 2018. They mostly involve rolling stock acquisitions, particularly Régiolis and Regio2N trains.

Disposals in the first half of 2019 increased by €12 million compared to 2018 and mainly involved real estate.

3.2 GROUP NET DEBT

In € millions	30/06/2019	31/12/2018	Change
Non-current debt	13,455	13,872	-417
Non-current receivables	-3,989	-3,831	-158
Net non-current debt used to calculate net debt	**9,466**	**10,042**	**-576**
Current debt	4,001	3,191	810
Current receivables	-5,388	-6,046	658
Net current debt used to calculate net debt	**-1,388**	**-2,856**	**1,468**

Net debt	8,077	7,186	892
Gearing (Net debt / Equity)	*0.9*	*0.8*	

Net debt stood at €8,077 million as at 30 June 2019, for a gearing (Net debt / Equity) of 0.9 (0.8 as at 31 December 2018). Net debt as a percentage of sliding gross profit decreased from 3.0 as at 31 December 2018 to 2.2 as at 30 June 2019.

Net debt was impacted by the following movements in the first half of 2019:

Opening net debt	7,186
Cash from operations	-1,409
Net investments	1,287
Disposals	-114
Dividends received from companies consolidated under the equity method	-13
Repayment of lease liabilities and related interest	398
Group structure transactions	226
Change in operating WCR	143
Dividends paid	578
Change in fair value, amortised cost, translation difference	168
Change in tax WCR	-214
Reclassification of finance lease payables as lease liabilities	-160
Other	3
Closing net debt	8,077

3.3 FINANCING SOURCES AND DEBT MANAGEMENT

Non-current fell by €417 million while current debt increased by €810 million.

These changes were essentially due to:

- the increase in cash and cash equivalents for +€595 million;
- the repayment of bonds for -€150 million.

Current debt fell by €658 million and non-current debt increased by €158 million.

These changes mainly stemmed from the decrease in cash and cash equivalents for -€579 million.

EPIC SNCF Mobilités is responsible for managing most of the Group’s net debt, carrying 95% 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	29-Jun-18
Moody's	Aa3	Stable	28-Jan-19
Fitch Ratings	A+	Stable	13-Jul-18

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 the Capital and financing Note to the consolidated financial statements.

4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND RATIOS

In € millions	30/06/2019	31/12/2018 (*)
Goodwill	2,357	2,330
Intangible assets	1,792	1,805
Rights of use assets relating to lease contracts	3,408	-
Property, plant and equipment	16,707	16,725
Non-current financial assets	5,169	4,964
Equity investments	864	864
Deferred tax assets	1,402	1,358
Non-current assets	**31,699**	**28,045**
Operating assets	8,702	8,188
Current financial assets	1,488	1,229
Cash and cash equivalents	4,341	4,954
Current assets	**14,532**	**14,372**
Assets classified as held for sale	-	-
TOTAL ASSETS	46,231	42,417

Share capital	3,971	3,971
Consolidated reserves	4,453	877
Net profit/(loss) for the period	221	4,502
Equity attributable to equity holders of the parent	**8,646**	**9,350**
Non-controlling interests (minority interests)	126	137
Total equity	**8,772**	**9,487**
Non-current employee benefits	1,709	1,571
Non-current provisions	981	998
Non-current financial liabilities	15,157	15,430
Non-current lease liabilities	2,718	-
Deferred tax liabilities	383	399
Non-current liabilities	**20,948**	**18,398**
Current employee benefits	95	97
Current provisions	150	164
Operating payables	11,555	11,080
Operating liabilities	**11,800**	**11,341**
Current lease liabilities	712	-
Current financial liabilities	3,999	3,191
Current liabilities	**16,511**	**14,531**
Liabilities associated with assets classified as held for sale	-	-
TOTAL EQUITY AND LIABILITIES	46,231	42,417

Gearing (Net debt / Equity)	*0.9*	*0.8*
Net debt / Gross profit	*2.2*	*3.0*

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 Leases (see Note 1.3 to the condensed half-year consolidated financial statements)

The Group statement of financial position recorded the following major changes in the first half of 2019:

- Rights of use relating to leases following the adoption of IFRS 16 for +€3,408 million;
- A decrease in equity attributable to equity holders of the parent, which mainly includes the net profit for the period (€221 million), the dividend paid to EPIC SNCF (-€537 million), the change in fair value of cash flow hedges (-€72 million), the actuarial gains and losses on post-employment benefit plans (-€126 million), the change in translation differences (€9 million) and the discounting of minority interest purchase commitments (-€193 million).
- Current and non-current lease liabilities relating to the adoption of IFRS 16 for +€712 million and +€2,718 million, respectively.
- A breakdown of financial assets and liabilities is shown in Note 5 to the condensed half-year 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 for the activities of SNCF Transilien, TER and Intercités.

5.1 PUBLIC SERVICE ORDERS

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

In € millions	30/06/2019	30/06/2018	Change
Asset maintenance	62	64	-2
Work	38	23	15
Other services	2	2	0
Total SNCF Réseau	**101**	**89**	**12**
Compensation for regional rates	11	34	-23
Services for the Organising Authorities	2,740	2,424	316
Total Regions and Île-de-France Mobilités	**2,750**	**2,458**	**292**
Socially-motivated prices	0	0	0
Defence	78	64	14
Trains d'Equilibre du Territoire (TET)	109	134	-25
Total French State	**186**	**197**	**-11**
TOTAL	**3,038**	**2,744**	**294**

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	30/06/2019	30/06/2018	Change
Operating grants	30	22	8
Cash inflows from concession financial assets	376	481	-105
Investment grants relating to intangible assets and PP&E	189	161	28
Total	596	664	-68

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

	30/06/2019	30/06/2018	Change vs 30/06/2018		Change on a constant Group structure basis vs 30/06/2018	
SNCF Transilien & TER	43,378	45,094	-3.8%	-1,717	-2.4%	-1,097
Keolis	68,519	61,629	+11.2%	6,890	+10.2%	6,261
Intercités	2,690	2,841	-5.3%	-151	-5.3%	-151
Voyages SNCF	22,537	23,546	-4.3%	-1,009	-3.4%	-799
SNCF Gares & Connexions	4,044	4,068	-0.6%	-24	-0.6%	-24
SNCF Logistics	51,971	50,421	+3.1%	1,549	+2.5%	1,277
Including the Geodis division	*41,017*	*39,455*	*+4.0%*	*1,561*	*+4.0%*	*1,561*
Industrial department	11,303	11,811	-4.3%	-509	-4.3%	-509
Corporate	1,452	1,442	+0.7%	10	+0.7%	10
TOTAL	205,893	200,853	+2.5%	5,040	+2.5%	4,969

Changes in Group structure over the year did not significantly impact the change in the average workforce.

On a constant Group structure basis, Keolis' workforce increased by 6,261 mainly following the international contract wins, such as in Wales with Keolis Amey (+ 2,344), Norway with Keolis Sverige (+1,303) or in Nancy, France (+753).

	H1 2019	*2018*	*2017*	*2016 restated (1)*	*2016 published*	*2015*	*2014*
Parent company	87,264	89,566	92,178	94,680	87,615	90,429	154,272
Subsidiaries	118,629	114,299	109,638	106,873	106,103	105,723	91,491
TOTAL	205,893	203,865	201,816	201,553	193,718	196,152	245,763

(1) adjusted for the new calculation method according to paid workforce in accordance with ANC regulation 2016-07 of 4 November 2016

6.2 MAIN AGREEMENTS SIGNED IN THE FIRST HALF OF 2019

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

- agreement relating to the application of certain technical rules arising from the set-up of social and economic committees within the Public Rail Group (08/02/2019),
- amendment to the agreement promoting professional equality between men and women and gender diversity (11/03/2019),
- collective agreement on how to manage shared design audits within the PRG (15/03/2019)

CHALLENGES AND OUTLOOK

A first half-year of 2019 marked by the assertion of a key idea for the SNCF Group which is its *raison d'être*: "Give everyone the freedom to move easily while preserving the planet."

This breaks down into 6 commitments:

Be a civic company, driving the ecological transition of mobilities

In the first half of 2019, for example, the SNCF assistant was launched to promote the use of shared mobilities and a long-term 25-year contract was announced for the purchase of renewable electricity.

Support railway growth

Passenger traffic increased in the first half of 2019, driven by new experiences (e.g. TGV InOui) and there was substantial momentum in commercial initiatives (e.g. OUIGO).

Be the best in our fundamentals - Safety, Punctuality and Information – with the following programmes:

PRISME (Be Proactive, analyse Risks, master Interfaces, Simplify procedures, support Management, use Equipment),

H00 (Punctuality), and FIRST (Improve information reliability to make it more responsive and customized for all customers).

Boost customer satisfaction with investment programmes to upgrade the rail network and quickly renew rolling stock.

Boost employee commitment

For example, in the first half of 2019, negotiations began for a new attractive and motivating corporate agreement, designed to better reward employee efforts.

Be economically efficient and competitive

There are ongoing commercial, industrial and transversal performance plans.

Breakdown by business segment (H2 2019 outlook)

Transilien will enter into the final year of the 2016-2019 agreement with Île-de-France Mobilités and begin work and negotiations for the 2020-2023 agreement. The second half of 2019 will be marked by the arrival of new rolling stock and the upgrade of the ticketing system (widespread use of smartphones to purchase and validate tickets, modernisation of turnstiles).

TER will continue preparing for the calls for tenders in the Pays de la Loire, PACA, Grand Est and Hauts-de-France regions, in a competitive context. It will finalise the renewal of the Brittany agreement and negotiate the Normandie 2020 agreement which includes the takeover of Normandy Intercités lines on 1 January 2020.

Keolis should learn the outcome of calls for tenders in the Netherlands and Argentina (Buenos Aires underground) in the second half of 2019. In France, Keolis expects calls for tenders in the "Optile" bus network in Ile-de-France following the opening to competition.

Intercités scope of activity will be reduced following the transfer of its lines to the regions. The transfers will terminate in early 2020, with the Normandy lines currently being prepared.

SNCF Voyages will continue to open Ouigo lines, with the Ouigo Paris-Toulouse line on 6 July, and routes to Nîmes and Montpellier in December. Furthermore, the OUIBUS / BlaBlaCar partnership will be finalised in the second half of the year.

Gares et Connexions will continue to invest and refurbish stations and pursue its sales strategy regarding concessions and fees. The initial preparations for the Gare du Nord 2024 project will begin. SNCF Gares & Connexions will prepare for its attachment to SNCF Réseau under the rail reform.

Geodis, in an uncertain environment partly due to the sales and customs war between the United States and China, expects a slowdown in global growth with probable impacts on its activities. The UPPLY (site) platform will be gradually developed.

Rail Freight and Multimodal Transport:

Rail Transport will continue to integrate the companies acquired in the first half of the year.

Freight will prepare for the gradual roll-out of new operating processes under the rail reform.

Multimodal Transport will prepare for the resumption in September of the Calais-Orbassano (Turin) rail motorway following the suspension of traffic caused by the poor weather on 3 July in the Maurienne region.

Ermewa will finalise the integration of the Raffles fleet within its container fleet and will continue to develop its fleet as well as that of Eurotainer using a robust commercial strategy.

CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

IFRS – In € millions

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

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CONSOLIDATED INCOME STATEMENT

In € millions	Notes	30/06/2019	30/06/2018 (*)
Revenue	3	16,960	15,252
Purchases and external charges	3	-8,552	-8,418
Employee benefit expense		-5,827	-5,595
Taxes and duties other than income tax		-757	-754
Other operating income and expenses		68	164
Gross profit		**1,892**	**649**
Depreciation and amortisation	4.1	-1,281	-733
Net movement in provisions		43	185
Current operating profit/(loss)		**653**	**101**
Net proceeds from asset disposals	4.1	46	51
Fair value remeasurement of the previously held interest		0	16
Impairment losses	4.2	-6	3,309
Operating profit/(loss)		**693**	**3,477**
Share of net profit/(loss) of companies consolidated under the equity method		11	17
Operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method		**704**	**3,493**
Net borrowing and other costs	5	-277	-130
Net finance costs of employee benefits		19	4
Finance cost		**-258**	**-126**
Net profit/(loss) before tax from ordinary activities		**446**	**3,368**
Income tax expense		-214	-129
Net profit/(loss) from ordinary activities		**231**	**3,239**
Net profit/(loss) from discontinued operations, net of tax		0	0
Net profit/(loss) for the period		**231**	**3,239**
Net profit/(loss) for the period attributable to equity holders		**221**	**3,202**
Net profit/(loss) for the period attributable to non-controlling interests (minority interests)		10	37

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 "Leases" (see Note 1.3)

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 condensed half-year consolidated financial statements.

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions	30/06/2019	30/06/2018 (*)
Net profit/(loss) for the period	231	3,239
Other comprehensive income:		
Change in foreign currency translation	8	21
Tax on change in foreign currency translation	0	-1
	8	*20*
Change in fair value of cash flow hedges	-74	1
Tax on change in fair value of cash flow hedges	0	-5
	-74	*-3*
Change in fair value of hedging costs	-1	-9
Tax on change in fair value of hedging costs	0	3
	-1	*-6*
Share of recyclable other comprehensive income of companies consolidated under the equity method	4	1
Total recyclable other comprehensive income/(loss)	**-63**	**12**
Actuarial gains and losses arising from employee defined benefit plans	-147	46
Tax on actuarial gains and losses arising from defined benefit plans	3	-11
	-143	*35*
Change in value of equity instruments at fair value through equity	0	0
Share of non-recyclable other comprehensive income of companies consolidated under the equity method	0	0
Total non-recyclable other comprehensive income/(loss)	**-143**	**36**
Total comprehensive income/(loss) for the period	**25**	**3,286**
Total comprehensive income/(loss) attributable to equity holders of the parent	**34**	**3,250**
Total comprehensive income/(loss) attributable to non-controlling interests (minority interests)	-10	36

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 "Leases" (see Note 1.3)

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED ASSETS

In € millions	Notes	30/06/2019	31/12/2018 (*)
Goodwill		2,357	2,330
Intangible assets		1,792	1,805
Rights of use assets relating to lease contracts	4.1	3,408	0
Property, plant and equipment	4.1	16,707	16,725
Non-current financial assets	5	5,169	4,964
Equity investments		864	864
Deferred tax assets		1,402	1,358
Non-current assets		**31,699**	**28,045**
Inventories and work-in-progress		754	663
Operating receivables		7,948	7,525
Operating assets		**8,702**	**8,188**
Current financial assets	5	1,488	1,229
Cash and cash equivalents	5	4,341	4,954
Current assets		**14,532**	**14,372**
Assets classified as held for sale		0	0
Total assets		**46,231**	**42,417**

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 "Leases" (see Note 1.3)

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED EQUITY AND LIABILITIES

In € millions	Notes	30/06/2019	31/12/2018 (*)
Share capital		3,971	3,971
Consolidated reserves		4,453	877
Net profit/(loss) for the period attributable to equity holders of the parent		221	4,502
Equity attributable to equity holders of the parent		8,646	9,350
Non-controlling interests (minority interests)		126	137
Total equity		8,772	9,487
Non-current employee benefits		1,709	1,571
Non-current provisions	4.3	981	998
Non-current financial liabilities	5	15,157	15,430
Non-current lease liabilities		2,718	0
Deferred tax liabilities		383	399
Non-current liabilities		20,948	18,398
Current employee benefits		95	97
Current provisions	4.3	150	164
Operating payables		11,555	11,080
Operating liabilities		11,800	11,341
Current financial liabilities	5	3,999	3,191
Current lease liabilities		712	0
Current liabilities		16,511	14,531
Liabilities associated with assets classified as held for sale		0	0
Total equity and liabilities		46,231	42,417

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 "Leases" (see Note 1.3)

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € millions	Share capital	Actuarial gains and losses arising from employee defined benefit plans	Equity instruments at fair value through equity	Group translation reserves	Cash flow hedge	Hedging costs	Debt instruments at fair value through equity	Reserves before taxes of transferred operations	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests (minority interests)	Total equity
Equity restated as at 01/01/2018	**3,971**	**-375**	**-64**	**-269**	**-143**	**-**	**0**	**-**	**2,176**	**5,296**	**134**	**5,430**
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	3,202	3,202	37	3,239
Other comprehensive income/(loss)	-	31	0	22	-1	-6	-0	-	1	48	-0	47
Total comprehensive income/(loss)	**-**	**31**	**0**	**22**	**-1**	**-6**	**-0**	**-**	**3,203**	**3,250**	**36**	**3,286**
Dividends paid	-	-	-	-	-	-	-	-	-186	-186	-	-186
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-19	-19
Capital transactions	-	-	-	-	-	-	-	-	0	0	0	0
Changes in scope, non-controlling interests and non-controlling interest purchase commitments (*)	-	-0	-	-0	0	-	-	-	-279	-279	-13	-291
Other changes	-	-0	0	-	-0	-	-	-	-29	-29	0	-29
Equity published as at 30/06/2018	**3,971**	**-344**	**-63**	**-247**	**-145**	**-6**	**-0**	**-**	**4,886**	**8,052**	**138**	**8,191**
Equity published as at 31/12/2018	**3,971**	**-363**	**-66**	**-246**	**-148**	**-10**	**-0**	**-**	**6,211**	**9,350**	**137**	**9,487**
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	221	221	10	231
Other comprehensive income/(loss)	-	-126	-0	9	-72	-1	-	-	4	-187	-19	-207
Total comprehensive income/(loss)	**-**	**-126**	**-0**	**9**	**-72**	**-1**	**-**	**-**	**225**	**34**	**-10**	**25**
Dividends paid	-	0	-	-	-	-	-	-	-537	-537	-	-537
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-55	-55
Capital transactions	-	-	-	-	-	-	-	-	0	0	0	0
Changes in scope, non-controlling interests and non-controlling interest purchase commitments (*)	-	0	-	0	0	-	-	-	-202	-202	52	-149
Other changes	-	-0	0	-	0	-	-0	-	0	-0	1	1
Equity published as at 30/06/2019	**3,971**	**-489**	**-66**	**-237**	**-221**	**-11**	**-0**	**-**	**5,698**	**8,646**	**126**	**8,772**

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

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In € millions	Notes	30/06/2019	30/06/2018 (*)
Net profit/(loss) for the period	**IS(1)**	**231**	**3,239**
Eliminations:			
share of net profit/(loss) of associates	IS(1)	-11	-17
deferred tax expense (income)		-56	-1
depreciation, amortisation, impairment losses and provisions		1,228	-2,755
revaluation gains/losses (fair value)		66	-15
net proceeds from disposals and gains and losses on dilution		-49	-71
Cash from operations after net borrowing costs and taxes		**1,409**	**380**
Eliminations:			
current income tax expense (income)		270	131
net borrowing costs		210	147
dividend income		-3	-2
Cash from operations before net borrowing costs and taxes		**1,887**	**656**
Impact of change in working capital requirement		-143	526
Taxes paid (collected)		-56	-279
Dividends received		16	23
Cash flow from/(used in) operating activities		**1,704**	**926**
Acquisitions of subsidiaries, net of cash acquired		-46	-12
Disposals of subsidiaries, net of cash transferred		-16	6
Purchases of intangible assets and property, plant and equipment	4.1	-1,122	-1,061
Disposals of intangible assets and property, plant and equipment		114	103
New concession financial assets		-730	-505
Cash inflows from concession financial assets	3.3	376	481
Repayment of financial lease receivables		1	0
Purchases of financial assets		-85	-5
Disposals of financial assets		0	-8
Changes in loans and advances		-6	-4
Changes in cash assets		-36	76
Investment grants received		189	161
Cash flow from/(used in) in investing activities		**-1,360**	**-768**
Cash from equity transactions		-4	16
Issue of debt instruments		107	94
Repayments of borrowings net of the SNCF Réseau and Public Debt Fund (PDF) receivables (3)		-248	-215
Net borrowing costs paid		-275	-263
Repayments of lease liabilities		-411	0
Interest paid on lease liabilities		-56	0
Dividends paid to Group shareholders	Chg. in eq.(2)	-537	-186
Dividends paid to non-controlling interests		-41	-7
Increase/(decrease) in cash borrowings		595	-959
Cash flow from/(used in) financing activities	**5**	**-870**	**-1,520**
Effects of exchange rate fluctuations		-1	-2
Impact of changes in accounting policies		-1	1
Impact of changes in fair value		0	-1
Increase/(decrease) in cash and cash equivalents		**-528**	**-1,364**
Opening cash and cash equivalents		4,498	6,132
Closing cash and cash equivalents		3,970	4,768

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 "Leases" (see Note 1.3)

(1) Consolidated income statement

(2) Consolidated statement of changes in equity

(3) Of which cash inflows of €0 million for the SNCF Réseau receivable (€0 million in the first half of 2018) and €0 million for the PDF receivable (€0 million in the first half of 2018).

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

Notes 1 to 7 are an integral part of the condensed half-year 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 condensed consolidated financial statements for the half-year ended 30 June 2019 were approved by the Board of Directors on 26 July 2019.

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 SNCF Mobilités, "EPIC", "EPIC Mobilités", "Mobilités" and "EPIC SNCF Mobilités" refer solely to the parent company.

1.1 APPLICATION OF IFRS

The accounting policies used for the preparation of the SNCF Mobilités Group condensed consolidated financial statements for the half-year ended 30 June 2019 are those adopted for the year ended 31 December 2018 and adapted to applicable new standards and interpretations approved by the European Commission.

The 2018 consolidated financial statements were prepared in accordance with IFRS (International Financial Reporting Standards), as adopted in the European Union.

The condensed consolidated financial statements for the half-year ended 30 June 2019 were prepared in accordance with IAS 34, "Interim Financial Reporting." Therefore, they do not include all the information and notes required by IFRS for the preparation of the annual consolidated financial statements but only the material events for the period. They should be read in conjunction with the 2018 consolidated financial statements.

The basis of preparation for the condensed half-year consolidated financial statements detailed in the following notes is the result of:

- standards and interpretations of mandatory application for financial periods commencing on or before 1 January 2019;
- elected accounting options and exemptions applied in the preparation of the financial statements for the half-year ended 30 June 2019. The options and exemptions are described in Note 1.1.3 and the valuation methods specific to interim reporting periods in Note 1.2.

1.1.1 Standards and interpretations applicable to condensed half-year consolidated financial statements for financial periods beginning on or after 1 January 2019

Amendments to standards and interpretations as well as the new standards published and applicable as of 1 January 2019 that concern more specifically the Group's condensed half-year consolidated financial statements are as follows:

Standard or interpretation	Summarised description	Expected impacts 2019
IFRS 16 "Leases"	This new standard covers the recognition of leases and replaces the current IAS 17. It establishes principles for the recognition by lessees of eligible leases, a non-current asset (right of use) against a liability (lease liability). Accounting by lessors remains substantially unchanged.	see Note 1.3 to the 2019 condensed half-year consolidated financial statements.
IFRIC 23 "Uncertainty over income tax treatments"	The purpose of this interpretation is to clarify the accounting treatment and valuation method for income tax risks in accordance with IAS 12 "Income taxes." It does not apply to the interest and penalties arising from reassessments of income tax and other taxes and duties covered by IFRIC 21 "Levies."	see Note 1.3 to the 2019 condensed half-year consolidated financial statements.

1.1.2 Standards and interpretations not adopted in advance for the preparation of the 2019 condensed half-year consolidated financial statements

The Group has not opted for the early application of the other standards and interpretations that must be applied to financial periods starting on or after 30 June 2019, regardless of whether they were adopted by the European Commission.

In particular, the Group did not adopt the following standards for its 2019 condensed half-year consolidated financial statements:

Standard or interpretation	Summarised description	Date of adoption (period beginning as of)
Amendment to IFRS 3 "Business combinations"	This amendment seeks to clarify the definition of a "business" and simplify analysis when determining whether an acquisition is a business combination or the acquisition of a group of assets.	IASB: 01/01/2020 with possible early adoption as at 01/01/2019 EU: not adopted Group: pending adoption
Amendment to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors"	This amendment clarifies the definition of "material" used in IAS 1 and IAS 8.	IASB: 01/01/2020 with possible early adoption as at 01/01/2019 EU: not adopted Group: pending adoption

1.1.3 Description of accounting principles adopted

The accounting principles adopted are described in the corresponding notes to the 2018 consolidated financial statements. They apply to the condensed consolidated financial statements for the half-year ended 30 June 2019, with the exception of the tax on rail company profits (TREF) and income tax which are subject to valuation methods specific to interim reporting periods as described in Note 1.2.

1.2 VALUATION METHODS SPECIFIC TO INTERIM REPORTING PERIODS

1.2.1 Employee benefits

The net provision relating to employee benefits is updated based on the most recent actuarial valuations available on the closing date of the previous period. With EPIC SNCF Mobilités being the main group contributor, the actuarial assumptions relating to its obligations were reviewed in full as at 30 June 2019.

The EPIC's obligations increased by €72 million in the first half of 2019. This increase was mainly due to the decline in the discount rate from 1.58% as at 31 December 2018 to 0.81% as at 30 June 2019. The inflation rate of 1.90% remained unchanged compared to 31 December 2018.

The actuarial loss arising from change in the discount rate totalled €130 million and impacted net finance cost for -€32 million ("Finance cost of employee benefits" with regard to long-term benefits) and non-recyclable reserves for -€98 million with regard to post-employment benefits.

The decline in the membership rate for the gradual cessation of activity plan and social security contributions gave rise to an actuarial gain of €54 million recorded in net finance cost. Experience adjustments generated actuarial gains of €20 million, including €11 million for post-employment benefits recorded in non-recyclable reserves.

1.2.2 Income tax expense

Income tax expense for the half-year is calculated by applying to the pre-tax profit or loss of consolidated companies the best known estimate for the effective tax rate of the period for each tax group entity.

The financial trajectories were prepared using the Public Rail Group's (PRG) current legal scope and did not take into account the legal and tax restructuring that will occur beginning in 2020.

As at 30 June 2019, the prospect of a more favourable future performance than estimated in the financial trajectory resulted in the recognition of deferred tax for €30 million, considering an additional loss utilisation.

1.2.3 Impairment

1.2.3.1 Contextual factors

As from 2017, the French State initiated discussions to design a new railway agreement based on:

- Law 2018-515 for a New Railway Pact enacted on 27 June 2018, the terms and conditions of which were specified in orders and decrees;
- a company strategic project, drafted by the Public Rail Group at the request of the French State, in order to improve the company's performance;
- a new division agreement for rail transport by 2020.

TGV France and Europe

In May 2018, in agreement with ARAFER, the French State announced limitations on TGV and Freight (Open access) infrastructure price hikes with respect to inflation. Accordingly, the SNCF Mobilités Group prepared a 2019-2028 strategic plan and its financial trajectory adjusted for technical items mainly relating to the restoration of the TGV depreciation schedule following the impairment reversals that were confirmed by the Government Commissioner at the Board of Directors' meeting held to approve the financial statements on 27 February 2019.

On 30 June 2018, management updated the 2019-2028 TGV strategic plan, approved by the Board of Directors on 26 July 2018, in order to incorporate the above changes. This plan's new financial trajectory takes into account the new pegging of infrastructure fees to the Consumer Price Index, the scenarios involving the arrival of rail competition, additional performance gains and the new projection of CST/TREF tax deductions in line with the expected changes in Intercités activity.

These new items, and more specifically the new infrastructure fee indexation, had represented indications of impairment reversal for the TGV France and Europe (excluding Eurostar and Thalys) CGU. At the end of June 2018, management therefore conducted an impairment test that resulted in a value in use that was substantially higher than the net carrying amount of the CGU's assets. The impairment recorded in previous years that had a residual value of €3,193 million, of which €3,160 million for the Voyages SNCF segment and €33 million for Corporate support assets, was fully reversed as at 30 June 2018. No indications of impairment have been identified since 31 December 2018.

Gares & Connexions

The *Document de Référence des Gares* (DRG) 2018-2019, as well as the DRG 2020 for information purposes, was filed for review on 16 March 2018 with ARAFER, which issued a favourable opinion on this DRG 2018-2019 on 9 July 2018, thereby approving the rates for this period and the main principles of the new SNCF Gares & Connexions economic and pricing model.

Furthermore, Law 2018-515 for a New Railway Pact enacted on 27 June 2018 confirms the transfer of the train station manager to SNCF Réseau, in the form of a subsidiary as of 1 January 2020, with organisational, decision-making and financial independence (Article 1 of the Law and L.2111-9 of the French Transport Code).

Considering these items, and in connection with the creation of a general SNCF Mobilités Group strategic plan, a new 2019-2028 strategic plan and its financial trajectory were drafted for SNCF Gares & Connexions. The management of SNCF Gares & Connexions and SNCF Mobilités consider that, for the current scope of SNCF Gares & Connexions assets, this new trajectory can be transposed and applied to the future operating framework of Gares & Connexions in the form of a SNCF Réseau subsidiary.

Compared to the previous strategic plan drafted in 2016, this new trajectory includes indications of impairment reversal for the Gares & Connexions CGU, particularly in terms of revenue and gross profit. 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.

Having identified indications of impairment reversal, management conducted an impairment test on the assets of the Gares & Connexions CGU as at 30 June 2018. As the value in use determined from this test exceeded the net carrying amount of the CGU's assets, the previously recorded residual impairment loss was fully reversed as at 30 June 2018, i.e. €107 million. Since 31 December 2018, no indications of impairment have been identified.

On 14 June 2019, the DRG 2020 was filed with ARAFER: it includes platform fees invoiced until now by SNCF Réseau and an expected decline in the weighted average cost of capital regarding regulated activities. To date, ARAFER has not issued an opinion on these prices. At this stage, the Group considers that these various items do not represent an indication of impairment as at 30 June 2019.

Equipment assets

Following the ARAFER 2017-101 decision relating to separate financial statements that resulted in a zero margin in its invoicing, Equipment assets are qualified as corporate assets and treated as follows in connection with impairment tests:

- assets in Equipment transactions allocated to a transport activity are tested at the CGU level of the activity. These assets comprise spare and maintenance parts relating to equipment series that are exclusive to an activity.
- assets that cannot be allocated exclusively to an activity are tested at the next EPIC SNCF Mobilités level.

Eurostar

Measures have been undertaken by the company to guarantee Eurostar service continuity. However, considering the delay to 31 October 2019 of the Brexit decision, the Groupe cannot estimate the financial impacts at this stage (see Note 2.1.4).

1.2.3.2 Indications identified during the period

As the activities and entities with goodwill (mainly Eurostar, Thalys, Keolis and Geodis) did not present any indications of impairment, no tests were conducted at the end of June.

Furthermore, no indications of impairment or impairment reversal were identified for the other CGUs.

1.3 NEW STANDARDS AND INTERPRETATIONS

The changes in accounting treatment concern the adoption as of 1 January 2019 of IFRS 16 "Leases" and interpretation IFRIC 23 "Uncertainty over Income Tax Treatments."

The transition methods used by the Group and the reconciliations of reported data and data before application of the new standards in the condensed half-year consolidated financial statements for the period ended 30 June 2019 are outlined below.

1.3.1 Adoption of IFRIC 23 "Uncertainty over income tax treatments"

IFRIC 23 clarifies how to assess and recognize income tax risks in accordance with IAS 12 "Income taxes."

For the adoption of IFRIC 23, the Group opted for the retrospective approach with practical expedients by recognising the cumulative effect of the interpretation's initial adoption as an adjustment to opening equity without restating comparative information.

No significant impact was recorded in the SNCF Mobilités Group consolidated financial statements for the half-year ended 30 June 2019.

1.3.2 Adoption of IFRS 16 "Leases"

IFRS 16 covers all eligible leases using a single model that consists in recording a lease liability (sum of discounted future lease payments) within liabilities and a right of use within assets. Both these items are fully amortised at the end of the lease.

Previously, each lease was classified as either a finance lease or an operating lease with an accounting treatment specific to each category.

Within the Group, the leases that fall within the scope of this standard are primarily for real estate, transportation equipment (rail and road) and also vehicles and certain industrial equipments.

The Group has adopted the "retrospective approach with practical expedients" under the standard that consists in recognising the cumulative effect of the initial application as an adjustment to opening equity, while considering that the right-of-use asset is equal to the lease liability amount, adjusted by the amount of any prepayments and incentives received by lessors.

The financial impacts of the initial adoption of this standard are presented in Note 1.3.3, bearing in mind that comparative periods cannot be reconciled under the retrospective approach. However, the Group discloses below financial items before and after the adoption of IFRS 16 for the first half of 2019, which enables a comparison of performance with 2018.

In accordance with the standard's transitional requirements, the Group adopted the following main terms and conditions and practical expedients, applicable on a lease-by-lease basis:

- assess the right of use relating to operating leases existing immediately before the first-time adoption date, for the lease liability amount, adjusted, where necessary, for advance lease payments, accrued expenses, provisions for onerous contracts and profit and loss from sale and leaseback transactions;
- exclude initial direct costs from the measurement of right-of-use assets;
- adopt the most recent IAS 37 measurement for onerous contracts to determine if a leased asset has lost any value instead of performing an impairment test;
- do not restate leases which expire in the 12 months following the first-time adoption date.

Furthermore, as permitted by the standard, IFRS 16 was not applied to contracts that the Group had not previously identified as containing a lease in accordance with IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease."

1.3.3 Reconciliation of published data and data prepared under former standards

Consolidated statement of financial position

CONSOLIDATED ASSETS

In € millions	31/12/2018 before IFRS 16	IFRS 16 impacts	01/01/2019 after IFRS 16
Goodwill	2,330	0	2,330
Intangible assets	1,805	0	1,805
Rights of use assets relating to lease contracts	0	3,614	3,614
Property, plant and equipment	16,725	-217	16,507
Non-current financial assets	4,964	12	4,976
Equity investments	864	0	864
Deferred tax assets	1,358	0	1,357
Non-current assets	**28,045**	**3,408**	**31,454**
Inventories and work-in-progress	663	0	663
Operating receivables	7,525	-8	7,517
Operating assets	**8,188**	**-8**	**8,180**
Current financial assets	1,229	0	1,229
Cash and cash equivalents	4,954	0	4,954
Current assets	**14,372**	**-8**	**14,363**
Assets classified as held for sale	0	0	0
Total assets	**42,417**	**3,400**	**45,817**

CONSOLIDATED EQUITY AND LIABILITIES

In € millions	31/12/2018 before IFRS 16	IFRS 16 impacts	01/01/2019 after IFRS 16
Total equity	**9,487**	**0**	**9,487**
Non-current employee benefits	1,571	0	1,571
Non-current provisions	998	0	998
Non-current financial liabilities	15,430	-135	15,295
Non-current lease liabilities	0	2,897	2,867
Deferred tax liabilities	399	0	399
Non-current liabilities	**18,398**	**2,732**	**21,131**
Current employee benefits	97	0	97
Current provisions	164	0	164
Operating payables	11,080	-35	11,044
Operating liabilities	**11,341**	**-35**	**11,305**
Current financial liabilities	3,191	-43	3,148
Current lease liabilities	0	746	746
Current liabilities	**14,531**	**668**	**15,199**
Liabilities associated with assets classified as held for sale	0	0	0
Total equity and liabilities	**42,417**	**3,400**	**45,817**

The main impacts of the first-time adoption of IFRS 16 on the opening balance sheet are as follows:

- recognition of rights of use in assets and lease liabilities in liabilities;
- reclassification of property, plant and equipment relating to finance leases as an increase in rights of use assets;
- reclassification of liabilities relating to finance leases as an increase in lease liabilities;
- reclassification of lease incentives recorded in operating payables as a reduction in rights of use;
- reclassification of advance lease payments recorded in operating receivables as an increase in rights of use;
- reclassification of rights of use assets in financial receivables for sub-leases granted over the total residual term of the leases.

Consolidated income statement

In € millions	30/06/2019 Before IFRS 16	IFRS 16 impacts	30/06/2019 After IFRS 16
Revenue	16,961	-1	16,960
Purchases and external charges	-8,994	442	-8,552
Employee benefit expense	-5,827	0	-5,827
Taxes and duties other than income tax	-757	0	-757
Other operating income and expenses	68	0	68
Gross profit	**1,451**	**441**	**1,892**
Depreciation and amortisation	-885	-397	-1,281
Net movement in provisions	43	0	43
Current operating profit/(loss)	**609**	**44**	**653**
Net proceeds from asset disposals	46	0	46
Fair value remeasurement of the previously held interest	0	0	0
Impairment	-6	0	-6
Operating profit/(loss)	**649**	**44**	**693**
Share of net profit/(loss) of companies consolidated under the equity method	11	0	11
Operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method	**660**	**44**	**704**
Net borrowing and other costs	-210	-67	-277
Net finance costs of employee benefits	19	0	19
Finance cost	**-191**	**-67**	**-258**
Net profit/(loss) before tax from ordinary activities	**468**	**-23**	**446**
Income tax expense	-221	6	-214
Net profit/(loss) from ordinary activities	**248**	**-17**	**231**
Net profit/(loss) from discontinued operations, net of	0	0	0
Net profit/(loss) for the period	**248**	**-17**	**231**

Consolidated cash flow statement

In € millions	30/06/2019 Before IFRS 16	IFRS 16 impacts	30/06/2019 After IFRS 16
Net profit/(loss) for the period	**248**	**-17**	**231**
Eliminations:			
share of net profit/(loss) of associates	-11	0	-11
deferred tax expense (income)	-50	-6	-56
depreciation, amortisation, impairment losses and provisions	832	397	1,228
revaluation gains/losses (fair value)	66	0	66
net proceeds from disposals and gains and losses on dilution	-52	2	-49
Other income and expenses with no cash impact	0	0	0
Cash from operations after net borrowing costs and taxes	**1,033**	**376**	**1,409**
Eliminations:			
current income tax expense (income)	270	0	270
net borrowing costs	143	67	210
dividend income	-3	0	-3
Cash from operations before net borrowing costs and taxes	**1,444**	**443**	**1,887**
Impact of change in working capital requirement	-136	-7	-143
Taxes paid (collected)	-56	0	-56
Dividends received	16	0	16
Cash flow from/(used in) operating activities	**1,268**	**436**	**1,704**
Acquisitions of subsidiaries, net of cash acquired	-46	0	-46
Disposals of subsidiaries, net of cash transferred	-16	0	-16
Purchases of intangible assets and property, plant and equipment	-1,122	0	-1,122
Disposals of intangible assets and property, plant and equipment	114	0	114
New concession financial assets	-730	0	-730
Cash inflows from concession financial assets	376	0	376
Repayment of financial lease receivables	0	1	1
Purchases of financial assets	-85	0	-85
Disposals of financial assets	0	0	0
Changes in loans and advances	-6	0	-6
Changes in cash assets	-36	0	-36
Investment grants received	189	0	189
Cash flow from/(used in) in investing activities	**-1,361**	**1**	**-1,360**
Cash from equity transactions	-4	0	-4
Disposal (acquisition) net of equity	0	0	0
Issue of debt instruments	107	0	107
Repayments of borrowings net of inflows from the SNCF Réseau and Public Debt Fund (PDF) receivables	-279	31	-248
Net borrowing costs paid	-275	0	-275
Repayments of lease liabilities	0	-411	-411
Interest paid on lease liabilities	0	-56	-56
Dividends paid to Group shareholders	-537	0	-537
Dividends paid to non-controlling interests	-41	0	-41
Increase/(decrease) in cash borrowings	595	0	595
Increase/(decrease) in derivatives	0	0	0
Cash flow from/(used in) financing activities	**-434**	**-437**	**-870**
Effects of exchange rate fluctuations	-1	0	-1
Impact of changes in accounting policies	-1	0	-1
Impact of changes in fair value	0	0	0
Increase/(decrease) in cash and cash equivalents	**-528**	**0**	**-528**
Opening cash and cash equivalents	4,498	0	4,498
Closing cash and cash equivalents	3,970	0	3,970

Reconciliation between off-balance sheet commitments and the IFRS 16 liability

In € millions	
IAS 17 off-balance sheet commitments as at 31/12/2018	3,742
Impacts relating to contracts that are not eligible for IFRS 16 restatements	-45
Impacts relating to service components	21
Impacts relating to differences in lease term (extension options, etc.)	131
Impact of discounting	-538
Liability relating to existing finance leases	177
Other impacts	124
Amount of the IFRS 16 lease liability as at 01/01/2019	3,613
Weighted average incremental borrowing rate	3.8%

2 MAJOR EVENTS

2.1 MAJOR EVENTS IN THE FIRST HALF OF 2019

2.1.1 Rail system reform

Law 2018-515 of 27 June 2018 for a New Railway Pact enacted in the Journal officiel de la République française (the New Railway Pact) is based on the following principles:

- Reorganisation of the SNCF Group by 1 January 2020, thus transforming it into a major unified and integrated State-owned group comprising a fully state-owned limited company (société nationale à capitaux publics), SNCF, and two companies, SNCF Voyageurs and SNCF Réseau fulfilling the duties following :
  - the *société nationale* SNCF (formerly SNCF Mobilités), responsible for leading and managing the State-owned unified group and, in particular, for ensuring its strategic and financial management and defining its organisation;
  - SNCF Voyageurs, whose mission is to provide rail passenger transport services on the national rail network; and
  - SNCF Réseau, whose missions include ensuring access to the rail infrastructure of the national rail network, the operational management of traffic on this network and passenger stations.
- SNCF Réseau and SNCF Voyageurs will become a limited liability company (société anonyme), to be wholly-owned by the holding company of the SNCF unified group which itself will be a State hollyowned limited liability company (société nationale à capitaux publics) (the "Holding Company"). The New Railway Pact also prohibits the sale or transfer of the shareholdings to be held by the French State in the Holding Company and the sale or transfer of the shareholdings to be held by the Holding Company in each of SNCF Réseau and SNCF Voyageurs (see below);
- Transfer, as part of the reorganization of the SNCF group, the Branch Gares & Connexions to SNCF Réseau;
- Transformation of the employment organisation by ceasing the recruitment of staff under the regulated railroad staff (cheminot) status, as from 1 January 2020. Current employees will continue to benefit from their current cheminot status. In parallel with such transformation, negotiations will be held with mployees and unions at the level of the railway branch; and
- Definition of the modalities for a successful opening up to the competition of the French passenger railway transport activities.

The 2018 Rail Reform Law also enables the French government to adopt legislative measures by way of orders (ordonnances) in order to implement the New Railway Pact.

The New Railway Pact has been completed by Order n°2019-552 dated 3 June 2019 introducing various provisions relating to the SNCF group (the "Order") the purpose of which is to specify the provisions of the New French Railway Pact relating to the operation and the establishment of the new State-owned unified group fulfilling the public service missions in the field of rail transport and mobility.

Transformation of the current SNCF group into a State-owned unified group

On 1 January 2020, the following operations, amongst others, are scheduled to occur:

- SNCF Mobilités, as an EPIC, will transfer by way of a contribution at the net accounting value to a newly formed and wholly-owned limited liability company all its assets, rights and liabilities related to the management of public railway stations. The financial debt associated with such activities will also be transferred to this limited liability company but SNCF Mobilités will remain the sole debtor of the relevant creditors. The share capital of this limited liability company will then be immediately transferred to SNCF Réseau, as an EPIC, at its net accounting value. SNCF Réseau will then transfer to this limited liability company all its assets and liabilities related to the management of the public railway stations.
- SNCF Mobilités, as an EPIC, will transfer by way of a contribution at the net accounting value to a newly formed and wholly-owned limited liability company ("SNCF Voyageurs") all its assets, rights and liabilities related to its passengers transport activities. The financial debt related to

such activities will be transferred to SNCF Voyageurs but SNCF Mobilités will remain the sole debtor of the relevant creditors. In all the legal texts in force on 1 January 2020, the terms "SNCF Mobilités" are replaced by the terms "SNCF Voyageurs".

- SNCF Mobilités, as an EPIC, will transfer by way of a contribution at the net accounting value to a wholly-owned limited liability company all its assets, rights and liabilities (except for the financial indebtedness which will not be transferred) related to the supply of rail freight transport services activities in France and abroad (currently part of the SNCF Logistics Branch).

The scope of the assets, rights and liabilities so transferred will each have to be approved by an arrêté of the Minister for transport, the Minister for the economy and the Minister for the budget.

- SNCF, as an EPIC, will be wound up and all its assets and liabilities will be transferred at their net accounting value through a *devolution universelle de patrimoine* ("merger absorption") to SNCF Mobilités, as an EPIC.
- SNCF Réseau will be transformed from an EPIC into a limited liability company, to be wholly-owned by SNCF Mobilités.
- SNCF Mobilités will be transformed from an EPIC into a State wholly-owned limited liability company (*société nationale à capitaux publics*) and will be re-named *société nationale* SNCF.

The changes in the legal status of SNCF Réseau and SNCF Mobilités will not involve the creation of new legal entities or cessation of activities and all the rights and obligations of SNCF Réseau and SNCF Mobilités will remain unaffected as a result of such changes.

Following the above operations, the new State-owned unified group fulfilling the public service missions in the field of rail transport and mobility will be composed of the société nationale SNCF (formerly EPIC SNCF Mobilités) holding several subsidiaries, including SNCF Voyageurs and SNCF Réseau (formerly the EPIC SNCF Réseau).

Purpose of the société nationale SNCF

The *société nationale* SNCF will aim to organise and lead the State-owned unified group with a view to ensure the strategic and financial management and to define its general organisation.

In particular, it will define and lead the industrial and innovation policies, human resources, valuation and asset management policies of the State-owned unified group.

It will also provide (i) pooled business services, for the benefit of the entire State-owned unified group and (ii) transversal missions necessary for the proper functioning of the national rail transport system.

The New Railway Pact will be completed and clarified by orders adopted by the French Government and the publication of decrees involving the aforementioned aims.

The Group considers that the future SA SNCF (formerly SNCF Mobilités) will control SNCF Réseau as from 01/01/2020, due to its role consisting in ensuring the strategic and financial management and defining the organisation of the unified public group (including SNCF Réseau).

Other documents between the French State and SNCF will soon be formalised to confirm the position adopted on SA SNCF’s control over SA SNCF Réseau and its indirect control of Gares & Connexion.

Hence, as at 30 June 2019, Gares & Connexions does not fall within the scope of IFRS 5.

Considering the June order and the items still to be obtained, the Group considers that the rail reform as at 1 January 2020 will have no impact that could call into question the losses that may be used at Group level and activities level.

2.1.2 Litigation regarding the investigation of the Competition Authority in the Distribution and Express segment

Geodis and SNCF Mobilités appealed the decision of the Competition Authority dated 22 January 2016. In its ruling of 19 July 2018, the Paris Appeal Court reduced the fine of €196 million, paid in April 2016, to €166 million.

Following the appeal lodged by Geodis and SNCF Mobilités on 22 July 2018 and the observation filed by SNCF Mobilités on 17 December 2018, the Competition Authority did not lodge a cross-appeal within the 60-day deadline following the filing of observations, i.e. 20 February 2019.

Due to the lack of cross-appeal by the Competition Authority, Geodis recorded income of €30 million in its 30 June 2019 accounts, corresponding to the partial repayment of the fine paid in April 2016 (see Note 4.3.2 to the condensed half-year consolidated financial statements).

2.1.3 TER agreements with the Sud, Nouvelle-Aquitaine, Grand-Est, Hauts-de-France and Bretagne regions

The 2019-2023 Sud region (PACA) and the 2019-2024 Nouvelle-Aquitaine agreements approved by the SNCF Mobilités Board of Directors were signed on 9 April and 29 April 2019, respectively. These agreements set out the operating terms and conditions for the TER lines in order to improve system performance and prepare for the opening of certain TER services to competition.

The operation of TER lines was partly opened to competition, as certain Organising Authorities published information notices in the first half of 2019.

Furthermore, on 28 June 2019, a framework agreement was signed with the Bretagne region to determine the terms and conditions of the future 2019-2028 TER agreement.

2.1.4 United Kingdom's withdrawal from the European Union (Brexit)

The Group operates passenger and freight transport activities through its subsidiaries in the UK. It generated a consolidated revenue of €936 million for the half-year ended 30 June 2019, including €556 million for Eurostar, and the share of net profit from joint ventures within Keolis represented €14 million in the consolidated statement of financial position as at 30 June 2019.

The expected date for the United Kingdom's exit from the European Union (Brexit) has been delayed to 31 October 2019 instead of 29 March 2019. The exit terms and conditions have yet to be defined. The possible scenarios remain a deal Brexit, a postponed Brexit or a no-deal Brexit.

Measures were adopted to guarantee Eurostar service continuity whatever the final Brexit scenario:

- Creation of the Eurostar France subsidiary and acquisition of the operating permit and safety certificate
- Agreements with the authorities on border control measures, cross-border employment of UK personnel and agreements on Channel Tunnel access.

However, the operational risks still depend on the actual Brexit terms and conditions, particularly the review of the levels of border control for passengers and costs of compliance with the new applicable post-Brexit rules.

All the necessary measures to avoid a combination of the most unfavourable factors that would likely culminate in a lengthy suspension of activity have been undertaken with the relevant authorities. However, in the event of a no-deal Brexit, as the company does not have all the key components to ensure service continuity, and given the exceptional nature of this situation, it is difficult to predict the consequences with sufficient assurance. The most unfavourable scenario could have a material impact on the value of its assets and even its ability to continue its operations without interruption.

In the light of the uncertainties surrounding the Brexit process, the Group cannot at this stage estimate the financial impacts and repercussions on its activity.

2.1.5 New accounting separation requirements

ARAFER decision 2017-101 on accounting separation rules applicable to rail companies was approved by a ministerial ruling of 4 December 2017, rendering the decision enforceable for fiscal years beginning on or after 1 January 2018.

EPIC SNCF Mobilités presented the accounting separation rules document to ARAFER on 4 June 2018, followed by a revised version on 31 October 2018, which was approved by ARAFER on 31 January 2019 (through its decision 2019-003).

Despite the major work undertaken since 2018, this framework could only be partially implemented in 2018. Proceedings were initiated by ARAFER in July 2019. The company is unable to estimate the possible consequences of this situation.

2.1.6 Creation of StatioNord (formerly SEMOP)

As part of the Paris Gare du Nord 2024 project, SNCF Mobilités, via Gares & Connexions, set up a single-purpose semi-public company (*société d'économie mixte à opération unique*) called StatioNord with

CEETRUS. The purpose of this company, which is 34% owned by SNCF Mobilités, will be to carry out the transformation work at Paris Nord station and ensure the operation and management of the commercial activities in the station. A work concession agreement and an agreement for the temporary occupation of public land were signed on 22 February 2019 (see Note 6).

2.1.7 Sale of the Ouibus subsidiary

During the half-year, the Group sold its subsidiary Ouibus to Blablacar (BBC), both mobility players seeking to propose an inter-modal offering to passengers.

The transaction did not generate any significant disposal gain.

2.1.8 Signing of a renewable power purchase agreement

On 21 June 2019, the subsidiary SNCF Energie and Voltalia signed an agreement for the direct purchase of 150 MW of renewable electricity over 25 years for around €210 million. This long-term agreement is the first of its kind in France and one of the ten largest deals in Europe.

2.2 SUBSEQUENT EVENTS

There are no subsequent events.

3 GROSS PROFIT

3.1 SEGMENT REPORTING

3.1.1 Determination of segments presented

The SNCF Mobilités Group is organised into four business units and eight segments: Daily Mobilities which comprises the two segments SNCF Transilien & TER and Keolis; Long Distance which encompasses the segments Intercités and Voyages SNCF; SNCF Gares & Connexions which is a segment on its own; and SNCF Logistics which is broken down into three segments: Geodis, Rail freight and multimodal transport (TFMM) and Ermewa Group.

The aforementioned eight operating segments are regularly examined by the SNCF Mobilités Executive Committee in order to assess their performance and allocate resources. These segments, which target different customers and sell separate products and services, are as follows:

- SNCF Transilien and TER: local transport services, rail transport regulated services (TER, Transilien), and additional services covering passenger transport (Ritmx).
- Keolis: in charge of mass transit in sixteen countries worldwide. Its expertise covers all modes of transportation (train, bus, car, metro, tram, ferries, bicycles), and the management of interconnection points (stations, airports) and parking.
- Intercités: medium-distance transport activities in France.
- 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.
- 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 (TFMM): activities of rail transport operators, combined transport operators and freight forwarders carried out by several companies (Fret SNCF, VFLI, Naviland Cargo, Captrain and Lorry Rail).
- Ermewa Group: long-term management, maintenance, repair and leasing of rail transportation equipment (specialised wagons, tank containers, locomotives, mainline locomotives or shunters).

  These last three sectors make up the SNCF Logistics business line.

These segments rely on common support functions (Corporate and the Industrial Department), 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). Finance-leased assets were excluded from the calculation of net investments following the adoption of IFRS 16 "Leases" on 1 January 2019.

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

30/06/2019

In € millions	External revenue	Internal revenue	Revenue	Gross profit	Net investments
SNCF Transilien & TER	**3,953**	**334**	**4,287**	**288**	**-421**
Keolis	**3,199**	**54**	**3,253**	**307**	**-145**
Intercités	**332**	**69**	**401**	**23**	**18**
Voyages SNCF	**3,915**	**196**	**4,110**	**624**	**-343**
SNCF Gares & Connexions	**254**	**495**	**749**	**103**	**-133**
Geodis	4,010	31	4,042	355	-59
TFMM	833	44	877	14	-19
Ermewa Group	201	34	235	126	-104
Other	0	0	0	6	0
Intra-business unit eliminations	0	-49	-49	0	0
SNCF Logistics	**5,045**	**60**	**5,105**	**500**	**-183**
Industrial department	**121**	**757**	**878**	**19**	**-42**
Corporate	**142**	**246**	**388**	**27**	**-37**
Inter-business unit	**0**	**-2,210**	**-2,210**	**0**	**0**
Total	16,960	0	16,960	1,892	-1,287

30/06/2018

In € millions	External revenue	Internal revenue	Revenue	Gross profit (*)	Net investments (*)
SNCF Transilien & TER	**3,411**	**369**	**3,780**	**-3**	**-196**
Keolis	**2,837**	**55**	**2,892**	**164**	**-28**
Intercités	**326**	**64**	**390**	**-1**	**40**
Voyages SNCF	**3,408**	**245**	**3,653**	**284**	**-363**
SNCF Gares & Connexions	**229**	**485**	**714**	**97**	**-118**
Geodis	3,953	27	3,980	134	-51
TFMM	719	46	765	-145	-25
Ermewa Group	165	35	200	112	-76
Other	0	0	0	-3	0
Intra-business unit eliminations	0	-52	-52	0	0
SNCF Logistics	**4,836**	**56**	**4,892**	**99**	**-151**
Industrial department	**114**	**694**	**809**	**-8**	**-37**
Corporate	**90**	**321**	**411**	**18**	**-98**
Inter-business unit	**0**	**-2,289**	**-2,289**	**0**	**0**
Total	**15,252**	**0**	**15,252**	**649**	**-952**

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 "Leases" (see Note 1.3)

3.2 REVENUE

SNCF Mobilités Group generates revenue from services provided at a point-in-time or continuously over a certain period to public or private individuals under the following main service lines:

In € millions	30/06/2019	30/06/2018	Change	Segments
Revenue generated from Voyages' transportation activities	3,661	3,163	498	Voyages SNCF
Revenue generated from freight transport activities	3,591	3,382	209	SNCF Logistics
Other related transport activities	1,315	1,355	-40	Voyages SNCF, SNCF Logistics
Compensation collected from the Transport Organising Authorities in connection with regulated activities	7,235	6,353	883	SNCF Transilien & TER, Keolis, Intercités
Revenue generated from station management	260	233	27	SNCF Gares & Connexions
Real estate leasing revenue (excluding rental payments generated by stations)	58	80	-22	SNCF Logistics, Voyages SNCF, Corporate
Transport equipment leasing revenue	173	164	10	SNCF Logistics, SNCF Transilien & TER, Keolis
Upkeep and maintenance services	141	107	34	All segments
Other revenue	525	417	109	All segments
Revenue by main service line	**16,960**	**15,252**	**1,708**	
Public sector customers (government authorities)	7,348	6,445	903	
Private individuals	3,660	3,243	417	
Private sector companies	5,922	5,564	359	
Revenue by customer type	**16,960**	**15,252**	**1,708**	
Point-in-time or one-day transfer	4,347	4,082	265	
Over-time transfer over a period of less than one year (logistics, freight transport and compensation from OA)	12,180	10,619	1,561	
Over-time transfer over a period of more than one year (real estate activities, certain station management activities, etc.).	433	550	-117	
Revenue by recognition rate	**16,960**	**15,252**	**1,708**	

3.3 TRANSACTIONS WITH TRANSPORT ORGANISING AUTHORITIES

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

In € millions	30/06/2019	30/06/2018	Change
Services with OA	5,640	5,009	631
Revenue generated from passenger ticket sales	1,469	1,192	278
Services with the French state as OA of the Trains d'Équilibre du Territoire	105	129	-24
Interest income arising from concession financial assets	21	23	-2
Impacts on revenue (*)	7,235	6,353	883
New concession financial assets	-730	-505	-224
Cash inflows from concession financial assets	376	481	-105
Investment grants relating to intangible assets and PP&E	189	161	28
Impacts on cash flow used in investing activities	-164	136	-301
(*) of which Keolis revenue	*2,923*	*2,643*	*280*
of which Epic SNCF Mobilités revenue	*4,313*	*3,710*	*603*

In € millions	30/06/2019	31/12/2018	Change
Concession intangible assets	82	76	6
Concession non-current financial assets	957	923	34
Impacts on non-current assets	1,039	999	40

3.4 OTHER GROSS PROFIT ITEMS

3.4.1 Purchases and external charges

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

In € millions	30/06/2019	30/06/2018 (*)	Change
Sub-contracting	-2,844	-2,831	-13
Infrastructure fees payable to SNCF Réseau	-1,860	-1,631	-229
Eurotunnel and other infrastructure fees	-448	-414	-34
Traction energy and fuel	-610	-489	-121
Purchases and external charges	-2,790	-3,052	262
Purchases and external charges	-8,552	-8,418	-134

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 Leases (see Note 1.3)

4 OPERATING ASSETS AND LIABILITIES

4.1 PROPERTY, PLANT AND EQUIPMENT AND RIGHTS OF USE

4.1.1 Property, plant and equipment

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

	30/06/2019			31/12/2018		
In € millions	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net
Land and buildings	11,599	-5,956	5,644	11,657	-5,974	5,683
Industrial and technical plant and other assets (ITP)	4,264	-2,654	1,610	4,264	-2,631	1,633
Transportation equipment (*)	33,365	-21,185	12,179	33,283	-21,159	12,125
Property, plant and equipment in the course of construction	1,428	-1	1,427	1,390	-1	1,389
TOTAL excluding grants	**50,657**	**-29,796**	**20,861**	**50,594**	**-29,765**	**20,829**
Investment grants	-9,337	5,184	-4,153	-9,134	5,030	-4,105
TOTAL	**41,320**	**-24,613**	**16,707**	**41,460**	**-24,736**	**16,725**

(*) including transportation equipment in the course of construction for €821 million (€727 million in 2018).

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

In € millions	Land and buildings	Industrial and technical plant and other assets (ITP)	Transportation equipment (*)	Property, plant and equipment in the course of construction	Investment grants	**Net total**
Net carrying amount as at 31/12/2018	**5,683**	**1,633**	**12,125**	**1,389**	**-4,105**	**16,725**
Acquisitions	9	70	570	378	-206	821
Disposals	-18	-2	-20	0	0	-40
Depreciation, net of grants released	-190	-154	-612	0	185	-771
Impairment	-2	-1	-2	0	0	-5
Change in scope	0	0	179	0	0	179
Unrealised foreign exchange gains and losses	0	0	0	0	0	0
Other changes	162	64	-60	-339	-28	-202
Net carrying amount as at 30/06/2019	**5,644**	**1,610**	**12,179**	**1,427**	**-4,153**	**16,707**

(*) including transportation equipment in the course of construction.

A breakdown of depreciation charges and impairment losses recorded in the income statement is presented in Notes 4.1.4 and 4.2.

The other changes mainly result from the reclassification of property, plant and equipment relating to right-of-use finance leases in accordance with IFRS 16.

4.1.2 Leases

The existence of a lease in a contract is mainly based on the right to control the use of an identified asset for a period of time. Eligible contracts are therefore presented on the balance sheet by recording:
- an asset corresponding to the right of use of the underlying asset over the lease term;
- a liability corresponding to the discounted value of the residual payments due to the lessor.

Measurement of the right-of-use asset

At the commencement date, the right-of-use asset is measured at cost and comprises:
— the amount of initial measurement of the lease liability plus any lease payments made to the lessor at or before the commencement date, less any lease incentives received;
— any initial direct costs incurred by the lessee for the conclusion of the lease;
— an estimate of costs to be incurred by the lessee in dismantling and restoring the leased asset, according to the terms and conditions of the lease.
The right of use is amortised over the lease term or the useful life of the underlying asset when the contract contains a purchase option that the lessee is reasonably certain to exercise.

Measurement of the lease liability

At the commencement date, the lease liability shall be measured at an amount equal to the present value of the lease payments over the lease term.
The following amounts are taken into account when measuring the lease liability:
— fixed payments (including in-substance fixed payments, i.e. payments that contain variability but are unavoidable);
— variable lease payments that depend on an index or a rate, using the index or rate as at the commencement date;
— amounts expected to be payable by the lessee under residual value guarantees;
— payments of penalties on the exercise of an option to terminate or not renew the lease, if the lease term was determined based on the assumption made regarding the exercise of such options.

Certain events may result in the group re-measuring the carrying amounts recorded on the balance sheet. This mainly involves the following situations:
— a change in lease term;
— a change in the assessment of whether the group is reasonably certain to exercise (or not) an option;
— a change in amounts expected to be payable under a residual value guarantee;
— a revision of rates or index relating to variable lease payments, when adjustment takes effects.

The discount rate used to measure the lease liability is the lessee's incremental borrowing rate at the lease commencement date. This rate is the rate of interest that the lessee would have to pay, at the lease commencement date, to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.
This rate is obtained by adding together the government bond rate at maturity and the credit spread. The government bond rate is specific to the location, currency and term of the lease. Where necessary, an additional premium may be used to reflect the quality of the underlying asset.

The lease term corresponds to the contractual lease term. Extension and termination options are only taken into account when measuring the term if a specific context enables the Group to be reasonably certain to exercise them. This may be the case, for contractually agreed extension options for instance, if the leased asset is considered as "strategic" or is subject to "major" investments whereas the residual lease term is significantly low.
Furthermore, the Group may measure the lease term beyond the contractual term in certain specific cases.

Sale and lease-back transactions

The Group classifies sale and lease-back transactions as transactions that result in a sale within the meaning of IFRS 15. A transaction will be considered as a sale if control of the asset is not transferred to the buyer (for example, the lease does not contain an option to purchase the asset at the lease

term).
— Transaction considered as a sale under IFRS 15
If the transfer of the asset by the seller-lessee is a sale under IFRS 15, the seller-lessee shall: (i) derecognise the underlying asset, (ii) recognise a right of use corresponding to the retained share of the net carrying amount of the transferred asset.
— Transaction not considered as a sale under IFRS 15
If the transfer of the asset by the seller-lessee is a sale under IFRS 15, the seller-lessee shall retain the transferred asset in its assets and recognise a financial liability equal to the transfer proceeds (received by the buyer-lessor).

In-substance purchases

Certain transactions are considered as in-substance purchases of property, plant and equipment. These are financial arrangements with the following features:
- the lessee has a retention of legal title used as a guarantee of the repayment and payment of interest;
- the Group has initially purchased equipment or has a predominant role in the purchase process with builders;
- the purchase option must be exercised at the lease term in accordance with contractual terms and conditions.

Practical expedients

Following IFRS 16 practical expedients , the Group:
- does not capitalise short-term leases (term of 12 months or less) and low value goods leases (indicative threshold of €5,000)
- recognises separately the lease and non-lease components within property and rolling stock leases (excluding wagons). For all other asset classes, lease and non-lease components are considered as a single lease component.

Rights of use break down as follows by category:

	30/06/2019			01/01/2019
In € millions	Gross	Depreciation and impairment	Net	Net
Land and buildings	2,243	-377	1,866	1,962
Transportation equipment	1,787	-414	1,373	1,479
Other	235	-67	168	173
TOTAL	4,265	-858	3,408	3,614

The following main leases were capitalised:

- “Land and buildings” leases

  Amounting to €1,866 million as at 30/06/2019, they mainly comprised building leases (warehouses, stores, offices, etc.).

- “Transportation equipment” leases

  Amounting to €1,373 million as at 30/06/2019, they mainly comprised rail and road transportation equipment (buses, trains, locomotives, cars, etc.)

- “Other” leases

  Amounting to €168 million as at 30/06/2019, they mainly comprised the technical equipment used in the operating cycle and presenting a financial risk considered as significant.

Movements in leases break down as follows:

In € millions	Land and buildings	Transportation equipment	Other	**Total**
Net carrying amount as at 01/01/2019	1,962	1,479	173	3,614
Acquisitions	112	80	25	217
Disposals	0	-2	0	-2
Depreciation and amortisation	-209	-183	-30	-422
Impairment	0	0	0	0
Change in scope	-1	0	0	-1
Other changes	1	0	0	1
Net carrying amount as at 30/06/2019	1,866	1,373	168	3,408

A breakdown of depreciation charges and impairment losses recorded in the income statement is presented in Notes 4.1.4 and 4.2.

4.1.3 Investments

Capital expenditure flows break down as follows:

In € millions	30/06/2019	30/06/2018
Intangible assets	-114	-85
Property, plant and equipment	-1,027	-1,041
Total acquisitions	-1,141	-1,126
incl. non-current assets under finance lease(*)	*0*	*-27*
Acquisitions excluding finance-leasing	-1,141	-1,099
Investment working capital	19	38
Intangible assets and PP&E capital expenditure flows	-1,122	-1,061

(*) As of 30/06/2019, this information is no longer presented following the entry into force of IFRS 16.

Capital expenditure for the period primarily comprised:

- software developed in-house, either already brought into service or still under development, of which €53 million for the parent company EPIC SNCF Mobilités,
- acquisitions and upgrades to stations and buildings totalling €348 million (including the redevelopment and upgrade of the passenger building at Paris Montparnasse station, work on the Tangentielle Ouest, extension or adaptation of maintenance workshops for Régiolis or Régio2N trains, the Massy / Evry and Clichy / Montfermeil tram-train projects),
- acquisition and renovation of rail and road equipment totalling €594 million (including the acquisition of new Transilien trains (NAT), Océanes trains, TGV du futur, TGC UFC, Eurostar trains, wagons, transcontainers, containers, renovations of TGVs and electrical railcars).

Asset-financing grants received totalled €206 million, including €45 million for rail equipment and €161 million for fixed installations.

4.1.4 Depreciation and amortisation

Depreciation and amortisation break down as follows:

In € millions	30/06/2019	30/06/2018	Change
Amortisation of intangible assets	-143	-133	-10
Depreciation of property, plant and equipment	-956	-848	-108
Depreciation and amortisation - Rights-of-use	-422	0	-422
Investment grants transferred to the income statement - fixed installations	185	191	-6
Reversal of liabilities relating to concession assets excluded from the scope of IFRIC 12	55	57	-2
Depreciation and amortisation	-1,281	-733	-548

4.1.5 Net proceeds from asset disposals

Asset disposals had the following impacts on profit or loss:

In € millions	30/06/2019	30/06/2018	Change
Disposals of intangible assets	-4	0	-4
Disposals of property, plant and equipment	58	44	13
Disposals of rights-of-use	0	0	0
Disposals of financial assets	-9	6	-15
Net proceeds from asset disposals	46	51	-5

As at 30 June 2019, net proceeds from the disposal of assets primarily concerned the sales of various complexes and properties by EPIC SNCF Mobilités for €43 million and by ICF-NOVEDIS for €10 million.

As at 30 June 2018, net proceeds from the disposal of assets primarily concerned the sales of various complexes and properties by EPIC SNCF Mobilités for €42 million.

4.2 IMPAIRMENT TESTS FOR NON-CURRENT ASSETS

The impacts on the income statement are as follows. They mainly involve the TGV France and Europe (excluding Eurostar and Thalys) and Gares & Connexions CGUs.

In € millions	30/06/2019	30/06/2018	Change
Intangible assets and property, plant and equipment	-4	3,309	-3,313
Goodwill	-1	0	-1
Provisions for risks and litigation	0	0	0
Impairment	-6	3,309	-3,315

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.

4.2.1 TGV France and Europe (excluding Eurostar and Thalys) CGU

In the aforementioned context of the rail reform and the related financial measures announced by the French State, with the reduced pegging of infrastructure fees to the Consumer Price Index, management updated the TGV strategic plan that was approved by the Board of Directors on 26 July 2018.

This plan's new financial trajectory takes into account the new pegging of infrastructure fees, the scenarios involving the arrival of rail competition, additional performance gains and the new projection of CST/TREF tax deductions in line with the expected changes in Intercités activity.

The new aforementioned items, and more specifically the new infrastructure fee indexation, have a significant impact on TGV gross profit and represent indications of impairment reversal. At the end of June 2018, management therefore conducted an impairment test that resulted in a value in use that was substantially higher than the net carrying amount of the TGV France and Europe (excluding Eurostar and Thalys) CGU's assets.

The impairment recorded in previous years that had a residual value of €3,193 million, of which €3,160 million for the Voyages SNCF segment and €33 million for Corporate support assets, was fully reversed as at 30 June 2018.

The value for the assets tested and the main assumptions used to determine the recoverable amount were as follows:

	2018
Segment	Voyages SNCF
CGU	TGV France and Europe (excluding Eurostar and Thalys)
Assets tested	€2,097 million
Base used for the recoverable amount	Value in use
Source used	10-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	6.8% - 7.6%
Long-term growth rate	1.90%

The main commercial and operational assumptions underlying the cash flow forecasts are as follows:

- moderate growth in traffic revenue - excluding new lines - over the next 10 years to take into account the macro-economic assumptions and the step-up in the development of multimodal competition;
- a scenario involving the gradual arrival of rail competition once the market is opened;
- a pricing policy geared towards low prices designed to generate considerable traffic growth;
- an infrastructure fee trajectory now pegged to the Consumer Price Index (1.8% in 2020 and 1.75% as from 2021);
- a gross profit rate reflecting the impact of transversal industrial performance plans;
- a gradual decline in the tax on rail company profits and the territorial solidarity tax, assuming the latter tax is reduced to zero as from 2023;
- an investment level for fleet renewal taking into account performance plans relating to the optimised utilisation of trains and including the order of 100 TGV2020 trains;

Several of these assumptions are surrounded by major uncertainties, particularly those depending on external factors that may impact the fulfilment of economic and financial projections:

- the timetable for the arrival of competition and its impact,
- the assumption of falling CST and TREF taxes in line with Intercités activity as well as the underlying tax provisions,
- the implementation of a certain number of levers arising from the rail reform, particularly with the future sector-specific agreement.

The sensitivity of the main assumptions was measured and analysed as follows:

- a ± 20 bp change in the growth of domestic TGV traffic income, excluding the new lines, would have an impact of around ± €950 million on the recoverable amount;
- a ± 50 bp change in the activity's gross profit rate in a normative year would have an impact of around ± €257 million on the recoverable amount;
- a change of €10 million in the amount of investments forecast in a normative year would have an impact of ± €68 million on the recoverable amount;

- 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 +€582 million;
- a ± 50 bp change in the discount rate would results in a change in the recoverable amount by around ±€771 million;
- a ± 20 bp change in the normative year growth rate over the entire period would have an impact of around ± €187 million on the recoverable amount;
- a return to the CST/TREF trajectory in the previous strategic plan (validated on 23 February 2018) would result in a change in the recoverable amount by around -€473 million.

Considering the recoverable amount determined as at 30 June 2018, none of the above sensitivity analyses, taken individually, would call into question the impairment reversal for the assets of the TGV France and Europe (excluding Eurostar and Thalys) CGU.

Since 31 December 2018, no indications of impairment have been identified.

4.2.2 Gares et Connexions CGU

In the first half of 2015, the decisions and opinions issued by ARAFER challenged the return on capital invested used by SNCF Gares & Connexions in the calculation of regulated service fees, which had an impact on the CGU's gross profit.

In this context, SNCF Gares & Connexions 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 2016-2025 period 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 SNCF Gares & Connexions launched a public consultation on its new pricing model incorporating new changes. Considering the reactions of the various stakeholders summarised in October 2016 following this consultation, this pricing model was 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, the SNCF Gares & Connexions 2016-2025 strategic plan was modified, particularly the forecast profitability and investment levels. The ensuing 2017-2026 strategic plan however continued to be based on the target vision of the pricing model and did 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 covered 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 SNCF Gares & Connexions from the SNCF Mobilités scope.

In March 2017, the French Government released its report for the French Parliament on the development of passenger rail station management. This report set out several scenarios regarding changes in governance for the SNCF Gares & Connexions activity and appeared to confirm the principle that this activity would 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, SNCF 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 of 2017. As at 31 December 2017, discussions and negotiations continued with the ARAFER departments on the future economic and pricing model and the DRG 2018-2020. The Group considered that the 2017 results, the 2018 budget and the draft DRG 2018-2020 regarding regulated activity, which is still under discussion, did 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 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.

Having identified indications of impairment reversal, management conducted an impairment test on the assets of the Gares & Connexions CGU as at 30 June 2018. As the value in use determined from this test exceeded the net carrying amount of the CGU's assets, the previously recorded residual impairment loss was fully reversed as at 30 June 2018, i.e. €107 million.

Since 31 December 2018, no indications of impairment have been identified.

The net value of the assets tested and the main assumptions used to determine the recoverable amount are as follows:

	2018
Segment	SNCF Gares & Connexions
CGU	Gares & Connexions
Assets tested	€1,767 million
Base used for the recoverable amount	Value in use
Source used	10-year plan and indefinite projection of a normative year
Discount rate (minimum – maximum)	5.0% - 5.5%
Long-term growth rate	1.90%

The impairment test was conducted, taking into account cash forecasts over a period of 10 years, compared to 5 years previously. This new timeframe is considered to be better adapted to the economic and financial model of SNCF Gares & Connexions to take into account factors contributing to the changes in financial trajectory as mentioned above (return on new investments, particularly in real estate, and on performance plans).

The terminal value adopted for the impairment test is predominant (82.5%) in the calculation of the recoverable amount of the CGU's assets. The main assumptions adopted in a normative year are as follows:

- a gross profit margin equivalent to that of 2028;
- investments corresponding to the average for the 2025-2028 period;
- standard depreciation and amortisation reflecting the depreciation and amortisation curve trend over the duration of the test.

Furthermore, the main commercial and operational assumptions underlying the cash flow forecasts are as follows:

- the levels of regulated and commercial activity;
- the return on capital employed;
- the gross profit margin reflecting the impact of transversal industrial performance plans;

- the level of investment required to meet the trajectory.

The sensitivity tests carried out on:

- investments revealed that a change of €20 million in the amount forecast in a normative year would have an impact of ± €282 million on the recoverable amount;
- 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 ± €242 million on the recoverable amount;
- the discount rate (±20 bp) resulted in a change in the recoverable amount for approximately ±€130 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 ± €120 million on the recoverable amount.

4.3 PROVISIONS FOR RISKS AND LITIGATION

Movements in provisions for liabilities and charges break down as follows:

In € millions	01/01/2019	Charges	Reversals used	Reversals not used	Other changes	30/06/2019	of which current	of which non-current
Contractual litigation and risks	202	9	-7	-4	-3	**197**	51	146
Tax, employee and customs risks	66	6	-3	-2	2	**68**	28	40
Environmental risks	647	16	-15	-16	4	**637**	2	635
Restructuring costs	22	2	-9	-1	-3	**10**	6	4
Other	224	14	-6	-2	-10	**219**	63	156
Total provisions	**1,162**	**45**	**-41**	**-25**	**-10**	**1,131**	**150**	**981**

The impact of the passage of time (reverse discounting) gave rise to a €4 million increase in provisions, offset against financial profit.

The decline in the discount rate, which mainly covers provisions for asbestos costs, gave rise in the first half of 2019 to a €39 million provision increase, including €7 million offset against "Net movement in provisions" under current operating profit and €32 million (in the "Other changes" column) offset against the dismantling component relating to capitalized rolling stock.

The costs of dismantling rolling stock containing asbestos were reassessed as at 30 June 2019 based on new signed contracts. This resulted in a €49 million decrease in the provision, of which €28 million (in the "Other changes" column) offset against the dismantling component relating to capitalized rolling stock and €21 million offset against "Net movement in provisions" under current operating profit.

4.3.1 Provisions for environmental risks

At the period-end, environmental risks that had been provided for primarily concerned the following items:

- site decontamination: €31 million (€31 million in 2018).
- asbestos-related costs: €600 million (€610 million in 2018).

4.3.2 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.

4.3.2.1 Litigation

Resolved litigation

- 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. In May 2017, the first cases were argued before the Appeal Court. A ruling against SNCF was issued on 31 January 2018 and the Group was ordered to pay compensation to the former employees. The Group decided not to appeal. In its 2018 consolidated financial statements, SNCF Mobilités posted an expense impacting the gross profit under the heading "Other operating income and expenses" and, at the same time, reversed the provision previously recorded in "Net movement in provisions." Furthermore, other cases were argued for the first time before the Industrial Tribunal in 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."

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.

The Court of Cassation handed down its decision on 22 November 2016 and 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.

Following the order of the Court of Cassation on 22 November 2016 and the request for payment by the French Treasury, EPIC SNCF Mobilités paid out €5 million in April 2017.

EPIC SNCF Mobilités referred to the Appeal Court on 16 January 2017, the hearing took place on 14 December 2017 and the case was deliberated on 20 December 2018.

The Paris Appeal Court upheld the following: (i) that the predatory pricing strategy was blatant and the abuse of power established, (ii) the aggravating circumstance drawn from the reiteration of the offence and (iii) a penalty of €53 million including a 10% surcharge for the aggravating circumstance. SNCF Mobilités already paid off some of this amount in 2012, 2014 and 2017.

The company decided to appeal on 21 May 2019.

- 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 EPIC SNCF Mobilités put forward their observations in reply.

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. The expense of €196 million recognised as at 31 December 2015 in Geodis' accounts was fully paid in April 2016. EPIC SNCF Mobilités and Geodis appealed the decision of the

Competition Authority on 22 January 2016. The Paris Appeal Court reduced the fine of €196 million, paid by Geodis in April 2016, to €166 million Geodis and EPIC SNCF Mobilités appealed on 22 July 2018 and EPIC SNCF Mobilités filed its observations on 17 December 2018. The Competition Authority did not lodge a cross-appeal within the 60-day deadline following the filing of observations, i.e. 20 February 2019. Due to the lack of cross-appeal by the Competition Authority, Geodis recorded income of €30 million in its 30 June 2019 accounts, corresponding to the partial repayment of the fine paid in April 2016 (see Note 2.1.2).

- 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. On 9 January 2019, a company employee was also investigated for involuntary manslaughter and unintentional injuries.

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. Following the report, which was finally notified on 27 June 2018, SNCF Mobilités prepared observations and also submitted a splice bar performance study to a renowned independent laboratory (Amvalor) to obtain a root-cause analysis.

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.

- 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).

SNCF Mobilités' action for damages against the Bouygues group companies was rejected by the Paris Administrative Court of Appeal in a decision on 27 December 2017. SNCF Mobilités has appealed against this ruling before the *Conseil d'Etat*. At the same time, the appeal to invalidate the settlement agreement initiated by Bouygues before the Paris Administrative Court was rejected in the decision of 16 May 2018.

- 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.

On 5 March 2018, SNCF Mobilités sent its observations on the legal appraisal report to the judge. The judges requested an additional appraisal that was submitted in January 2019 and did not require any additional observations.

SNCF Réseau was summoned for investigation on 26 June 2019 and SNCF Mobilités will again be questioned on 26 July 2019.

Since the accident, the entities involved – including SNCF Mobilités – 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 SNCF Mobilités financial statements for the year ended 30 June 2019.

- Appeal to the Conseil d'État for the repeal of 1(e of Article 2, section 5 of the Articles of Association ("age clause")

Several contractual employees lodged an appeal for abuse of power with the Conseil d'État on 20 November 2018 in order to repeal 1(e of Article 2, section 5 of the Articles of Association, i.e. the "age clause" which stipulates that: "To be eligible for a permanent executive position, applicants must be […] aged between 18 and 30 on the day of their admission." The claimants are trying to demonstrate that this clause represents an age discrimination and such discrimination would not be justifiable.

Since the risk cannot be estimated at this stage of the proceedings, no accounting impact was recorded in the condensed consolidated financial statements for the half-year ended 30 June 2019.

- Asbestos anxiety damage

SNCF Mobilités employees or former employees filed suits in order to recognise asbestos anxiety damage. These employees seek to obtain compensation for the damage arising from their constant concern about the risk of developing a work-related disease due to asbestos exposure. To date, 20 suits involving 300 plaintiffs are ongoing.

In a ruling of 5 April 2019 which represented a departure from case law, the Court of Cassation modified the terms and conditions of the employees' asbestos anxiety damage compensation by opening the case to employees who do not fall under the ACAATA (a government-backed fund set up for workers forced to take early retirement because of asbestos exposure) system.

As at 30 June 2019, the provision amounted to €3 million in the SNCF Mobilités Group condensed half-year consolidated financial statements.

- Industrial Tribunal litigation – ITIREMIA

Employees of ITIREMIA took a case to the Bobigny Industrial Tribunal to order SNCF Mobilités, SNCF Participations and ITIREMIA to pay damages for illegal supply of labour, reclassification of their employment contract as an "SNCF employment contract" and "remaining wages relating to the collective status of SNCF employees". The hearing is set for 9 January 2020

- Alleged aid from the French State and the Île de France Regional Council:

On 12 July 2019, the European Union Court rejected an appeal from the Optile grouping, which includes Keolis.

At this stage of the proceedings, no accounting impact has been recorded in the consolidated financial statements for the half-year ended 30 June 2019 as the risk cannot be estimated.

4.3.2.2 Provisions for onerous contracts

There were no major onerous contracts to be mentioned at the half-year end.

5 CAPITAL AND FINANCING

In € millions	30/06/2019	30/06/2018	Change
Net changes in fair value and hedges	-76	17	-92
Gains and losses on derivative instruments	*-3*	*24*	-28
Gains and losses on fair value hedged items	*-120*	*6*	-126
Gains and losses on equity instruments at fair value through profit or loss	*-1*	*11*	-12
Gains and losses on debt instruments at fair value through profit or loss	*2*	*2*	-1
Gains and losses on financial liabilities at fair value through profit or loss	*0*	*-2*	2
Other fair value gains and losses	*45*	*-25*	70
Net borrowing costs	-131	-142	11
Of which interest income and expense on financial assets at amortised cost	*75*	*76*	*-1*
Of which interest income and expense on financial liabilities at amortised cost	*-209*	*-223*	*14*
Other interest expense and income	-70	-5	-66
Of which interest expense on lease liabilities (*)	*-69*		
Net borrowing and other costs	-277	-130	-147

(*) The implementation of IFRS 16 includes additional information in the notes on net borrowing costs. The comparative information was not restated (see Note 1.3.2)

In € millions	30/06/2019	30/06/2018	Change
Interest expense	-459	-347	-112
Interest income	182	217	-35
Net borrowing and other costs	-277	-130	-147

30/06/2019 Balance sheet heading and classes of financial instruments *In € millions*	Non-current	Current	Net indebtedness	Financial instruments: At fair value through equity	Financial instruments: 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	662	52	713	-	713	-	-	713	946	-	946	-
SNCF receivable	298	65	363	-	363	-	-	363	396	-	396	-
Public Debt Fund receivable	1,472	73	1,545	-	1,545	-	-	1,545	1,843	-	1,843	-
Cash collateral assets	-	442	442	-	442	-	-	442	442	-	442	-
Other loans and receivables	360	221	582	-	577	4	-	582	595	0	594	1
Concession financial assets	957	441		-	1,398	-	-	1,398	1,513	-	1,513	-
Finance-lease receivables	9	1		-	11	-	-	11				
Debt securities	155	-	155	-	-	155	-	155	155	-	75	80
Sub-total debt instruments	**3,913**	**1,296**	**3,800**	**-**	**5,049**	**160**	**-**	**5,209**	**5,890**	**0**	**5,808**	**82**
Pension assets	13											
Investments in equity instruments	200	0		175	-	25	-	200	200	7	16	178
Trading instruments	-	5	5	-	-	5	-	5	5	5	0	-
Positive fair value of hedging derivatives	311	89	400	-	-	-	400	400	400	-	400	-
Positive fair value of trading derivatives	731	101	832	-	-	832	-	832	832	-	832	-
Cash and cash equivalents	-	4,341	4,341	-	-	4,341	-	4,341	4,341	3,004	1,338	0
Total current and non-current financial assets	5,169	5,831	9,378	175	5,049	5,363	400	10,986	11,668	3,015	8,394	259
Bonds	10,061	1,403	11,463	-	11,312	151	-	11,463	13,579	-	13,579	-
Bank borrowings	2,007	544	2,551	-	2,551	-	-	2,551	2,564	0	2,564	-
Asset financing liabilities	280	28	308	-	308	-	-	308	308	0	308	-
Sub-total borrowings	**12,347**	**1,975**	**14,322**	**-**	**14,171**	**151**	**-**	**14,322**	**16,451**	**0**	**16,451**	**-**
of which:												
- not subject to hedging	*8,211*	*1,477*	*9,689*	-	*9,689*	-	-	*9,689*	*11,497*	*0*	*11,497*	-
- recognised using cash flow hedge accounting	*2,208*	*474*	*2,682*	-	*2,682*	-	-	*2,682*	*2,957*	-	*2,957*	-
- recognised using fair value hedge accounting	*1,782*	*18*	*1,800*	-	*1,800*	-	-	*1,800*	*1,846*	-	*1,846*	-
- designated as fair value (*)	*146*	*5*	*151*	-	-	*151*	-	*151*	*151*	*0*	*151*	-
Negative fair value of hedging derivatives	509	38	547	-	-	-	547	547	547	-	547	-
Negative fair value of trading derivatives	599	67	666	-	-	666	-	666	666	-	666	-
Loans and borrowings	**13,455**	**2,080**	**15,534**	**-**	**14,171**	**817**	**547**	**15,534**	**17,664**	**0**	**17,664**	**-**
Cash borrowings and overdrafts	-	1,921	1,921	-	1,921	-	-	1,921	1,921	372	1,549	-
Lease liabilities	2,718	712		-	3,430	-	-	3,430				
Amounts payable on non-controlling interest purchase commitments	1,703	-		1,703	-	-	-	1,703	1,703	-	-	1,703
Total current and non-current financial liabilities**	17,875	4,713	17,455	1,703	19,522	817	547	22,588	21,287	372	19,213	1,703
Group net indebtedness	9,466	-1,388	8,077	-	12,452	-4,521	147	8,078	9,630	-2,636	12,347	-82

The Group did not designate any financial assets at fair value through profit or loss.

(*) The nominal amount of liabilities recorded under the fair value option was €121 million. These liabilities were designated at fair value at initial recognition.

(**) Including the lease liabilities presented on a specific line of the consolidated statement of financial position.

31/12/2018 Balance sheet heading and classes of financial instruments *In € millions*	Non-current	Current	Net indebtedness	Financial instruments: At fair value through equity	Financial instruments: 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	662	25	686	-	686	-	-	686	932	-	932	-
SNCF receivable	307	51	358	-	358	-	-	358	392	-	392	-
Public Debt Fund receivable	1,478	42	1,520	-	1,520	-	-	1,520	1,841	-	1,841	-
Cash collateral assets	-	408	408	-	408	-	-	408	408	-	408	-
Other loans and receivables	372	214	586	-	582	4	-	586	599	0	598	1
Concession financial assets	923	137		-	1,060	-	-	1,060	1,114	-	1,114	-
Debt securities	72	-	72	-	-	72	-	72	72	-	72	0
Sub-total debt instruments	**3,813**	**877**	**3,630**	**-**	**4,614**	**76**	**-**	**4,690**	**5,358**	**0**	**5,356**	**1**
Pension assets	13											
Investments in equity instruments	198	0		170	-	26	-	197	197	8	22	168
Trading instruments	-	2	2	-	-	2	-	2	2	2	0	-
Positive fair value of hedging derivatives	251	146	397	-	-	-	397	397	397	-	397	-
Positive fair value of trading derivatives	689	204	894	-	-	894	-	894	894	-	894	-
Cash and cash equivalents	-	4,954	4,954	-	-	4,954	-	4,954	4,954	3,906	1,048	0
Total current and non-current financial assets	4,964	6,183	9,877	170	4,614	5,953	397	11,133	11,801	3,916	7,717	170
Bonds	10,454	1,196	11,650	-	11,502	148	-	11,650	13,587	-	13,587	-
Bank borrowings	2,019	351	2,371	-	2,371	-	-	2,371	2,381	0	2,381	-
Finance-lease borrowings	404	90	493	-	493	-	-	493	494	-0	494	-
Sub-total borrowings	**12,877**	**1,637**	**14,514**	**-**	**14,366**	**148**	**-**	**14,514**	**16,462**	**0**	**16,462**	**-**
of which:												
- not subject to hedging	*8,360*	*1,097*	*9,457*	-	*9,457*	-	-	*9,457*	*11,035*	*0*	*11,035*	-
- recognised using cash flow hedge accounting	*2,185*	*498*	*2,683*	-	*2,683*	-	-	*2,683*	*2,957*	-	*2,957*	-
- recognised using fair value hedge accounting	*2,186*	*41*	*2,227*	-	*2,227*	-	-	*2,227*	*2,322*	*0*	*2,322*	-
*- designated as fair value **	*146*	*2*	*148*	-	-	*148*	-	*148*	*148*	*0*	*148*	-
Negative fair value of hedging derivatives	456	27	482	-	-	-	482	482	482	-	482	-
Negative fair value of trading derivatives	540	105	645	-	-	645	-	645	645	-	645	-
Loans and borrowings	**13,872**	**1,769**	**15,641**	**-**	**14,366**	**793**	**482**	**15,641**	**17,589**	**0**	**17,589**	**-**
Cash borrowings and overdrafts	-	1,422	1,422	-	1,422	-	-	1,422	1,422	456	966	-
Amounts payable on non-controlling interest purchase commitments	1,558	-	-	1,558	-	-	-	1,558	1,558	-	-	1,558
Total current and non-current liabilities	15,430	3,191	17,063	1,558	15,788	793	482	18,621	20,569	456	18,555	1,558
Group net indebtedness	10,042	-2,856	7,186	-	12,234	-5,134	85	7,186	8,520	-3,452	11,974	-1

The Group did not designate any financial assets at fair value through profit or loss.

(*) The nominal amount of liabilities recorded under the fair value option was €120 million. These liabilities were designated at fair value at initial recognition.

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	31/12/2018	Cash flow from financing activities							Non-monetary changes					30/06/2019
	Total	Issue of debt instruments	Repayments of borrowings	Net borrowing costs paid	Repayment of lease liabilities	Interest paid on lease liabilities	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)	**18,165**	**107**	**-259**	**-150**	**-411**	**13**	**595**	**0**	**330**	**2**	**160**	**232**	**3,434**	**22,217**
Bonds	11,650	0	-150	-104	0	0	0	0	68	0	0	0	0	11,463
Bank borrowings	2,371	107	-74	1	0	0	0	0	0	0	161	0	-14	2,551
Asset financing liabilities	493	0	-35	0	0	0	0	0	0	2	0	0	-152	308
Cash borrowings (excluding overdrafts)	966	0	0	0	0	0	595	0	-14	0	0	0	2	1,549
Lease liabilities	0	0	0	0	-411	13	0	0	0	0	0	232	3,598	3,432
Amounts payable on non-controlling interest purchase commitments	1,558	0	0	0	0	0	0	0	145	0	0	0	0	1,703
Negative fair value of hedging and trading derivatives	1,127	0	0	-47	0	0	0	0	132	0	0	0	0	1,211
Assets (B)	**3,549**	**0**	**-11**	**-17**	**0**	**0**	**0**	**0**	**14**	**0**	**0**	**0**	**0**	**3,535**
SNCF Réseau receivable	686	0	0	27	0	0	0	0	0	0	0	0	0	713
SNCF receivable - Accrued interest	5	0	0	5	0	0	0	0	0	0	0	0	0	10
Public Debt Fund receivable	1,520	0	0	31	0	0	0	0	-7	0	0	0	0	1,545
Other loans and receivables - Accrued interest	5	0	0	0	0	0	0	0	0	0	0	0	0	5
Deposits and securities	42	0	-11	0	0	0	0	0	0	0	0	0	0	31
Positive fair value of hedging and trading derivatives	1,290	0	0	-81	0	0	0	0	21	0	0	0	0	1,230
Financial income and expenses (C)		**0**	**0**	**-142**	**0**	**-69**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Expenses		0	0	-314	0	0	0	0	0	0	0	0	0	
Income		0	0	172	0	0	0	0	0	0	0	0	0	
Financing cash flows in the CFS (A-B+C)	**14,616**	**107**	**-248**	**-275**	**-411**	**-56**	**595**	**0**	**316**	**1**	**160**	**232**	**3,434**	**18,682**

In € millions	31/12/2017	Cash flow from financing activities					Non-monetary changes					30/06/2018
	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)	**20,314**	**94**	**-214**	**-128**	**-959**	**0**	**243**	**-1**	**3**	**27**	**-3**	**19,376**
Bonds	12,476	0	-169	-92	0	0	-39	0	0	0	0	12,176
Bank borrowings	2,099	79	3	1	0	0	10	-1	0	0	3	2,194
Finance-lease borrowings	858	15	-48	0	0	0	0	-1	2	27	-1	853
Cash borrowings (excluding overdrafts)	2,378	0	0	0	-959	0	47	0	0	0	0	1,466
Amounts payable on non-controlling interest purchase commitments	1,275	0	0	0	0	0	294	0	0	0	0	1,569
Negative fair value of hedging and trading derivatives	1,229	0	0	-38	0	0	-68	0	0	0	-4	1,119
Assets (B)	**3,551**	**0**	**1**	**-12**	**0**	**0**	**-71**	**0**	**0**	**0**	**-3**	**3,467**
SNCF Réseau receivable	691	0	0	27	0	0	0	0	0	0	0	718
SNCF receivable - Accrued interest	6	0	0	6	0	0	0	0	0	0	0	11
Public Debt Fund receivable	1,533	0	0	31	0	0	-6	0	0	0	0	1,558
Other loans and receivables - Accrued interest	5	0	0	1	0	0	0	0	0	0	0	5
Accrued interest on loans and receivables	39	0	1	0	0	0	0	0	0	0	1	41
Positive fair value of hedging and trading derivatives	1,278	0	0	-76	0	0	-65	0	0	0	-4	1,132
Financial income and expenses (C)		**0**	**0**	**-147**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Expenses		0	0	-334	0	0	0	0	0	0	0	
Income		0	0	186	0	0	0	0	0	0	0	
Financing cash flows in the CFS (A-B+C)	**16,763**	**94**	**-215**	**-263**	**-959**	**0**	**314**	**-2**	**3**	**27**	**0**	**15,909**

6 OFF-BALANCE SHEET COMMITMENTS

The main changes in commitments given since 31 December 2018 were as follows:

- Net investment commitments for the operation of rail equipment decreased by €465 million in line with deliveries of NAT, Regio2N and RER NG trains for Transilien, Régiolis and Omnéo Normandie trains for Intercités, Regio2N trains for TER and TGV Euroduplex 3UFC trains for Voyages SNCF. The decline was curbed by new Régiolis rolling stock purchase notifications for €166 million at TER.
- Purchase and financing commitments for non-current assets other than rail equipment increased by €221 million, primarily due to the creation and adaptation projects for Transilien maintenance workshops and projects relating to the information and ticketing systems used for this activity.
- Operating and financial guarantees increased by €98 million, due to the updating of commitments regarding the various Keolis contracts in the UK.
- Following the adoption of IFRS 16 as of 1 January 2019, a single model has now been adopted for leases that consists in recording a lease liability (sum of discounted future lease payments in liabilities and a right-of-use in assets; as at 30 June 2019, leases are no longer considered to be off-balance sheet commitments (at the 2018 year-end, commitments relating to equipment and property operating leases totalled €2,018 million and €1,724 million, respectively). A reconciliation of off-balance sheet commitments as at 31 December 2018 and the opening IFRS 16 liability is presented in Note 1.3.3.
- Commitments relating to operating and fixed asset purchase agreements rose by €512 million, primarily due to the track reservation contract for the new Wales and Borders franchise at Keolis.
- Firm commodity purchase commitments increased by €17 million. A new renewable power purchase contract was signed by SNCF Energie (see Note 2.1.8).
- The €102 million increase in commitments relating to the Group consolidation scope was mainly due to the commitment by SNCF Voyages Développement to subscribe to Blablacar bonds convertible into shares.

The main changes in commitments received since 31 December 2018 were as follows:

- The €77 million rise in personal collateral was mainly attributable to the new Wales and Borders contract at Keolis.
- Investment commitments for operation of rail equipment declined by €514 million following the calls for funds during the period; this decrease mainly concerned NAT, Regio2N and RER NG rail equipment for Transilien, as well as rail equipment for Régiolis and Omnéo Normandie for Intercités; it was offset by a rise in investment grants receivable for new Régiolis train purchases at TER for €124 million.
- Investment funding commitments receivable for the operation of fixed assets other than rolling stock dropped by €122 million, primarily due to the calls for funds at Transilien for network extension projects and the revised ticketing upgrade project for the Île-de-France Mobilités contract.
- Operating and financial guarantees increased by €211 million, of which €166 million for the guarantee received by the subsidiary OUI.sncf from the *Association Professionnelle de Solidarité du Tourisme* .
- Commitments relating to equipment and property operating leases rose by €945 million mainly in line with the new Temporary Occupation Authorisation for the Gare du Nord 2024 project undertaken by SNCF Gares & Connexions.

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 as at

30 June 2019 resulted in a net receipt of €168 million (€106 million as at 30 June 2018) being obtained in advance from the factor compared to the usual debt collection period.

7 SCOPE OF CONSOLIDATION

There were no major changes in the scope of consolidation during the period.

SNCF Mobilités

Statutory Auditors' review report
on the 2019 interim financial information

(For the six months ended 30 June 2019)

PricewaterhouseCoopers Audit
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Statutory Auditors' review report on the 2019 interim financial information

(For the six months ended 30 June 2019)

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

SNCF Mobilités
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In compliance with the assignment entrusted to us by the French Minister for the Economy, Industry and Digital Affairs on 18 April 2014 and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of SNCF Mobilités for the six months ended 30 June 2019;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I – Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 “Interim Financial Reporting”, as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to:

- Note 2.1.4 “United Kingdom’s withdrawal from the European Union (Brexit)”, which describes the uncertainties related to this withdrawal;
- Notes 1.3.2 and 1.3.3, which describe the change in accounting policy as a result of the first-time application of IFRS 16 “Leases”.

II – Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, 26 July 2019

The Statutory Auditors

PricewaterhouseCoopers Audit		ERNST & YOUNG Audit	
Laurent Daniel	François Guillon	Christine Vitrac	Denis Thibon