31 December 2019

SNCF GROUP ANNUAL FINANCIAL REPORT

SNCF.COM

SNCF GROUP

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EDITORIAL

JEAN-PIERRE FARANDOU
SNCF GROUP CHAIRMAN AND CEO

2019 was a good year in many ways. Very robust growth in business over the first eleven months confirmed our ability to offer services that meet the expectations of passengers, transport organizing authorities, shippers and each of the railway companies that use the national rail network. We also performed well on rail fundamentals: safety, on-time arrivals and passenger information. But the year also saw a multi-sector strike that began in December, cutting short our momentum and generating operating losses of €614m at year-end 2019.

Today 2019 is behind us, and 2020 marks a milestone for the new SNCF, a public limited company with public capital and the parent company of a unified public group, which replaced Epic SNCF—our former structure—on 1 January. This transformation couldn't be more timely: today rail transport is not just a market of the future, it's vital for quality of life: SNCF plays a central role in people's lives. And given the challenges of climate change and the urgent need for regional, social and economic development, we can and must continue to act. SNCF and the men and women we employ have both the resources and the commitment to deliver.

MANAGEMENT STATEMENT FOR THE ANNUAL FINANCIAL REPORT

LA PLAINE SAINT-DENIS, 28 FEBRUARY 2020,

We attest that, to the best of our knowledge, the consolidated financial statements have been prepared in accordance with the applicable accounting principles and give a true and fair view of the assets and liabilities and the financial position of the issuer as at 31 December 2019 and of the results of its operations for the year then ended, and that the accompanying management report fairly presents the changes in operations, results and financial position of the issuer and a description of its main risks and uncertainties.

JEAN-PIERRE FARANDOU
SNCF GROUP CHAIRMAN AND CEO

LAURENT TREVISANI
EXECUTIVE VICE-PRESIDENT,
STRATEGY & FINANCES

31 December 2019

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1. SNCF GROUP PROFILE

A French group whose primary activity is rail…

2019 YEAR-END FIGURES




€35.1 billion
OF WHICH 2/3 FROM RAIL
WORLD'S 2ND LARGEST MOBILITY GROUP

€10 billion
IN INVESTMENTS
OF WHICH 95% IN FRANCE AND MORE THAN 50% SELF-FINANCED

5 MILLION
PASSENGERS/DAY ON TRAINS IN FRANCE
OF WHICH 3.5 M IN ILE-DE-FRANCE (70% OF FRENCH TRAFFIC)

15 M PASSENGERS/DAY ALL MEANS OF TRANSPORT WORLDWIDE

15,000
TRAINS PER DAY
OF WHICH 40% IN IDF

30,000 KM
OF TRACK
(2ND LARGEST NETWORK IN EUROPE)
OF WHICH 2,700 KM OF HIGH-SPEED LINES

275,000
EMPLOYEES
OF WHICH 60% IN RAIL
AND 215,000 IN FRANCE

1/3 OF REVENUE
INTERNATIONALLY
IN 120 COUNTRIES

No. 1 GREEN BONDS ISSUER IN FRANCE

…at the centre of all mobilities and present worldwide

SNCF RÉSEAU

Access to the rail infrastructure of the French national rail network, including the allocation of capacities and pricing
Operational management of traffic
Maintenance, upkeep and renewal
Development, planning, coherence and enhancement

SNCF GARES & CONNEXIONS

Operation, renovation and economic development of 3,000 French train stations
Provides its services fairly to all rail operators
AREP, global engineering and design office

SNCF IMMOBILIER

Real estate and land park management
Real estate and land park enhancement
Management and development of residential assets

SNCF VOYAGEURS

Transilien: Île-de-France transport. 15 lines.
TER: regional passenger transport. 11 TER regions.
TGV inOUI, Eurostar, Thalys, Lyria…: high-speed trains in France and Europe.
OUIgo: low-cost high-speed trains.
Intercités: medium- and long-distance trains in France.
OUI.sncf: sales.

KEOLIS

World's leader in daily shared mobility across 16 countries.
Expert in multimodal transport: trains, automated underground, buses and coaches, trolleybuses, collective private hire taxis, river and sea shuttles, bicycle-sharing, car-sharing, electric autonomous shuttles, urban cable cars, car parks (Effia), etc.

RAIL FREIGHT AND MULTIMODAL TRANSPORT

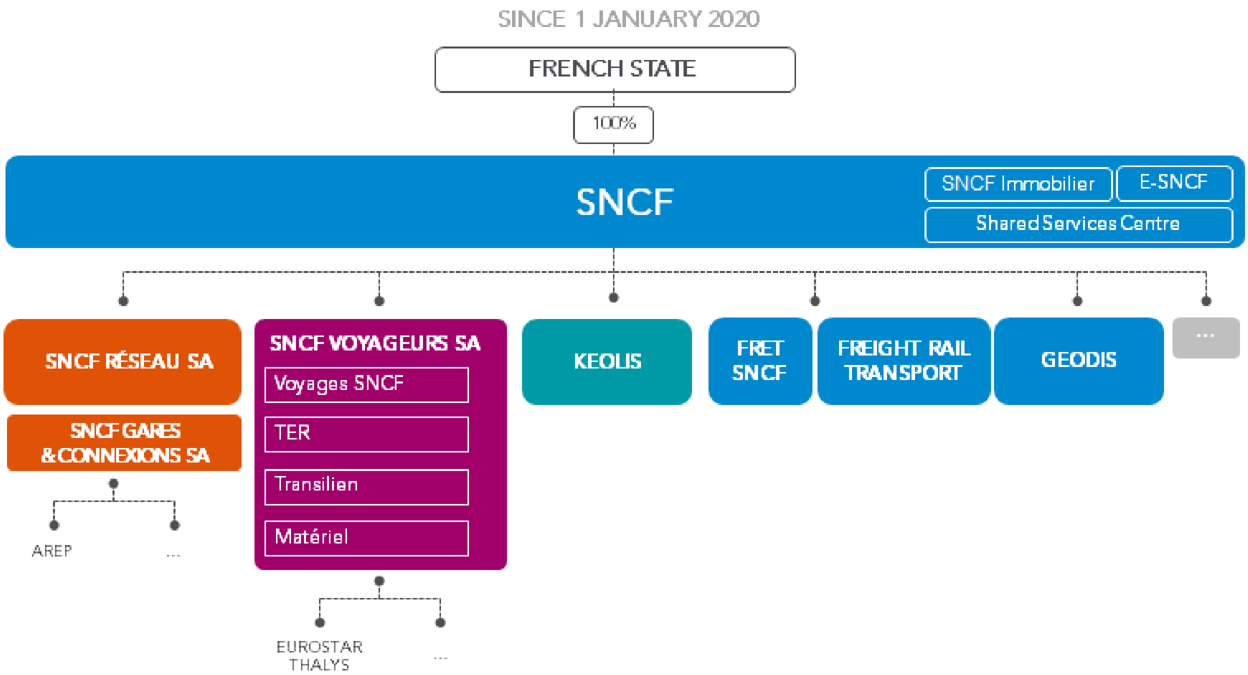
Fret SNCF
VFLI
Captrain
LorryRail
Ermewa: asset manager

GEODIS

Freight transport and logistics in 120 countries.
Supply Chain Optimization
Freight Forwarding
Contractual Logistics
Distribution & Express
Road Transport

1.1 2020, THE FIRST YEAR OF THE NEW GROUP

New SNCF Group organisation in 2020



1.1.1 A stabilised context in which the integrated group can emerge

After two years 2018 and 2019 marked by the preparation of the French rail reform, the year 2020 will mark its implementation.

1.1.1.1 A group comprised of limited liability companies

On 1 January 2020, the EPICs were replaced by 5 companies:

– SNCF, a fully state-owned limited company and Group parent entity, ensures the Group's long-term strategic and financial management.

– SNCF Voyageurs, owned par the parent entity, comprises all the group’s rail companies dedicated to transporting passengers in France and abroad.

– SNCF Réseau, owned par the parent entity, is responsible for the engineering, physical and commercial operation and maintenance of the French rail network. As infrastructure manager, SNCF Réseau is the hub for the rail system.

– SNCF Gares & Connexions, subsidiary of SNCF Réseau, manages and operates French train stations. It guarantees train station access and services for transport operators.

– SNCF Fret, the main national freight transport operator.

The change from an EPIC to a limited liability company (SA) led to a change in governance: governing bodies with greater involvement in the group's affairs, directors with various complementary and diverse backgrounds, industrial and financial management based on the company’s corporate interest.

This change from an EPIC to a limited liability company led to a change of situation. Even though SNCF retains what makes it a unique company, it adopts the codes, best practices and requirements of an industrial services group.

1.1.1.2 A business model now sustainable due to the absorption of the debt

In 2018, the rail reform provided for the French State’s absorption of SNCF Réseau’s €35 billion debt. The 2020 Finance Law provides for the absorption of an initial amount of €25 billion as at 1 January 2020.

The aim of this debt absorption is to enable the infrastructure manager to increase and improve investment in the network to boost service quality and the ability to meet customer expectations.

It illustrates the French government's desire to sustain French rail transport and secure its development. The company itself is committed to finding a financial balance for the Group in 2022 and for the infrastructure manager in 2024.

Debt reduction is a priority to create leeway and enable SNCF Réseau to modernise its operating methods, reduce the network's average age and promote the modal transition from air and road transport.

1.1.1.3 A social transition already underway

The company is reinventing its labour agreement, with the end of recruitment of personnel with railway worker status and the ongoing negotiation of a new collective agreement for the industry.

Social dialogue is the first pillar of this transition, based on mutual confidence between trade unions and the company. The new labour agreement will result in the revision of corporate agreements to offer a framework that is more consistent for employment statuses, more protective for all employees and more individualised in supporting the career of each employee.

The creation of the new SNCF also confirms the future of the company and all its employees. The second pillar is the employees’ commitment to the company and vice versa. It is the company’s wish that each and everyone finds their right place. Supporting the career development of each employee and the success of their projects are factors guaranteeing future confidence and security.

1.1.2 A Group focused on its core business: rail excellence

1.1.2.1 Our priority: development of rail mobility in France

SNCF is convinced that rail is the transport of the future: with low emissions, capable of covering the whole of France and providing freedom of movement for all, rail transport is both sustainable and virtuous.

Yet rail transport is often considered as unreliable, unappealing and too costly. Despite the objective reality of a system whose operations are improving, the Group must focus on this "opinion" of customers.

Our goal is to persuade people to use the train by turning it into a modern, innovative, flexible and comfortable means of transport tailored to each and everyone's needs.

Rethinking rail also means thinking about the complementary means of transport that support the rail network: urban transport bringing people to stations, new systems to complete journeys, long-distance services covering routes not covered by the train.

In partnerships or on its own, SNCF must consider mobility on a wide scale, not just rail transport itself, to transform rail transport into the backbone of modern mobility.

1.1.2.2 Rail excellence: excellence in the fundamentals

Safety, robustness and passenger information are basic necessities that SNCF cannot ignore.

SNCF has adopted these essential building blocks as the driving force behind its managerial strategy. To share a common culture of operational excellence, the Group has rolled out transversal programmes: PRISME (safety), H00 (robustness) and First (passenger information).

These three operational fundamentals rely on a fourth building block: human capital. Without the steady and renewed involvement of employees, these fundamentals will not stay in place. The social transition that is already underway is an opportunity to rethink the roles of each and everyone within the Group.

1.1.2.3 Rail transport operators

The Group's priority is to enable people and goods to circulate. All the Group's transport operators must therefore be up to the task:

– Passenger transport: the needs of both passengers and regions change. Passenger rail activities must stay closely attentive to understand the new needs and anticipate future requirements. Based on the measures undertaken (Voyages 2020, CapTER), offers have to evolve quickly and efficiently.

– Rail freight transport: despite the sector's structural economic difficulties, freight rail transport is vital both for the national economy and in the fight against climate change. In coordination with the French State and the European Union, the Group is committed to improving rail freight.

1.1.2.4 Rail network and stations

The national rail network, which determines rail traffic, is the most precious asset for the Group. Aware of the network's importance for rail transport, the French State wished to make it the system hub, extending its roles to accessibility and management of crisis situations.

As part of a group, SNCF Réseau's ability to fulfil its investment plan remains a collective priority.

Three levers have contributed to making investments of approximately €30 billion by 2024:

– Absorption of debts amounting to €35 billion by the French State, resulting in full-year financial cost savings of around €1 billion;

– Productivity gains achieved by SNCF Réseau through innovation and digitisation, process centralisation and standardisation and optimal purchase control;

– Increase in the investment grant paid by the French State support fund, which is itself financed by the parent company.

Stations are the points of access to rail services for customers and rail companies. Important symbols, stations are faced with multiple challenges: presence in the regions, their role in enhancing and developing the regions, organisation of the system to maintain stations in economically viable conditions.

There is also the issue of controlling station costs reinvoiced to rail companies. The development of non-regulated resources is central to the Gares & Connexions business model to reduce platform and station fees and promote traffic expansion.

1.1.2.5 Activities contributing to rail competitiveness

The opening to competition will thoroughly reshuffle the cards and each transport operator will be required to reinvent its production model; this issue will naturally affect their suppliers or internal service providers such as Equipment, SNCF Immobilier or Optim'services (in charge of shared functions). Each of them are operational partners involved in the competitiveness of the entities working directly on the railway.

To reduce the gap in transport operator competitiveness by two-thirds, each must adopt a cost control strategy based on the streamlining of production facilities (building land, pooling or decrease of maintenance assets, etc.).

1.1.3 An evolving Group adopting openness as its hallmark

The company is developing in a world that is undergoing quick and profound change as illustrated by the transformation of the Group's markets and the transition of transport to mobility. These changes in our environment require attentiveness; openness.

1.1.3.1 An openness to operations

This openness can be mainly summed up in two keywords: customer and innovation.

The "customer" must guide our daily strategy. Now more than ever, our customers have a wide choice of operators that they can put into competition: the offering for our passenger and loader customers is expanding and can be compared using digital technology. The organising authorities benefit from the opening to competition by optimising their costs and service quality. Based on this openness, we must adapt our offering.

Through "innovation," we must be able to satisfy new customer expectations (individualisation, new services, robustness and reliability) while controlling production costs (robotisation, automation, predictivity). Innovation is therefore vital to the competitiveness of rail and the company as a whole.

1.1.3.2 An openness for our governance

A collective interest group, our governance must satisfy various requirements:

– a company …: our governance endeavours to optimise its commercial, industrial and financial performance;

– … which is state-owned …: public stakeholders (French State, regions) have been given their rightful place in the company, in its governing bodies (Boards of Directors) and at local level. Their involvement determines the company's firm embedding into local and national public policies;

– … and made up of men and women: with over 275,000 employees, social dialogue must play a growing and specific role within the Group so that the current transformation will be jointly implemented and accepted.

For our governing bodies, this openness will result in new boards of directors combining various profiles, with business leaders from various generations and with diverse competencies from within or outside the company.

1.1.3.3 Openness to competition

Competition is a new opportunity. The domestic railway industry, which has long competed with freight or international transport, is undergoing a new transformation. This openness to competition is not a new concept: intermodal competition has been developing for a long time with freely organised coaches, short or long-distance car pooling, car-sharing or low-cost air travel.

With the opening of domestic long-distance and regional rail transport, new models and new ways of creating or envisioning mobility are emerging. The competition will require us to challenge ourselves and renew our offers and production means to improve our actions and our response to the expectations of our customers, the sole arbiters.

1.2 A UNIFIED, INCLUSIVE AND COHERENT GROUP

1.2.1 A Group with the principle of subsidiarity at the heart of its operations

1.2.1.1 Empowered activities in charge of their own development

SNCF has various activities: with distinct customers, specific business models and specific challenges. The operational roll-out of the Group's strategy must rely on the activities themselves, as only they know how to develop their operating methods.

The activities must be empowered in line with the streamlining of certain functions (pooling of support functions, Group IS policy, etc.) so as not to hinder the group’s optimisation.

1.2.1.2 The parent company, ensuring the Group’s strategic management

The SNCF parent company is in charge of strategic leadership driving the subsidiaries and business units with a specific challenge and leads the Group's transformation. It is responsible for:

– Managing the long term: definition of the group’s strategy, consistency of business strategies, cash allocation, portfolio management and definition of partnerships or alliances, debt management, steering of certain major transversal or industrial policies, management of research innovation;

– Securing the short term, particularly compliance with the trajectory defined with the shareholder: set-up of the transversal performance plan and monitoring of financial and production/service quality macro indicators for the business.

1.2.1.3 Dialogue central to the transformation of the businesses

Under this principle of subsidiarity, the parent company does not seek to impose a vision that focuses overly on finance at the expense of technical issues or on operations at the expense of decentralisation.

The relationship between the activities and the parent company must be organised in line with the following guiding principles:

– An iterative approach between the activities and the parent company: the activity growth strategy must be shared between the two levels, focusing on overall constraints, business trends and environmental changes. This dialogue must be commercial, industrial, human and financial.

Intragroup relations should be based on a key principle: solidarity with a common societal purpose.

1.2.2 Solidarity as a growth driver

1.2.2.1 Solidarity for rail system sustainability

The preservation and development of the rail system were central to the reform initiated in 2018; they are central to the company's transformation.

The safeguarding and renewal of the SNCF Réseau business model is a cornerstone of this solidarity. Currently, SNCF Réseau’s gross profit does not cover its investments and financial expenses.

Two vital financial solidarity mechanisms were therefore secured:

– Tax consolidation: this legal mechanism enables a parent company, the head of the tax consolidation, to collect the corporate income tax of its subsidiaries. The difference between income tax collected and income tax payable, arising from the consolidation of profits and losses between subsidiaries, fuels the parent company’s resources.

– The French State support fund: given the financial pressure on the model, a support fund was set up by the French State. This fund grants SNCF Réseau an investment grant (€537 million in 2019) for renewal operations. This fund is financed by the parent company’s own resources, mainly dividends waived by the French State, all or part of the tax consolidation profit and, where applicable, its cash flow.

These mechanisms illustrate the interdependency of the activities within the group and their purpose: contribute to a dense and robust rail offering.

SNCF Réseau will adopt a debt reduction strategy as of 2024. This objective is governed by the updated “golden rule” and aims to ensure SNCF Réseau’s investments until its net debt falls to below 6 times its gross profit (2026 target).

1.2.2.2 Solidarity on employment issues

The issue of employment is of course key. As a labour-intensive company, its employees’ skills are the group’s main asset. The group’s strength therefore lies in the ability to change jobs, change activities and develop its own expertise by maintaining the links between each company and activity.

These issues underline the need for strategic workforce planning in all regions across the entire Group and the development of mobilities between entities. This should ensure long-term and fulfilling positions for each employee within the company while achieving productivity gains.

1.3 A RESPONSIBLE GROUP

SNCF, a major economic player committed to a CSR strategy with a strong regional impact

€17 BILLION IN PURCHASES*
~90% IN FRANCE

25,000
SUPPLIERS
OF WHICH 13,500 SMEs

20% OF SMEs OR VERY SMALL BUSINESSES
IN PURCHASE AMOUNTS

€85 MILLION IN SOLIDARITY PURCHASES***

>175,000
INDIRECT JOBS IN FRANCE
CREATED, OR MAINTAINED, THROUGH SNCF PURCHASES WITH ITS SUPPLIERS **

56.9/100 AVERAGE SUPPLIER CSR PERFORMANCE RATING

AROUND €80 MILLION IN THE CIRCULAR ECONOMY
(RESALE AND REUSE)

A GROUP COMMITTED IN THE LONG TERM THROUGH THE RFR LABEL

For 8 years, the French State has recognised SNCF's commitment in favour of responsible and virtuous purchasing

Long-term shared value

Continuous improvement strategy:

+ respect of supplier and subcontractor interests
+ impact of purchases on economic competitiveness
+ integration of CSR factors

* INVESTMENTS AND EXPENSES, TOTAL FINANCING EXCLUDING INFRASTRUCTURE FEES, PPP & GEODIS SUBCONTRACTING
** SOURCE: LOCAL FOOTPRINT® BY UTOPIES
*** including €10 million for KEOLIS

The world is developing in a context where interconnected segments are faced with three crises:

– A climate crisis requiring radical individual and collective behavioural changes by companies;

– A regional crisis: all regions do not have the same level of development or inclusion in the globalisation of trade. This creates imbalances in terms of growth, tax resources and therefore public service coverage.

– A labour crisis, as a result of the regional crisis, generated by job access difficulties and income disparities making it hard for households to change their lifestyles and, in particular, become more environmentally friendly.

1.3.1 A reasserted social commitment

The new SNCF has multiple social responsibilities:

– As an employer, the Group has a workforce of 275,000 people worldwide. It must provide each employee with the means to develop professionally, a protective social framework and a reassuring environment. As part of the employer's promise, the Group must rise to challenge of making its brand appealing to attract and retain sought-after key talents.

– As a purchaser, the Group is a major player in the rail sector and the national and European economy. With orders of around €17 billion in 2019 from 25,000 suppliers, service providers and subcontractors, it helped to create or maintain over 175,000 indirect jobs in France.

– As a mobile solution provider, SNCF is central to the life of many French people and citizens in other countries. Our operational and commercial performance determines their quality of life and their ability to find employment, get to their workplace daily and access their rights. The continuous improvement of our fundamentals is not only a question of competitiveness: it is also a question of social justice and regional equity.

Since 2003, SNCF has adhered to the 10 principles of the United Nations Global Compact on human rights, anti-corruption, labour rights and environmental protection. It releases an annual publication on its progress in this area.

1.3.2 The fight against climate change at the heart of our commitment

Whereas the transport sector emits 30% of the country's greenhouse gases, rail only emits 0.4% for 11% of passengers and 9% of freight transported. SNCF aims to contribute to energy transition by reducing its energy consumption, boosting its energy efficiency and exploiting new energies that emit less GHGs and particles.

In reference to the Paris Agreement, SNCF defined a goal to satisfy the commitment undertaken by States at the COP21 summit. The goal, which concerns rail activities, is to reduce CO_2e emissions by 26% by 2030. It was validated by the Science Based Targets initiative.

In 2019, SNCF decided to become the leader in ecological transition with the regions by proposing a target to meet French commitments that were more ambitious than the Paris Agreement. The objective is to achieve CO_2e emission neutrality by 2035. Under the "SNCF carbon neutrality in 2035" approach, the SNCF Group (including Geodis and Keolis) aims to create a roadmap to identify levers to reduce CO_2e emissions and the work to be undertaken to achieve a significant reduction over the next 15 years. It will help to identify the required offset in 2035 to balance the remaining emissions and "be neutral."

1.3.2.1 Energy issues

There are two issues:

– Consume less energy:

The issue of consumption is central to "business actions" and therefore processes. Equipment eco-parking, eco-driving and the development of rail smart grids are important levers for reducing energy consumption. Their general roll-out contributes to transport greening and the reduction in energy-related production costs.

– Reduce the carbon intensity of energy consumed

New engine types currently under development are sustainable solutions designed to replace diesel trains.

The hybrid train, hydrogen train or biocarbons will contribute to reducing our footprint.

The test carried out on board the first hybrid TER will be used to measure actual gains, check traction performances and verify the new developed functionalities. This first train will run for tests at the end of 2020 and in 2021 and be brought into commercial service the following year. Mass deployment will be planned in 2023.

This project is led by SNCF with ALSTOM, with financial contributions from the Occitanie, Grand Est, Nouvelle-Aquitaine and Centre-Val de Loire regions. The first hybrid train will be made available by the Occitanie region.

In 2019 SNCF has continued discussions on a hydrogen train with Alstom and several Regions including Occitanie, Bourgogne-Franche Comté, Auvergne-Rhône Alpes and Grand-Est to precisely define the conditions for running pilot trains. The first test runs are planned for 2022.

A B100 rapeseed biofuel test was carried out on a Régiolis engine test bench in the first half of 2019. It was conducted at IFPEN (French institute for oil and new energies) under a partnership between the Energy Department and TERRES UNIVIA (Vegetable oils and proteins inter-professional organisation). If the tests are conclusive, B100 could be a transitional energy that could replace fossil fuels in the short term and reduce the environmental impact of the railway. A test under actual conditions is scheduled for 2020 on a mini-fleet of thermal engines.

Over the next few years, SNCF will boost its use of renewable energies, particularly in preparation for self-supply in its rights-of-way, which could reduce energy costs and secure the company's supplies in the long term. In 2019, SNCF signed a 25-year contract with Voltalia for the direct purchase of around 150 MW of solar power produced in France. Three solar power plants will be built and operated by Voltalia. They are scheduled to be commissioned in 2022-2023. The total annual production of the three power plants will exceed 200 GW-hour, i.e. the equivalent consumption of 40,000 homes.

1.3.2.2 Controlling resources and environmental impacts

– Eco-design and circular economy

The circular economy is a major pillar of the SNCF Group's sustainable development strategy. As a major material consumer (rail, rolling stock, stations), SNCF has developed a policy since 2013 to limit resource consumption, reduce waste in all its operating processes and recover end-of-life products (ballasts, sleepers, rails, points and crossings and catenaries), either directly or indirectly through their reuse on the network, or through other channels.

– Every year, rolling stock (Corail trains, servicing trains, locomotives, TGV, etc.) reaches the end of their life and is removed from the fleet. This is mainly composed of recoverable materials (steel, stainless steel, copper, electric motors, etc.). In 2019, around 870 train bodies were dismantled. The recovered materials (steel, stainless steel, copper, aluminium, etc.) are recycled into girders, angle irons, bridge decks, cables and concrete or laminated wire. SNCF has taken concrete measures, with the set-up of dismantling channels due to the mass volumes, contributing to the development of a rail circular economy industry.

With regard to the accelerated depletion of resources, and material and waste production impacts on the environment and biodiversity, SNCF decided to boost its actions in 2019 by pledging to reach a "zero waste" target by 2035.

– The environmental management system

For many years, SNCF has adopted an ISO 14001 certified environmental approach for its industrial sites and set up adapted Environmental Management Systems (EMS) in all its operational units.

In 2019, an internal audit of the environmental management systems was carried out. An action plan was drafted based on its conclusions and is currently being rolled out. This audit will be completed in 2020, by monetising the identified risks to facilitate and guide decision-making by the company and directors.

– Control of noise impacts and air emissions

Noise pollution is a healthcare issue for track residents. With around 56,000 potential noise black spot buildings housing around 500,000 people identified along the national rail network, the reduction of railway noise pollution is a major concern, particularly in Île-de-France and Auvergne-Rhône Alpes. In 2019, SNCF contributed to the mediation process of the General Council for Environment and Sustainable Development (CGEDD), requested by the French Ministry of Ecological and Solidarity Transition, regarding noise generated on the Océane and Bretagne Pays de Loire high-speed lines. Following this process, additional anti-noise measures will be undertaken on these lines for a total budget of €33 million.

SNCF rolled out a programme to monitor air quality in underground rail enclosures and search for improvement solutions. Several particle reduction technologies were tested in 2019 and other new technologies will be tested in 2020. The aim is to draw up a plan to reduce particle concentrations in underground stations, by taking action directly on the emissions and upgrading stations. Information on current actions and measurement results are available at the following website: https://www.transilien.com/fr/page-editoriale/mesurer-la-qualite-de-lair-interieur

– Protection of biodiversity

With 30,000 km of track and 100,000 hectares of rights-of-way, SNCF constantly interacts with nature. It works to reconcile industrial practices and biodiversity, and therefore joined Act4Nature (first French event uniting 65 companies which pledge to protect biodiversity) in 2018. Under this commitment, SNCF Réseau developed, in coordination with the French Bird Protection League (LPO), a "serious game" in order to train maintenance employees in how to adapt their practices in order to protect biodiversity.

– Reduction in the use of phytosanitary products

Since 2005, SNCF has rolled out a rational action plan for the management of plant life, based on the continuous improvement of weeding techniques (GPS equipped weeder trains) and alternative solutions in very specific areas. This approach limits the use of phytosanitary products on tracks (fourfold reduction in 20 years). In keeping with this plan, SNCF is now preparing to discontinue the use of glyphosate by 2021.

New and alternative techniques that do not use glyphosate have been tested since 2019 or are still under analysis:

- in the medium term, use of alternative herbicides based on new bio-control products, optimised processing methods to reduce consumption (detection trains) and a panel of solutions tailored to certain situations: selected sowing on sidings and tracks, geotextiles, mowing robots on high-speed line tracks;

- in the long term, alternatives to herbicide such as new electric wave or pulse technologies.

1.3.3 SNCF, a natural partner committed to developing regions

The Group's relationship with the regions is natural and long-standing: transport has always contributed to opening up and developing regions, agglomerations and city centres.

Regions are currently undergoing major changes: metropolitanisation and globalisation, regional de-industrialisation, population ageing, their desire to reduce their energy footprint, etc.

All the group's business lines contribute to the response: support the development of mass transit by reinvigorating minor historical regional routes, boost the capacities of major stations while maintaining a maximum of stations open in acceptable conditions, assist all regions in developing mobility services tailored to their demographic, environmental and financial challenges.

The group has therefore adopted a new regional approach with its organising authority customers to accompany them in optimising the use of their transport infrastructures and solutions. Under this strategy, SNCF will mobilise all the group's entities to provide general mobility solutions adapted to the specificities of each region.

SNCF Développement supports the local economy by transforming the Group's industrial sites. Since 2011, 613 entrepreneurs have been supported and 1,999 jobs financed for a total of €10.4 million. In 2019, SNCF Développement accompanied 44 entrepreneurs, financed in the amount of
K€ 484 and boosted its actions in regions by opening a New Skills School in Villetaneuse.

SNCF has long been committed to PIMMS (Multiservice Information and Mediation Points), partners of SNCF and Keolis. In 2019, they assisted 550,000 persons with their daily social and administrative procedures: mobility, employment, healthcare, housing, public authorities, etc.

The SNCF Group Foundation devotes a yearly budget of €5 million to 3 areas, education, culture and solidarity. In 2019, it supported 702 associations. Its actions are based on 3 pillars: joint construction with businesses and associations, regional coverage with a network of contacts and the commitment of employees who uphold the voluntary commitment of the group's employees and skills sponsorship (4,000 employees in 5 years).

1.4 AN AMBITIOUS AND COMPETITIVE GROUP

1.4.1 We are ready for the competition

1.4.1.1 A changing world

In December 2020, all the group's transport operators will compete for all or some of their contracts:

– The regional organising authorities have been able to launch calls for tender since December 2019 and any new contracts should be open to bids as of 2023;

– As from December 2020, domestic long-distance rail transport will also be opened to competition.

The other activities have already been subject to competition (Geodis and Keolis naturally but also Fret for rail freight transport an, Eurostar and Thalys for international rail transport).

However, those activities which are "discovering" intramodal competition already know their competitors and are prepared.

The car remains a powerful traditional rival. Symbol of freedom and independence, the private car is the leading means of transport in France. Based on our ecological commitment, this observation led us to rework our growth model: improve collective transport in regions where there is no alternative car solution, boost our ability to accompany our customers from the start to the end of their journey.

Air travel has also steadily expanded. With low cost air travel, our customers can increasingly compare offers and decide between reliability, journey time and price.

New services are being developed: in urban mobility, with all means of shared transport (from the car to the scooter) reshaping the governance of public space for local community customers, in long-distance mobility with freely organised coaches or car pooling that we must consider as "partners" providing complementary mobility solutions.

Regarding passenger information and distribution, appetites are being whetted and the market is going global with the emergence of all types of player: from digital giants to local start-ups, from traditional transport operators to fast-growing platforms relying on "user experience." In a market with an uncertain business model involving the intermediation of services with low margins, a world is emerging for distributors, accelerated by the legal and regulatory environment which seeks to rapidly deploy MaaS (mobility as a service, an embedded digital solution used to plan travel, receive information, book, pay and obtain tickets), the ultimate intermodality target.

Freight transport competition continues to intensify. The worldwide boom in freight flows in parallel to the tight concentration of players generates intense pressure on margin levels and service quality expectations; the commitments of local communities against pollution (noise, emissions) make it harder for us to reach the heart of the cities that we must accompany; consumers' expectations of closer, faster and less costly deliveries require the development of new solutions in a risky and very scalable B2C market.

The world in which the group is developing is changing quickly and constantly. This is sometimes counter-intuitive for activities which are, by definition, less flexible due to our rigid infrastructures and the lifespan of our investments. The emergence of new business models creates pressure and requires us to seek improved agility and greater adaptability to changing needs: how to respond to a private hire taxi company which owns no vehicles or drivers? To an ultra low cost rail transport operator which owns no trains? Or a mobility PDA which generates revenue from the sale of advertising rather than providing information?

1.4.1.2 Proven strengths to achieve objectives

Nevertheless, in this fast-changing world, the group has proven its ability to act and contribute to regions, the fight against climate change and customers:

– By rolling out its CapTER strategic plan, TER has improved passenger traffic, offering regions an alternative to the car.

– By reviewing its offering with the low cost policy and improved service segmentation, Voyages has optimised its profitability and boosted its activity. High-speed rail is therefore a credible solution compared to low cost air travel and the arrival of new competitors.

The strategic plans of the activities are based on competition: cost reduction to optimise asset profitability and delivery of productivity to customers by controlling prices, reorganisation of offers providing services that are more adapted to the diversity of needs, digitisation of processes supporting customers and production.

Geodis is one of the 10 leading global logistics providers present in 120 countries.

Keolis is the world's no. 1 urban mobility operator that has developed its activity to manage change (digital, new mobilities, bicycles) and diversify its transport means.

The group is therefore ready to develop in a fully competitive environment.

1.4.2 Innovation as a method

SNCF has been able to weather the arrival of competition and even boost its competitiveness through its ability to provide new solutions capable of attracting customers and reducing its costs.

1.4.2.1 Innovation supporting customers

Loyalty and growth are driven by the group's ability to focus the transformation of its offering on customers (OAs, passengers, transport operators, loaders). This belief has been shared by all businesses.

The group's innovation primarily focuses on offer digitisation:

– Regarding SNCF Réseau, process digitisation focuses on the ability to create more robust and flexible track slots while maintaining neutrality. The SIPH (timeslot production system) project should optimise the infrastructure to constantly increase track slots.

– The development of digital platforms forms part of the significant trends affecting all contracts. The group therefore plans to target MaaS to meet its customers' need for an individualised, efficient and integrated end-to-end offering. Based on current technologies, SNCF has the assets to reach this target that is coveted by numerous players.

Adaptation also draws on economic and organisational innovations to better meet the challenges of each customer.

– The launch of Ouigo was the highlight of the Voyages strategy to reduce prices. In addition to its commercial positioning, Ouigo is a new way of designing trains, based on a new industrial model and a new asset management approach.

– Through its offer segmentation policy, TER aims to better meet the mobility challenges of each region. By adapting equipment, transport plans and interconnections, TER can provide more regional mobility solutions in line with the local growth challenges.

1.4.2.2 Industrial innovation

Innovation in industrial processes is also a major issue: improving production reliability, industrial and economic performance.

Regarding asset management, data enhancement is vital to developing specific predictive models to ensure maintenance before breakdowns or emergencies. Applicable to rolling stock, the rail network and real estate, predictivity is a cost control driver.

Another technological driver is robotisation: the development of the remotely controlled and then self-driven train is well on its way, offering major prospects for freight transport; exoskeletons are also a new approach ensuring a balance between productivity and the fight against the musculoskeletal disorders of employees.

Finally, ground-to-train communications (ability for the infrastructure to dialogue with trains) should reduce infrastructure interventions and boost traffic reliability. The roll-out of ERTMS (European Railway Traffic Management System designed to harmonise railway signalling in Europe) will generate major productivity gains for the infrastructure manager.

The new SNCF is a consistent and inclusive Group that is aware of its responsibilities:

– Social responsibility in the event of emergencies which require us to act quickly, efficiently and with agility;

– Financial and economic responsibility to achieve and secure the long-term balance in the rail system;

– Responsibility vis-a-vis customers who are the heart and soul of our businesses and must guide our daily decisions for a constantly improved and recognised service quality.

2. THE SNCF GROUP IN FIGURES

In € millions	31/12/2019 with IFRS16	31/12/2019 without IFRS16	31/12/2018
Revenue	35,120	35,122	33,311
Gross profit	5,591	4,619	4,020
Net profit/(loss) for the year	-773	-728	213
Net profit for the year attributable to equity holders of the parent	-801		141
Recurring net profit/(loss) for the period attributable to equity holders of the parent (1)	-301		-214
Net investments (2)	5,237	5,310	5,077
Total investments (3)	9,865	9,932	8,868
Free Cash flow (4)	-2,349	-2,349	-2,560
ROCE (5)	2.7%	2.5%	2.2%
SNCF Group net debt	60,281	60,508	56,647
of which SNCF Réseau net debt	51,852	51,852	49,590
Employees	276,350		272,721
Greenhouse gas emissions from rail traction in thousands of tonnes of CO2 equivalent (EPIC data)	617		671
Total energy consumption for traction in GWh (EPIC data)	7,998		8,007

(1) Definition of net recurring profit in Note 3.4.2.

(2) Net investments are calculated by adding up:

In € millions	31/12/2019 with IFRS16	31/12/2019 without IFRS16	31/12/2018
cash flow statement line items:			
- Purchases of intangible assets and property, plant and equipment	8,371	8,371	7,794
- Investment grants received	-3,120	-3,115	-2,413
- New concession financial assets	1,494	1,494	1,028
- Cash inflows from concession financial assets	-1,508	-1,508	-1,379
finance-leased investments described in Note 4.1. to the consolidated financial statements.	0	67	46
Total net investments	5,237	5,310	5,077

(3) Total investments are calculated by adding up:

In € millions	31/12/2019 with IFRS16	31/12/2019 without IFRS16	31/12/2018
cash flow statement line items:			
- Purchases of intangible assets and property, plant and equipment	8,371	8,371	7,794
- New concession financial assets	1,494	1,494	1,028
finance-leased investments described in Note 4.1. to the consolidated financial statements.	0	67	46
Total investments	9,865	9,932	8,868

(4) Free Cash Flow is calculated by adding up:

In € millions	31/12/2019 with IFRS16	31/12/2019 without IFRS16	31/12/2018
cash flow statement line items:			
- Cash from operations after net borrowing costs and taxes	3,551	2,718	2,217
- Purchases of intangible assets and property, plant and equipment	-8,371	-8,371	-7,794
- Investment grants received	3,120	3,115	2,413
- Repayment of lease liabilities	-918	0	0
- Repayments of IFRS 16 lease financial receivables	1	0	0
- Disposals of intangible assets and property, plant and equipment	350	349	366
- New concession financial assets	-1,494	-1,494	-1,028
- Cash inflows from concession financial assets	1,508	1,508	1,379
- Impact of change in working capital requirement	-170	-162	112
the change in tax WCR included in "Taxes paid (collected)" in the cash flow statement	24	24	-208
accrued interest on IFRS 16 lease liabilities included in the cash flow statement line item "Interest paid on lease liabilities"	18	0	0
dividends received from entities consolidated under the equity method included in "Dividends received" in the cash flow statement	31	31	30
finance-leased investments described in Note 4.1. to the consolidated financial statements.	0	-67	-46
Free cash flow	-2,349	-2,349	-2,560

(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. SNCF GROUP ACTIVITY AND FINANCIAL RESULTS

3.1 MAJOR ACHIEVEMENTS BY ACTIVITIES IN 2019

3.1.1 Strong showings in three areas...

Operating performance was satisfactory, as SNCF Group continued to invest in fundamentals: safety (where the Prisme programme reduced major safety events by -21% for the year, and -50% since the programme's launch in 2015), robust production (as H00 boosted on-time arrivals to a historic 89.0% for the year, up from 86.9% in 2018) and passenger information (FIRST: estimated delays were relayed to passengers within ten minutes in 79% of incidents, up from 64% in 2018).2018.

Business performance, where growth was driven by a range of factors:

– Continued deployment of new passenger offers (TGV INOUI, Atlantique, OUIGO) and expansion on international markets (as launch of the new Amsterdam-Roissy Charles de Gaulle-Marne la Vallée service drove growth at Thalys, and Eurostar held steady despite the strike by French customs officers and uncertainty over Brexit in 2019), helped Voyages SNCF grow its business by +4.2% (+3.3% excluding the impact of strikes in 2018 and 2019). Meanwhile, traffic at Voyages SNCF rose +4.1% in 2019.

– TER regional trains benefited from robust growth in traffic as well as the transfer of Intercités lines in Hauts-de-France (Northern France). Transilien also saw robust traffic growth.

– Customer satisfaction improved significantly in 2019, reaching its highest overall level (TGV up 3 points to 82% and TER up 4.2 points to a historic 85.9%) as SNCF invested in modernizing the rail network, stepped up the pace of rolling stock upgrades, and improved the quality of service provided by its teams.

– At Keolis, business was up +10%, buoyed by growth on international markets (+18%, with standout performances from Australia, the United States, and the United Kingdom) and a stronger position on the French market (up +2%), despite fierce competition.

– In rail freight, traffic was up +7.1% over 2018, as growth in rail subsidiaries in Spain, Belgium and elsewhere offset declines for SNCF Fret in France, hit hard by the strikes in 2018 and 2019.

– Geodis grew its contract logistics business, especially in the United States, and its distribution & express activities in France; this came in contrast to its transport commissioning business (hit by a decline in air freight volumes) and its supply chain optimization and road transport activities.

Financial performance, with EBITDA rising to €5.6bn (€4.6bn excluding a +€972 boost from IFRS 16). Contributing factors included performance plans that generated an additional €560m in competitiveness over the year (via cost cutting but also a fresh focus on sales policy, purchasing, etc.).

Excluding the impact of strikes in 2018 and 2019 and at constant scope of consolidation, currency rates and accounting standards, EBITDA was up nearly €430m from 2018.

With investment at record levels, free cash flow was stable overall excluding the impact of strikes in 2018 and 2019, thanks to oversight and control of cash flow. The rise in EBITDA was enough to finance the increase in investments covered by SNCF itself.

3.1.2 ...but strikes against pension reforms in France took a heavy toll...

The strikes launched in response to proposed pension reforms in France began on December 5 and spread to many sectors, taking a heavy toll on SNCF Group's business and results. By year-end, 27 strike days had been logged, representing -€690m in lost revenue. For operations, this represented a -€614m loss (EBITDA) full year, taking into account both the direct cost of the strike and exceptional measures taken by SNCF to limit the impact on its customers—daily adjustments to timetables and service, the efficient SNCF app, passenger assistance at railway stations, substitute coach services, alternative travel offerings and partnerships, a host of promotional offers and reimbursements, and more.

3.1.3 ...with Group growth maintained at year-end, and record investments

At year-end 2019, SNCF group revenue came to €35.1bn, up +5.1%. Significantly, and despite a steep loss in revenue due to the December strike, second-half 2019 business was comparable to that of H2 2018.

To pursue its mission of upgrading rail infrastructure, SNCF stepped up investment in 2019, raising total outlays on infrastructure and rolling stock to nearly €10bn, a record level that included €5.2bn financed by SNCF Group itself.

Altogether 95% of investments are in France and aimed at upgrading rail service for customers and regions.

SNCF recruited 12,600 new employees in France in 2019, with one-third hired for jobs in rail operations. The Group is one of the country's largest employers.

Recurring net profit was a negative -€301m. Without the strike in December 2019, the Group would have reported a positive recurring net profit of +€313m.

Net profit attributable to equity holders of the parent company came to -€801m, hit hard by operating losses from the December strike (-€614m) and -€500m in non-recurring and non-cash items (including impairment of deferred tax assets).

In 2019 the combined impact of record investment and EBITDA hit hard by the strike set free cash flow at a negative -€2.35bn (incl. a negative €2.5bn free cash flow contribution for SNCF Réseau and a -€0.6bn loss from the strike). Excluding SNCF Réseau, SNCF businesses generated positive free cash flow. SNCF Réseau's financial position was such that it was structurally unable to finance its investments prior to the French State's partial takeover of its debt at 1 January 2020. In 2019, SNCF Réseau's own investments totalled €3bn, with €0.5bn in self-financing capacity. The State's takeover of €25bn in SNCF Réseau debt in 2020 will reduce its financial expense and lead to a marked improvement in cash flow.

Group-wide, net debt totalled €60.3bn at year-end 2019 (including €51.9bn for SNCF Réseau), a €3.6bn increase that included:

– SNCF Réseau's negative free cash flow contribution to the Group in an amount of -€2.5bn;

– -€0.6bn in losses from the December strike;

– Acquisitions currently scheduled to increase the value of shareholdings in an amount of -€0.5bn.

SNCF Group's net debt after the French State's partial assumption of SNCF Réseau debt (€25 billion) on 1 January 2020, as provided for under the rail reform package, is estimated at around €35 billion.

3.2 OTHER MAJOR EVENTS OF 2019

3.2.1 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 French Railway Pact" - Nouveau Pacte Ferroviaire), effective as of 1st January 2020, has significantly modified the SNCF Group's current organisation. It is based on the following focal points:

– Build a new SNCF Group organisation as of 1st January 2020, thus transforming it into a major unified and integrated public group comprising a fully state-owned limited company (société anonyme à capitaux publics), SNCF, and two national companies, SNCF Voyageurs and SNCF Réseau with the following duties:

- The state-owned SNCF (formerly EPIC SNCF Mobilités until 31 December 2019), responsible for coordinating and steering the unified public group, ensuring the strategic and financial management and defining its organisation;
- SNCF Voyageurs created on 1st January 2020, whose role is to operate passenger rail transport services on the French national rail network; and
- SNCF Réseau, whose role is to guarantee access to the rail infrastructure of the French national rail network and operational management of the traffic on this network and passenger stations.

– Pursuant to Decrees 2019-1585, 2019-1587 and 2019-1589 enacted in December 2019 and effective as of 1st January 2020, SNCF Réseau and SNCF Voyageurs become limited liability companies, held by the SNCF unified public group parent company, itself a fully state-owned limited company (*société nationale à capitaux publics*) (the "Holding" company). Under the New Railway Pact, the capital held by the French State in the Holding Company and the capital held by the Holding Company in SNCF Réseau and SNCF Voyageurs will be non-transferable (see below);

– Gares & Connexions is wholly owned by SNCF Réseau;

– End of recruitment of personnel with railway worker status as from 1st January 2020. Current employees may continue to benefit from this status. At the same time as this transformation, negotiations were conducted in connection with the railway division;

– Define the methods to successfully open the passenger transport activity in France to competition; and

– Set up a new system of governance.

The New Railway Pact was completed by Decree 2019-552 of 3 June 2019 including various clauses relating to the SNCF Group (the "Decree") regarding the operation and creation of the new unified public group (UPG) satisfying public service roles in the rail transport and mobility sectors.

Transformation of the current SNCF Group into a unified public group

On 1st January 2020, the following transactions took place:

– Transfer, via a net carrying amount contribution, of all the assets, rights and obligations attached to passenger station management activities from EPIC SNCF Mobilités to a newly created and wholly-owned limited liability company SNCF Gares & Connexions. The shares of this limited liability company were transferred at their net carrying amount to EPIC SNCF Réseau which also transferred all its assets, rights and obligations associated with the management of public passenger stations.

– Transfer by EPIC SNCF Mobilités, via a net carrying amount contribution, of all its assets, rights and obligations attached to its passenger transport activities to a wholly-owned limited liability company SNCF Voyageurs.

– Transfer by EPIC SNCF Mobilités, via a net carrying amount contribution, of all the assets, rights and obligations (except for the financial liability which is not transferred) attached to freight rail transport activities both in and outside France (that currently belong to the SNCF Logistics division) to a wholly-owned simplified limited liability company Fret SNCF.

– The scopes of the transferred assets, rights and obligations were approved by joint decrees from the French Transport, Economy and Budget Ministers published in the *Journal officiel de la République française* on 17 December 2019.

– EPIC SNCF was automatically dissolved and all its assets, rights and obligations were acquired at the net carrying amount as part of a transfer of all assets and liabilities ("merger-takeover") by EPIC SNCF Mobilités.

– EPIC SNCF Mobilités became a fully state-owned limited company and was renamed SNCF.

– EPIC SNCF Réseau became a limited liability company, whose share capital was transferred in full to SNCF.

The transformation of SNCF Réseau and SNCF Mobilités into limited liability companies did not result in the creation of new legal entities or any cessation of activity, and the rights and obligations of SNCF Réseau and SNCF Mobilités were not affected by such changes.

As of 1st January 2020, the new unified public group fulfilling public service roles in the rail transport and mobility sectors comprises SNCF (formerly EPIC SNCF Mobilités) that owns several subsidiaries, including SNCF Voyageurs and SNCF Réseau (formerly EPIC SNCF Réseau).

Purpose of the new SNCF

SNCF is responsible for coordinating and steering the unified public group, ensuring the strategic and financial management and defining its organisation.

It determines and rolls out the UPG's industrial and innovation, human resources, and asset enhancement and management policies.

It also carries out (i) shared functions for the whole unified public group and (ii) transversal duties essential to the proper operation of the national rail system.

Furthermore, the French State announced the following commitments:

– A new golden rule for the financing of SNCF Réseau's growth investments that will cover a wider scope.

– The French State's absorption of SNCF Réseau's debt in the amount of €35 billion, of which €25 billion in January 2020 and €10 billion in 2022, in accordance with the French Prime Minister's announcements on 25 May 2018.

– The limitation of infrastructure price increases to inflation for non-regulated activities.

Several decrees published on 30 and 31 December 2019 have completed and clarified the orders adopted by the French Government:

– Decree 2019-1582 on SNCF Réseau's investment financing rules, with a new golden rule covering a broader scope in order to prevent the infrastructure manager from becoming over-indebted,

– Decree 2019-1527 on the referral of conditions of the Transport Regulation Authority on the appointment, renewal or dismissal of the SNCF Réseau CEO,

– Decree 2019-1575 on the alienation of land built and not belonging to the private domain of the French State managed by SNCF Réseau or its subsidiary as provided for in Article L.3211-13-1 of the General Public Property Code,

– Decree 2019-1516 on the land management rules of SNCF Réseau and its subsidiary mentioned in section 5 of Article L.2119-9 of the French Transport Code. This decree specifies the arrangement for the assets entrusted by the French State to SNCF Réseau and its subsidiary responsible for unified station management,

– The decree enacting the absorption of SNCF Réseau's debt by the French State for the first portion of €25 billion as at 1 January 2020.

The legal implementation of the rail reform as of 1st January 2020 is considered as a legal reorganisation of companies under common control with regard to IFRS. The consolidation scope for all the fiscal years presented - 2018 and 2019 - applies the historical consolidation method for the companies included within this scope and therefore the 3 EPICs and their related subsidiaries.

On the approval of the 2019 financial statements by the Board of Directors on 28 February 2020, the share capital of SNCF that became a limited liability company as at 1st January 2020, totalled €1 billion.

3.2.2 Strike action

Strike action began on 5 December 2019 in protest against the pension reform.

A loss was recorded, in addition to the commercial gestures with negative impacts on revenue, in the Group financial statements for the year ended 31 December 2019.

3.2.3 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 an income of €30 million in its 31 December 2019 accounts, corresponding to the partial repayment of the fine paid in April 2016 (see Note 4.5 to the consolidated financial statements).

3.2.4 Signing of TER agreements

New TER agreements were signed in 2019 with the following regions:

– Agreement with the South region (PACA) for 2019-2023 signed on 9 April;

– Agreement with the Nouvelle-Aquitaine region for 2019-2024 signed on 29 April;

– Agreement with the Hauts-de-France region for 2019-2024 signed on 25 October.

Furthermore, the Normandy region agreement for 2020-2029 including the resumption of Intercités Normandy lines was voted in a plenary session of the Regional Council on 16 December 2019 and signed on 23 December 2019.

The operating of TER lines was partly opened to competition, as certain Organising Authorities published information notices.

In addition, the first France-Geneva RER line in the Auvergne-Rhône-Alpes region was launched on 15 December 2019.

The 2019-2028 operating agreement with the Brittany region signed on 23 December 2019 defines the new guiding principles of SNCF's regional strategy and is applicable retroactively to 1st January 2019.

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

The Group implemented its Brexit plan in line with the original Brexit date of 29 March 2019 and is now operating in line with its post Brexit business model.

The Group considers that the principal remaining risks relating to Brexit are any impact on the economies of the markets which the Group serves and any material and adverse changes to the smooth running of border controls between the UK and the EU after the end of the withdrawal agreement transition period.

3.2.6 Green Speed project

In September 2019, SNCF Group management presented to its board of directors, in agreement with SNCB and Patina Rail LLP in their capacity as minority shareholders, the Green Speed project which proposes to combine Eurostar and Thalys to build a sustainable and even stronger high speed rail travel company.

The Group ambition is to achieve the highest operational and environmental standards, leveraging mutual resources (in particular fleets as well as information and distribution systems) and offering customers an attractive alternative to road and air transport.

When this project is more precisely defined, it will be subject to the approval of the Boards and consultation with the representative bodies of employees as well as clearance of the European Commission regarding merger control.

The process of securing the necessary approvals and bringing businesses together is not expected before 2021.

3.2.7 New accounting separation requirements

ART (formerly 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 1st January 2018.

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

In response to the infringement proceedings opened by ART in July 2019, the documents relating to the 2018 separate accounts were sent by the Company in December 2019.

In its 2020-008 decision, ART removed the infringement proceedings on the 2018 accounting separation of EPIC SNCF Mobilités, which is therefore approved by the regulator.

3.2.8 Creation of StatioNord

As part of the Paris Gare du Nord 2024 project, SNCF Mobilités, via G&C, set up a single-purpose semi-public company (*société d'économie mixte à opération unique*) with CEETRUS, called StatioNord, 34% owned by SNCF Mobilités. The purpose of this company will be carry out the transformation of the Paris Nord station and ensure the operation and management of the commercial activities in the station. A works concession agreement and an agreement for the temporary occupation of public land were signed on 22 February 2019 (see Note 9 to the consolidated financial statements).

3.2.9 Sale of the Ouibus subsidiary

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

The transaction did not generate any significant divestment gains.

3.2.10 Signing of a renewable energy 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 contracts in Europe.

3.3 SUBSEQUENT EVENTS

The main subsequent events are as follows:

3.3.1 Roll-out of the rail reform

Pursuant to Note 2.1.1 to the consolidated financial statements, the rail reform was rolled out as of 1 January 2020.

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

The UK left the EU under a withdrawal agreement on 31 January 2020 and is now in a transition period which runs to 31 December 2020.

3.4 NET PROFIT/LOSS AND FINANCIAL POSITION

3.4.1 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 Itiremia	-4
Keolis	**Changes in 2018 Group structure (1)**	
	Sale of Millau Cars	0
	Acquisitions Keolis Santé	7
	Acquisition of Mediaco-EFFIA Cannes	0
	Acquisition of Open Tours Group	13
	Changes in 2019 Group structure	
	Acquisitions Keolis Santé	2
	Acquisition of EFFIA Charenton	0
	Acquisition of CarPostal France	23
	Acquisition of MyPark	2
	Sale of LeCab - VTC activity	0
	Sale of OUIbus (indirect impact)	3
	Exchange rate fluctuations	13
Voyages SNCF	**Changes in 2019 Group structure**	
	Sale of OUIbus	-35
	Sale of Ecolutis (iDVroom)	0
	Impact of the adoption of IFRS 16	-1
	Exchange rate fluctuations	10
SNCF Logistics	**Changes in 2018 Group structure (1)**	
	Acquisition of Taylor Minster Leasing BV	4
	Acquisition of Captrain España	40
	Changes in 2019 Group structure	
	Acquisition of Railtraxx/KCR	19
	Acquisition of Raffles Lease	16
	Sale of Geodis Euromatic	-29
	Exchange rate fluctuations	81
SNCF Immobilier	**Change in 2018 Group structure (1)**	
	Loss of control in Vesta	-44
Total		120

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

3.4.2 Group results

In € millions	2019	2018 (*)	Change 2019 vs. 2018	
Revenue	**35,120**	**33,311**	**1,809**	**5.4%**
Infrastructure fees	-904	-845	-59	6.9%
Purchases and external charges, excluding infrastructure fees	-12,757	-13,199	442	-3.3%
Taxes and duties other than income tax	-1,379	-1,392	12	-0.9%
Employee benefit expense	-14,574	-14,184	-390	2.8%
Other income and expenses	85	327	-242	-74.0%
Gross profit	**5,591**	**4,020**	**1,572**	**39.1%**
Depreciation and amortisation	-3,946	-2,830	-1,116	39.4%
Net movement in provisions	55	211	-156	-73.9%
Current operating profit	**1,700**	**1,401**	**300**	**21.4%**
Net proceeds from asset disposals	179	811	-632	-77.9%
Fair value remeasurement of the previously held interest	-	170	-170	-100.0%
Impairment	-86	-150	64	-42.4%
Operating profit/(loss)	**1,793**	**2,232**	**-439**	**-19.7%**
Share of net profit/(loss) of companies consolidated under the equity method	35	28	7	23.2%
Operating profit after share of net profit of companies consolidated under the equity method	**1,828**	**2,261**	**-433**	**-19.1%**
Net finance costs of employee benefits	-4	13	-17	-127.6%
Net borrowing and other costs	-1,853	-1,452	-401	27.6%
Finance cost	**-1,856**	**-1,439**	**-418**	**29.0%**
Net profit/(loss) before tax	**-28**	**822**	**-850**	**-103.4%**
Income tax expense	-745	-609	-136	22.4%
Net profit/(loss) from ordinary activities	**-773**	**213**	**-986**	**-463.1%**
Net profit before tax of transferred operations	-	-	-	n/a
Net profit/(loss) for the year	**-773**	**213**	**-986**	**-463.1%**
Net profit/(loss) for the year attributable to equity holders of the parent	**-801**	**141**	**-941**	**-669.8%**
Net profit for the year attributable to non-controlling interests (minority interests)	27	73	-45	-62.4%
Recurring net profit/(loss) for the period attributable to equity holders of the parent (1)	**-301**	**-214**	-88	41.1%
Gross profit / revenue	*15.9%*	*12.1%*		
Current operating profit /revenue	*4.8%*	*4.2%*		

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 Leases (see Note 1.2 to the consolidated financial statements)

(1) The Group discloses, internally and externally, a recurring net profit or loss for the year 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 for the SNCF Réseau sub-group or the SNCF Mobilités sub-group or both;

– 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 year attributable to equity holders of the parent relating to the Group's recurring performance. It was calculated as follows at the year-end:

In € millions	Notes (*)	31/12/2019	31/12/2018
Net profit/(loss) for the year attributable to equity holders of the parent		**-801**	**141**
Impairment losses	4.3	53	192
Included in "Gross profit"		-12	-
Included in "Net movement in provisions"		-69	-
Included in "Fair value remeasurement of the previously held interest"		-	-153
Included in "Net proceeds from asset disposals"		-1	-603
Included in "Net borrowing and other costs" (specific financial instrument transactions)	6.1	92	-107
Included in "Income tax expense"	7	436	317
Recurring net profit/(loss) for the period attributable to equity holders of the parent		**-301**	**-214**

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

3.4.2.1 Revenue

Consolidated revenue of the SNCF Group amounted to €35,120 million for the year ended 31 December 2019, for an increase of €1,809 million (+5.4%) compared to 2018, attributable to:

– effect of changes in Group structure and the adoption of IFRS 16 for +€16 million;

– effect of exchange rate fluctuations for +€104 million;

– an organic increase of +€1,689 million (+5.1%) for the Group; the changes for the segments were as follows (data at segment level):

2019 organic revenue growth at segment level		
SNCF Transilien & TER	+€459 million	+6.0%
Keolis	+€597 million	+10.1%
Voyages SNCF	+€256 million	+3.3%
Intercités	-€68 million	-8.1%
SNCF Logistics	+€44 million	+0.4%
SNCF Réseau	+€204 million	+3.3%
SNCF Gares & Connexions	+€57 million	+3.8%
SNCF Immobilier	-€92 million	-14.8%
Corporate	+€275 million	+9.3%

3.4.2.2 Gross profit

At €5,591 million in 2019, gross profit improved by €1,572 million or 39.1%, and the gross profit margin rose from 12.1% to 15.9% between 2018 and 2019.

Lost gross profit attributable to the labour strikes in 2018 and 2019 was estimated at €770 million and €614 million, respectively.

In € millions	2019	2018	2019 vs 2018 change		2019 vs 2018 change on a constant Group structure, accounting standard and exchange rate basis	
Revenue	35,120	33,311	1,809	5.4%	1,689	5.1%
Employee benefit expense	-14,574	-14,184	-390	2.8%	-282	2.0%
Purchases and external charges (excluding infrastructure fees, traction energy and fuel costs) and other income and expenses	-11,473	-11,834	361	-3.1%	-623	5.3%
Infrastructure fees	-904	-845	-59	6.9%	-52	6.2%
Traction energy and fuel prices	-1,199	-1,037	-161	15.6%	-152	14.7%
Taxes and duties other than income tax	-1,379	-1,392	12	-0.9%	7	-0.5%
Gross profit	5,591	4,020	1,572	39.1%	586	14.6%
Gross profit/revenue	*15.9%*	*12.1%*				

NB: the analyses concerning gross profit involve changes on a constant Group structure, accounting standard and exchange rate basis.

The +5.3% increase in **purchases and external charges (excluding infrastructure fees, traction energy and fuel costs) and other income and expenses** was in line with the growth in activity (revenue up +5.1%).

The €52 million rise in **infrastructure fees** (+6.2%) mainly concerns the international rail networks operated by Keolis.

Traction energy and fuel prices rose by +14.7% mainly due to higher electricity prices.

3.4.2.3 Current operating profit

Current operating profit stood at €1,700 million, up by €300 million compared to 2018.

The revenue to current operating profit conversion rate thus rose from 4.2% in 2018 to 4.8% in 2019.

The €1,572 increase in gross profit was mainly offset by the €1,116 million rise in **depreciation and amortisation** (impact of the adoption of IFRS 16 in 2019 contributed to the increase for €902 million), as well as the decline in the **net movement of provisions**: net reversal of €55 million in 2019, compared to €211 million in 2018.

3.4.2.4 Operating profit/(loss)

Operating profit decreased by €439 million, amounting to €1,793 million.

In 2018, **net proceeds from asset disposals** and **fair value remeasurement of the previously held interest** had been positively impacted by the sale of 80% of the real estate subsidiary Foncière Vesta (€613 million) and the loss of control of Foncière Vesta (€153 million) and Orient Express (€16 million).

3.4.2.5 Finance cost

Net finance cost increased by €418 million between 2018 and 2019, including -€198 million due to changes in fair value and -€145 million in line with the adoption of IFRS 16 in 2019.

3.4.2.6 Income tax expense

Income tax expense rose by €136 million. Fiscal year 2019 was impacted by a €120 decrease in the tax consolidated group's deferred assets (see Note 7 to the consolidated financial statements).

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

As a result of all these changes, the net loss attributable to equity holders of the parent was -€801 million, compared to a €141 million profit in 2018, after recognition of a net income attributable to non-controlling interests (minority interests) of €27 million.

3.5 ACTIVITIES AND RESULTS BY SEGMENT

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 (unless otherwise indicated, the financial data per segment shown in the table below and the tables on the following pages are presented as a Group contribution):

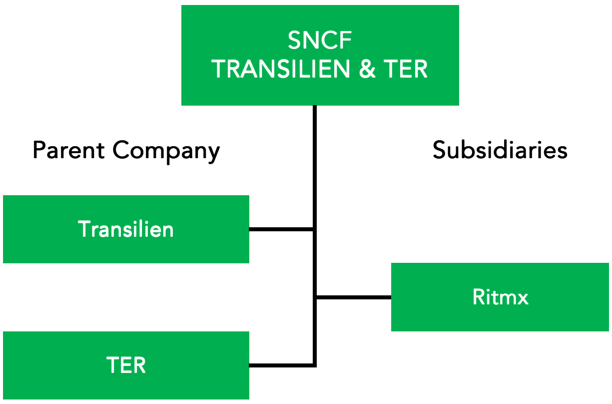
In € millions	SNCF Transilien & TER	Keolis	Voyages SNCF	Inter-cités	SNCF Logistics	SNCF Réseau	SNCF Gares & Con-nexions	SNCF Immo-bilier	Cor-porate	Inter-segment eliminations	SNCF
a) External revenue	7,402	6,475	7,604	626	10,007	2,350	282	124	250		**35,120**
b) Internal revenue	742	118	463	140	220	4,069	1,261	406	2,972	-10,392	
a+b Revenue at segment level	**8,145**	**6,592**	**8,067**	**766**	**10,227**	**6,419**	**1,543**	**530**	**3,222**		**35,120**
Gross profit	359	634	1,230	25	953	1,777	243	236	135		**5,591**
Current operating profit	187	46	483	18	162	659	79	16	50		**1,700**
Current operating profit after share of net profit of companies consolidated under the equity method	187	69	485	18	169	658	80	15	53		**1,735**
Net investments (1)	290	287	806	-117	463	2,917	248	148	195		**5,237**
Total investments (1)	1,695	333	806	308	465	5,517	395	150	197		**9,865**

(1) See definition in Note 2 - The SNCF Group in a few figures.

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

3.5.1 DAILY MOBILITIES

3.5.1.1 SNCF Transilien & TER



SNCF Transilien & TER offer local transport services, rail transport regulated services, and services covering passenger transport.

In € millions	2019	2018	Change
a) External revenue	7,402	6,881	521
b) Internal revenue	742	808	-66
a+b Revenue at SNCF Transilien & TER level	**8,145**	**7,690**	**455**
Gross profit	359	251	108
Gross profit / revenue at SNCF Transilien & TER level	4.4%	3.3%	
Current operating profit	187	162	25
Current operating profit after share of net profit of companies consolidated under the equity method	187	162	25
Net investments	290	28	262

Highlights

Transilien

– Start of work and negotiations for the new 2020 – 2023 agreement with Île-de-France Mobilités.

– Investment programmes backed by Île-de-France Mobilités, the Organising Authority:

- Arrival of new rolling stock in connection with the acceleration of the rolling stock master plan: 21 Regio2N trains for lines D, N and R and 15 Francilien (NAT) trains for line J.
- First visible results of the ticketing system upgrade: launch of Navigo Easy (contactless card designed to gradually replace the single use magnetic ticket), Navigo liberté+ experimental phase (first stage of the pay-per-use service), widespread use of smartphones to purchase and validate tickets and modernisation of ticket turnstiles at Saint-Lazare station.
- Roll-out of the clean station plan with the installation of toilets and thorough cleaning of certain stations.
- More responsive and multi-channel passenger information: roll-out of new templates on station information screens and switch-over to a real-time itinerary calculation.

– Improved train punctuality: with a total punctuality at the end of October of more than 90.3%, Transilien achieved its best result since 2012. Customer satisfaction (over 70% in total) is also at its highest since 2012.

– 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 for the RER A.

TER

– Finalisation of the signature of the multi-annual agreements with the Nouvelle-Aquitaine, PACA, Hauts-de-France, Brittany and Normandy regions. Signature of the operating and commissioning agreement for the

Léman Express, the largest cross-border rail network in Europe.

– Renewed momentum in traffic growth (until the end of November).

– Continuation of the Cap TER plan with a substantial improvement in punctuality and customer satisfaction.

– Preparations for the opening to competition.

– Delivery of 10 Regio2N and 21 Régiolis trains.

2019 results

– Revenue

SNCF Transilien & TER 2019 revenue was up by €521 million (+7.6%) compared to 2018. It was negatively impacted in the amount of -€4 million by the H2 2018 sale of the subsidiary Itiremia.

Adjusted for this Group structure impact, the activity's revenue rose by +525 million or +7.6%. The revenue loss due to the labour strikes in Q4 2019 was estimated at €280 million. The 2018 strikes had reduced revenue by €315 million.

Transilien revenue increased by €107 million (+3.9%). Excluding the strike impact, the increase was +€118 million (+4.3%). The contributions paid by Île-de-France Mobilités rose by €76 million while traffic income increased by €24 million (+2.8%). Traffic also increased by 1.7%.

TER revenue increased by €417 million (+10.0%). Excluding the strike impact, the increase was +€371 million (+8.9%). Traffic (+9.0%) and revenue enjoyed vigorous growth sustained by a sharp increase in production quality (excluding strikes) and the impact of new agreements concluded with organising authorities (see Major events above).

– Gross profit

Gross profit for SNCF Transilien & TER rose by €108 million (+43.2%) between 2018 and 2019. This growth was fuelled by TER which combined steady business growth with cost control in line with the continuation of its Cap TER transformation programme.

– Current operating profit

Current operating profit rose by €25 million. The increase in gross profit was partly offset by the €25 million rise in depreciation and amortisation as well as the decline in the net movement of provisions: net reversal of €12 million in 2019, compared to €71 million in 2018.

– Net investments

The substantial rise in SNCF Transilien & TER net investments (+€262 million) was primarily due to greater investments in new rolling stock.

2020 outlook

Transilien

– While the new 2020-2023 contract with Île-de-France Mobilités will start, Transilien's commitments break down into the following focal points:

- Improve the life of Transilien passengers with new punctuality and comfort objectives and passenger information delivered in 3 minutes in the event of an incident.
- Develop safety by ensuring a human presence in stations from the first until the last train.
- Improve trains and station cleanliness.
- Make stations more accessible by opening passenger areas and ensuring available top-quality equipment.
- Promote ecological and inclusive transition by recycling written off rolling stock and the Île-de-France SME purchasing policy.
- Further the ticketing upgrade with the elimination of the magnetic strip (for the T+ ticket) and continuation of the "check-in / check-out" deployment in all Île-de-France stations in preparation of the post-payment service.

TER

– Complete the integration of Intercités and the first year of operation for the Léman Express.

– Negotiate the amendments to review the Pays de la Loire, Grand-Est and AURA agreements.

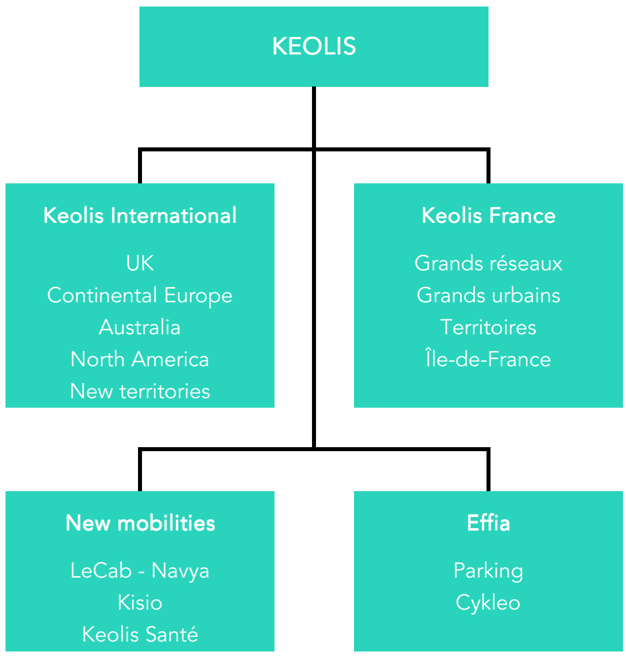
– Support the traffic growth momentum with a segmented offer based on Citi, Krono and Proxi products.

– Further improve the robustness of production and customer satisfaction to achieve a positive Net Promoter Score in 2020.

– Finalise the new regional foothold for TERs based on line departments, service quality managers, sales performance and the coordination of multi-segment teams over their scope.

– Finalise the new Regio2N train orders (19 for AURA and 27 for Normandy).

3.5.1.2 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 hubs (stations, airports) and parking.

In € millions	2019	2018	Change
a) External revenue	6,475	5,814	660
b) Internal revenue	118	122	-4
a+b Revenue at Keolis level	**6,592**	**5,936**	**657**
Gross profit	634	350	285
Gross profit / revenue at Kéolis level	9.6%	5.9%	
Current operating profit	46	71	-25
Current operating profit after share of net profit of companies consolidated under the equity method	69	92	-23
Net investments	287	166	121

Highlights

France

– An excellent year in terms of revenue for the Grands Réseaux (at constant scope) segment and in Île-de-France.

– First full year of network operations for the Nancy and Chambéry contracts that were won at the end of 2018.

– Keolis' bus contract in Aix-en-Provence was renewed and it won contracts in Menton, Antibes Sophia-Antipolis and Moulins.

– Win of the first tramway contract in Île-de-France (T9 line – "Bord de l'eau").

– Keolis also continued its growth in France with the acquisition of CarPostal France, boosting its regional coverage.

International

– Its international growth continued in 2019 with the full-year operation of the Transport for Wales rail network in Wales.

– Keolis won the Bergen Centre and Ijssel-Vecht zero CO_2 emission bus contracts in Norway and the Netherlands, respectively (its largest electrical bus contract, 300 vehicles), boosting its position in "green" mobility solutions.

– Signature of the extension until 2025 of the DLR (Docklands Light Railway) contract in the UK.

– In 2019, Keolis began operating the automatic metro at Shanghai Pudong International airport and the first section of the Doha underground in Qatar.

EFFIA

– The parking business continued to develop with contract wins in Nantes Centre-Ouest, Le Havre, the Marseille car pound, Lyon and Cergy-Pontoise.

– Acquisition of MyPark enabling EFFIA to become number 4 in the Belgian parking market.

New mobilities

– A 2019 marked by the launch of numerous on-demand transport projects in France (Bordeaux, Nancy, Tours, Lyon, Anglet) and abroad (Las Vegas).

2019 results

– Revenue

Keolis' 2019 revenue was up by €660 million (+11.4%) compared to 2018. This trend breaks down as follows:

– a positive Group structure impact for +€49 million, which is described in Note 3.4.1,

– a favourable foreign exchange impact of +€13 million.

At constant Group structure and exchange rates, Keolis revenue increased by +€598 million (+10.3%). Growth was primarily driven by the €510 million increase in 2019 international activity (+18%), including +€324 million in the United Kingdom (launch of the Transport for Wales network at the end of 2018), +€84 million in North America, +€51 million in Continental Europe (mainly in Sweden, Germany and the Netherlands) and +€49 million in Australia. Keolis France and EFFIA revenues also rose by €65 million (+2.3%) and €23 million (+13%), respectively.

– Gross profit

Gross profit for Keolis rose by €285 million. Excluding Group structure impacts, gross profit rose €277 million; the 2019 adoption of IFRS 16 had a €275 million positive impact on this indicator.

– Current operating profit

Keolis' current operating profit decreased by €25 million; the increase in gross profit was more than offset by the €280 million rise in depreciation and amortisation (of which €257 million in line with the first-time adoption of IFRS 16) as well as the decline in the net movement of provisions: net charge of €38 million in 2019, compared to €8 million in 2018.

– Net investments

The net investments of Keolis rose substantially (+€121 million) compared to 2018. An exceptional cash inflow of €100 million had been recorded in 2018 relating to the Lille contract (takeover of the former contract's assets upon renewal by the organising authority).

2020 outlook

France

– Objective: renewal of 100% defensive contracts in 2020.

– Start of the new Aix-en-Provence contract.

– Further growth in sales revenue for the Grands Réseaux and Grands Urbains segments in a highly competitive context.

– The continued opening of "Optile Île-de-France" markets will be a major business challenge in 2020.

– Integration of CarPostal teams following the 2019 acquisition

International

– Greater commercial development for bus services in 2020, particularly in Australia, North America and Sweden.

– A 2020 marked by mobilisation for the new Bergen Centre and Ijssel-Vecht bus contracts in Norway and the Netherlands.

– Major mass transit capability projects are expected for the New Territories segment in Abidjan and Dubai.

– Ongoing implementation of profitability turnaround plans in North America and Continental Europe (Germany, Netherlands).

EFFIA

– Continued B to B business momentum for the main French market segments (local communities, hospitals and clinics, shopping centres).

– A 2020 which should be marked by the consolidation of EFFIA's growth, particularly in Belgium.

– Ongoing digitisation of EFFIA through the ramp-up of the OnePark partnership.

New mobilities

– Further implementation of the new "New Mobilities" strategy following the sale of LeCab VTC activities in 2019.

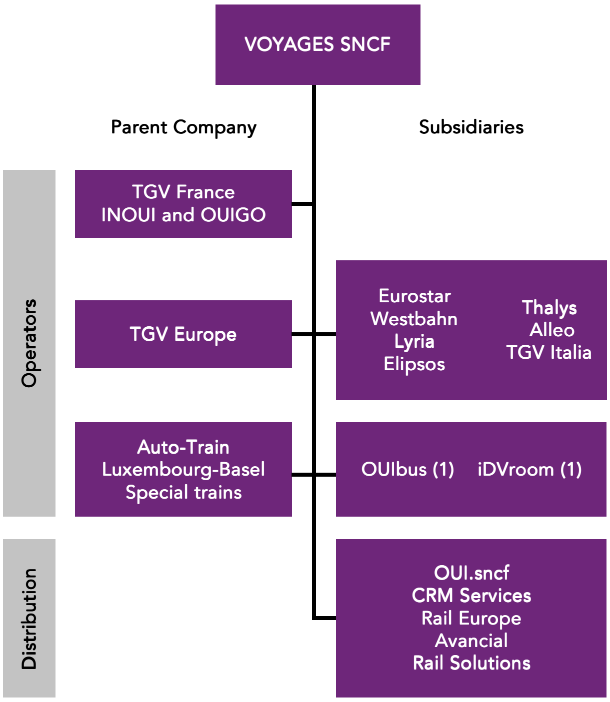
– Continued roll-out of autonomous mobility service projects in a booming autonomous vehicle market.

– Development of on-demand transport services in several cities in France.

– Strong digital solution development goals (MaaS platform) with Kisio.

3.5.2 LONG-DISTANCE MOBILITIES

3.5.2.1 Voyages SNCF



(1) 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 INOUI, OUIGO, Eurostar, Thalys and Lyria activities.

– travel-related products: train and airline tickets, car rental and hotel accommodation in particular.

In € millions	2019	2018	Change
a) External revenue	7,604	7,307	297
b) Internal revenue	463	530	-67
a+b Revenue at Voyages SNCF level	**8,067**	**7,837**	**230**
Gross profit	1,230	1,044	186
Gross profit / revenue at Voyages SNCF level	15.2%	13.3%	
Current operating profit	483	424	59
Current operating profit after share of net profit of companies consolidated under the equity method	485	422	64
Net investments	806	884	-78

Highlights

2019 was marked by major labour conflicts in the last quarter.

– In the first three quarters, traffic income increased, mainly driven by Grande Vitesse France; European markets suffered from the yellow vest crisis, Brexit uncertainties and the French customs strike for Eurostar. The outperformance of Grande Vitesse France was due to the success of the new range launched in May 2019 and the deployment of OUIGO in Lille Flandres, Toulouse, Nîmes and Montpellier.

– In Q4 2019, labour conflicts led to a loss of 6.8 million passengers and €350 million in revenue.

2019 was also marked by:

– The finalisation of the OUIbus/BlaBlaCar partnership.

– The creation of Rielsfera (Spain).

– The launch of the Green Speed project, merger of Thalys and Eurostar.

2019 results

– Revenue

Voyages SNCF revenue increased by €297 million (+4.1%). This trend breaks down as follows:

– the adoption as of 1 January 2019 of IFRS 16 which had a €1 million negative impact on revenue,

– a negative Group structure impact of €35 million, which is detailed in Note 3.4.1,

– a positive foreign exchange impact of +€10 million.

At constant Group structure, accounting standards and exchange rates, Voyages SNCF revenue rose by +€323 million (+4.4%). The revenue loss due to the labour strikes in Q4 2019 was estimated at €350 million. The 2018 strikes had reduced revenue by €404 million. Excluding the strikes, revenue increased by €270 million (+3.7%).

Grande Vitesse traffic in France boosted growth, with the ongoing deployment of OUIGO, the performance of the TGV INOUI offering (mainly for the South East line) and the ramp-up of the new Atlantique lines.

Thalys activity improved by €32 million (+6.4%) mainly due to the launch of the new Amsterdam-CDG-Marne la Vallée route. Eurostar business was stable, as the launch of the new London-Amsterdam route in 2018 was offset by the negative impact of the French customs strike in H1 2019 and a sluggish market due to Brexit uncertainties.

– Gross profit

Gross profit increased by €186 million and by €158 million at constant Group structure, accounting standards and exchange rates. Excluding the 2018 and 2019 strikes, gross profit rose by €117 million due to OUIGO and TGV INOUI business momentum (both recorded high seat occupancy rates outside of the strike) and infrastructure fee cost control (streamlining of the South East offering and increase in the number of multiple-unit trains).

– Current operating profit

Voyages SNCF current operating profit rose by €59 million, compared to 2018. The increase in gross profit was partly offset by the €89 million rise in depreciation and amortisation as well as the decline in the net movement of provisions: net reversal of €2 million in 2019, compared to €26 million in 2018.

– Net investments

Net investments totalled €806 million in 2019, compared to €884 million in 2018: the sharp rise in Eurostar investments (the purchases of the new e320 trains were completed in 2018) was offset by greater French market investments (order of 12 TGV 3UFC trains and increase in industrial work on rolling stock).

2020 outlook

– Expected increase in domestic traffic due to the completion of the first OUIGO deployment phase for Paris-Lyon, Paris-Montpellier and Paris-Toulouse and a greater seat-km offering (delivery of 12 Océane trains).

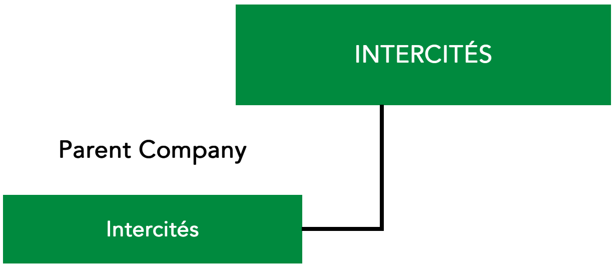
– Optimisation of the fleet, services and circulation to boost the Grande Vitesse France occupancy rate.

– Arrival of competition on the Paris-Lyon line.

– In Europe, expected turnaround for Eurostar following a 2019 marked by the French customs work-to-rule and the development of Thalys with the ramp-up of Dutch routes.

– New foothold in Spain with the Rielsfera subsidiary.

3.5.2.2 Intercités



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

In € millions	2019	2018	Change
a) External revenue	626	701	-76
b) Internal revenue	140	132	8
a+b Revenue at Intercités level	**766**	**833**	**-68**
Gross profit	25	50	-24
Gross profit / revenue at Intercités level	3.3%	6.0%	
Current operating profit	18	43	-25
Current operating profit after share of net profit of companies consolidated under the equity method	18	43	-25
Net investments	-117	-43	-74

Highlights

– New contract review phase in 2019 before the preparation of the future agreement that will begin in 2021. The contribution requirement declined due to the line transfers to TER and the improved economic trajectory.

– Set-up of the new organisation focusing on a more standardised product and a new services project via the creation of the Services Department.

– Launch of the new price range and ongoing Wi-Fi deployment (Paris – Limoges - Toulouse line).

– Arrival of new rolling stock for the Toulouse - Bayonne line (Coradia Liner) and new order with CAF to equip the Paris - Clermont-Ferrand and Paris - Limoges - Toulouse lines.

– Greater performance enhancement measures in terms of cost structure and revenue to maintain net profit at the level expected for a regulated activity.

2019 results

– Revenue

Intercités 2019 revenue was down by -€76 million (-10.8%) compared to 2018. This decrease was mainly attributable to the transfer of lines to TER and the application of the review clause for the French State contribution (reflecting Intercités' improved economic trajectory). Traffic declined by 4.5% (excluding the 2018 and 2019 strike impacts).

– Gross profit

Gross profit dropped by €24 million (-49.3%) between 2018 and 2019 following the decline in the French State's contribution.

– Current operating profit

The decline in current operating profit (-€25 million) was primarily due to the decrease in gross profit.

– Net investments

Net investments fell by €74 million compared to 2018. The major increase in gross rolling stock investments (acceleration of Regio2N Omneo train purchases) was more than offset by the rise in grants received.

2020 outlook

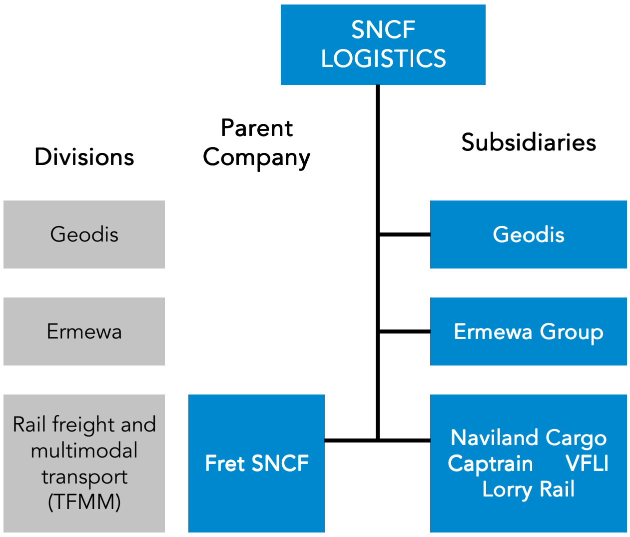
– Revitalise commercial activity following the prolonged strikes.

– Prepare for the opening to competition and the ongoing calls for tenders on the Nantes-Lyon and Nantes-Bordeaux lines.

– Complete the call for tenders for future "Medium and Long-distance trains."

– Complete the work to set up the new business model to produce a competitive offering.

3.5.3 SNCF LOGISTICS



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

In € millions	2019	2018	Change
a) External revenue	10,007	9,837	170
b) Internal revenue	220	214	6
a+b Revenue at SNCF Logistics level	**10,227**	**10,052**	**176**
Gross profit	953	353	600
Gross profit / revenue at SNCF Logistics level	9.3%	3.5%	
Current operating profit	162	117	45
Current operating profit after share of net profit of companies consolidated under the equity method	169	127	42
Net investments	463	429	34

Highlights

Geodis

– Contractual Logistics activities developed significantly, particularly in the United States.

– Freight Forwarding business was negatively impacted by the air freight market, which dropped in Q2 2019 due to the customs war between the United States and China.

– Distribution activities expanded but road transport suffered from a decline in volumes in France.

– The decrease in business generated by the new IBM contract continued.

– Productivity measures were undertaken to maintain business profitability despite the difficult economic context.

TFMM

– Fret SNCF

- A sluggish cereal business and a slowdown in the automobile market and steel demand in Europe had a negative impact on traffic income in 2019.
- The strikes weighed heavily on December activity and results.
- Fret SNCF continued to improve its gross profit, particularly through tight cost control.

– Rail freight and multimodal transport

- Rail Freight and Multimodal Transport took measures to overcome the impact of the H1 2018 strikes and regain its momentum in France and abroad.
- Its positions were strengthened following acquisitions in Spain and Belgium.
- Results, mainly those of French entities, were heavily impacted by the December 2019 strikes.

Ermewa

– In addition to Ermewa's steady sales momentum in its wagon and container leasing activities, the group is now the world leader in tank container leasing thanks to the Raffles Lease acquisition in March 2019.

– Following the completion of its refinancing in 2019, the Ermewa group was able to boost its ambitious investment programme designed to rejuvenate its fleet and cut costs.

2019 results

– Revenue

SNCF Logistics 2019 revenue was up by €170 million (+1.7%) compared to 2018. It was affected by:

– a Group structure impact for +€51 million, which is described in Note 3.4.1,

– a foreign exchange impact for +€81 million.

On a constant Group structure and exchange rate basis, revenue rose by 0.4% (+€39 million). The revenue loss due to the labour strikes in Q4 2019 was estimated at €57 million. The 2018 strikes had reduced revenue by €105 million. Excluding the strike impact, revenue remained unchanged (-€9 million or -0.1%).

Geodis activity decreased by €43 million (-0.5%); Freight Forwarding (reduction in air freight volumes), Supply Chain Optimization (decline in activity due to the IBM contract) and Road Transport reported a fall in activity. However, Distribution & Express and Contractual Logistics posted growth, particularly in the United States.

The Rail Freight and Multimodal Transport division posted growth of €27 million (+1.8%); excluding the 2018 and 2019 strikes, revenue declined by €24 million (-1.7%). The decrease in Fret SNCF traffic income was offset by the rise in Multimodal Transport, particularly on rail motorways and by Rail Transport Operators, primarily abroad.

Ermewa's revenue dropped by €55 million (+16.6%); all of its activities followed this trend.

– Gross profit

Gross profit rose by €600 million. Excluding Group structure and exchange rate impacts, gross profit rose €584 million; the 2019 adoption of IFRS 16 had a €496 million positive impact on this indicator.

Geodis gross profit rose by €35 million, of which €30 million in line with the income generated by the litigation regarding the investigation of the Competition Authority in the Distribution and Express segment (see Note 3.2 Other major events of 2019).

TFMM gross profit rose by €45 million; excluding the 2018 and 2019 strike impacts, TFMM gross profit increased by €2 million only.

Ermewa gross profit increased by €8 million.

– Current operating profit

SNCF Logistics current operating profit increased by €45 million; the increase in gross profit was largely offset by the €492 million rise in depreciation and amortisation (of which €451 million in line with the first-time adoption of IFRS 16) as well as the decline in the net movement of provisions: net charge of €5 million in 2019, compared to a net reversal of €58 million in 2018.

– Net investments

SNCF Logistics net investments rose by €34 million (+7.9%). This increase was primarily due to the robotisation of warehouses undertaken by Geodis and the acceleration of the new wagon acquisition programme by Ermewa.

2020 outlook

Geodis

– An unstable economic environment, with Brexit uncertainties in the UK and the commercial customs war between the US and China.

– Market share gains, particularly in air freight, and ongoing growth in Contractual Logistics activities, particularly in the United States.

– Ramp-up of the Upply digital platform.

– Improvement in gross profit based on revenue growth and controlled profitability on various segment lines.

TFMM

– Fret SNCF

- continued turnaround via the ramp-up in capacity management, direct maintenance coordination and reduction in overheads.

– Rail Transport Operators

- business growth in France and Europe, particularly in Spain and Italy.

– Multi-Modal Transport

- ongoing ramp-up of rail motorway lines, particularly Calais - Le Boulou and Calais - Orbassano.

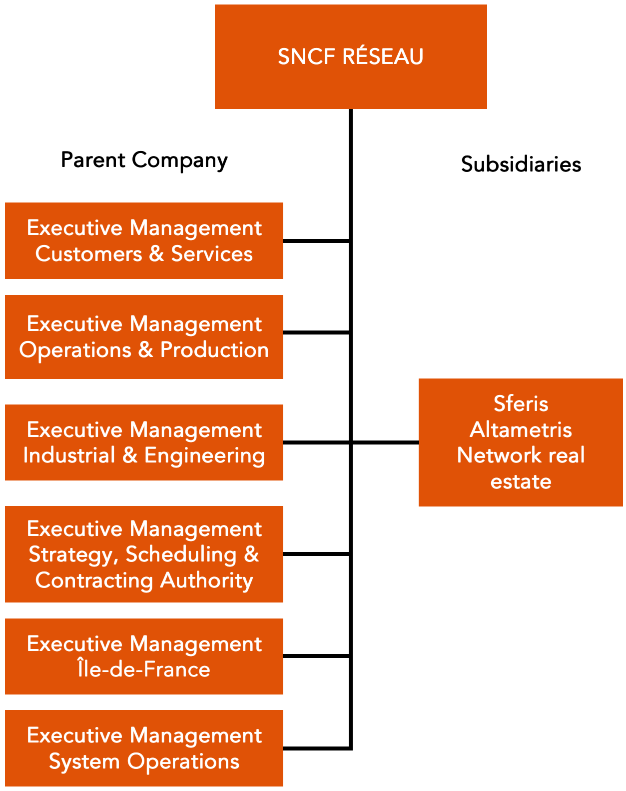
Ermewa

– Development of the workshop activity in synergy with the needs of leasing companies (maintenance and construction).

– Ongoing growth in leasing company activity, especially abroad to reduce French market dependency.

– Steady investment programme ensuring ongoing commercial development and fleet rejuvenation.

3.5.4 SNCF RÉSEAU



SNCF Réseau manages, maintains, develops and markets the services offered by the French rail national network. It manages safety and performance for nearly 30,000 km of rail lines, of which 2,700 km of high-speed lines. It also manages customer access to network and service infrastructures under transparent and non-discriminatory conditions: 29 railway companies running on the Network and 12 other companies, known as authorised candidates (combined transport operators, ports, etc.), order train paths which they then assign to the rail company of their choice.

In July 2018, SNCF Réseau carried out a reorganisation, becoming more transversal and customer-focused. The reorganisation was structured according to major strategic tasks with three Control Departments (Strategy, Scheduling & Contracting Authority, Industrial & Engineering and System Operations), three Production Departments (Customers & Services, Operations & Production and Île-de-France) and four Support Departments (Safety, Security & Risks, Human Resources, Finance & Purchasing and Communication & Regional Dialogue).

In € millions	2019	2018	Change
a) External revenue	2,350	2,254	97
b) Internal revenue	4,069	3,962	107
a+b Revenue at SNCF Réseau level	**6,419**	**6,216**	**204**
Gross profit	1,777	1,560	217
Gross profit / revenue at SNCF Réseau level	27.7%	25.1%	
Current operating profit	659	588	71
Current operating profit after share of net profit of companies consolidated under the equity method	658	588	70
Net investments	2,917	2,956	-40

Highlights

Golden rule

The purpose of the golden rule is to ensure compliance with the performance contract trajectory in terms of cash flow and changes in debt.

As of 1 January 2027, the ratio must stay below 6 to ensure that SNCF Réseau generates sufficient value to repay its debt.

The 2020-2026 transitional period will be used to get closer to the target ratio through the absorption of the €35 billion debt by the French State, the boost in SNCF Réseau's economic performance and the support fund payments of dividends allocated to the French State by the SNCF Group.

As at 31 December 2019, the "golden rule" ratio was 26.84, compared to 31.06 at the end of 2018. This decrease was due to an improvement in gross profit.

Léman Express

Inauguration of the new Annemasse station on 15 November 2019. Following its completion, the Léman Express, linking Haute Savoie to Greater Geneva, was brought into service on 15 December 2019. By connecting 230 km of track and 45 stations within a 60 km radius around Geneva, the Léman Express will be Europe's largest cross-border network with 50,000 passengers and 40 trains per day.

Inauguration of the Juvisy major intermodal hub

After four years of building work, the Juvisy (Essonne) major intermodal hub was inaugurated on 26 November (investment of €97 million). Technical expertise with the extension of a tunnel by more than 100 metres under a station in operation, with a prefabbed 42 metre section installed in one "high-impact" weekend, after partially laying around ten tracks.

2019 results

– Revenue

SNCF Réseau revenue increased by 3.2% or +€204 million compared to 2018, including a net strike impact of +€23 million (+€217 million or +30.5 million train-kms for the H1 2018 strike and -€194 million or -25 million train-kms for the December 2019 strike).

Excluding the strike impact, revenue growth was driven by the +€99 million increase in fee scales (+1.7% indexation for Passengers and +3.8% for Freight), more favourable prior year adjustments for +€24 million, a rise in Freight compensation of +€23 million (following the change in calculation method).

– Gross profit

Gross profit rose by €217 million or +14% compared to the end of 2018.

Adjusted for the net impact of the H1 2018 and December 2019 strikes, gross profit improved by €167 million or +9%.

The increase was primarily due to increase in fee scales for +€99 million and exceptional items, including the resolution in 2018 of prior year disputes provided for in the amount of +€72 million. Furthermore, the first-time adoption of IFRS 16 in 2019 increased 2019 gross profit by +€86 million (with no major impact on net profit).

– Current operating profit

Current operating profit rose by €71 million compared to 31 December 2018. The increase in gross profit was partly offset by the €47 million rise in depreciation and amortisation as well as the decline in the net movement of provisions: net reversal of €85 million 2018, compared to a net charge of €14 million in 2019.

– Net investments

The volume of net investments during the year (€2,917 million) remained unchanged on the previous year.

2020 outlook

The year 2020 will be decisive for the opening of SNCF to competition from other railway companies.

With the introduction of Nouvel'R in 2018 and the numerous projects launched in 2019, SNCF Réseau will have to adopt the main measures of the new railway pact, particularly its transition to a limited liability company as of 1 January 2020. This change of legal status will also include a major change in scope with the consolidation of Gares & Connexions (G&C) as a SNCF Réseau subsidiary.

As the French national rail network maintainer and regulator, SNCF Réseau will become the hub of the French rail system. It will be an independent body under the supervision of the Transport Regulatory Authority, the State as the shareholder and the SNCF Group.

This independence will be marked by a new decisive financing process for the company in 2020, with the absorption of the debt by the French State in the amount of €25 billion in order to drastically reduce its financial costs (around €700 million on a full-year basis). The debt will be balanced by the new "golden rule" applicable to all investments.

The year 2020 will also be marked by record investments of around €5.7 billion, up €173 million over 4 years (before the G&C transfer). The purposes of these investments will be as follows:

– maintain priority in terms of the backbone network, investment and maintenance;

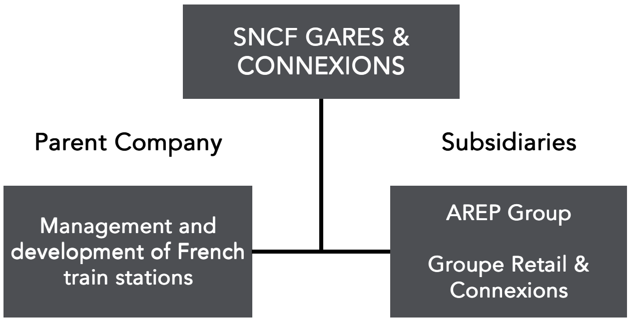
– undertake measures for the LGV high-speed network and UIC lines 2 to 6;

– overhaul of the Francilien network;

– ongoing development projects: EOLE (line E), CDG Express and TELT (Lyon-Turin Euralpine Tunnel) in particular;

– acceleration of new projects undertaken by the French State and the IDF region in connection with the 2024 Olympic Games.

3.5.5 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	2019	2018	Change
a) External revenue	282	249	32
b) Internal revenue	1,261	1,237	25
a+b Revenue at SNCF Gares & Connexion level	**1,543**	**1,486**	**57**
Gross profit	243	233	10
Gross profit / revenue at SNCF Gares & Connexion level	15.7%	15.7%	
Current operating profit	79	99	-21
Current operating profit after share of net profit of companies consolidated under the equity method	80	100	-20
Net investments	248	246	2

Highlights

The year 2019 was marked by:

– An excellent level of station business concession fees, up significantly compared to 2018.

– Numerous inaugurations: Rennes, Saint-Brieuc, Versailles-Chantiers, Saint-Nazaire and Juvisy stations.

– Creation of the single-purpose semi-public company (SEMOP) "StatioNord" in February 2019 for the Gare du Nord 2024 project, 34% owned by SNCF Gares & Connexions and 66% owned by Ceetrus.

– The roll-out of the rail reform, including the transfer of passenger activity personnel and transfer of SNCF Réseau duties, particularly accessibility, station asset renewal and new station projects.

– Publication of the 2020 Document de référence des gares in conjunction with SNCF Réseau.

2019 results

– Revenue

SNCF Gares & Connexions 2019 revenue rose by €32 million (+13.0%) compared to 2018 in line with an increase in development projects and growth of concession revenue (opening of new catering areas).

–

– Gross profit

Gross profit rose by €10 million between 2018 and 2019.

– Current operating profit

Current operating profit dropped by €21 million; the increase in gross profit was more than offset by the €18 million rise in depreciation and amortisation mainly in line with the impairment reversals recorded as at 30 June 2018 for the Gares & Connexions cash-generating unit (CGU). Furthermore, a net provision charge of €7 million in 2019 was recorded, compared to a net reversal of €5 million in 2018.

– Net investments

There were no major changes in the net investments of SNCF Gares & Connexions compared to the previous year.

2020 outlook

A year of major change for SNCF Gares & Connexions with:

– Transfer of assets and projects from SNCF Réseau,

– Transfer of station personnel from transport operators,

– Transfer of the Île-de-France Station Management (DGIF) from Transilien,

– Carve-out and transition to a limited liability company,

Regarding SNCF Gares & Connexions historical scope:

– Concession fees impacted by major station works (Paris-Nord, Montparnasse, Austerlitz, etc.).

– Resources mobilised by necessary asset and compliance investments, up significantly in 2020.

– Finalisation of the contract with Île-de-France Mobilités for 2020 – 2023.

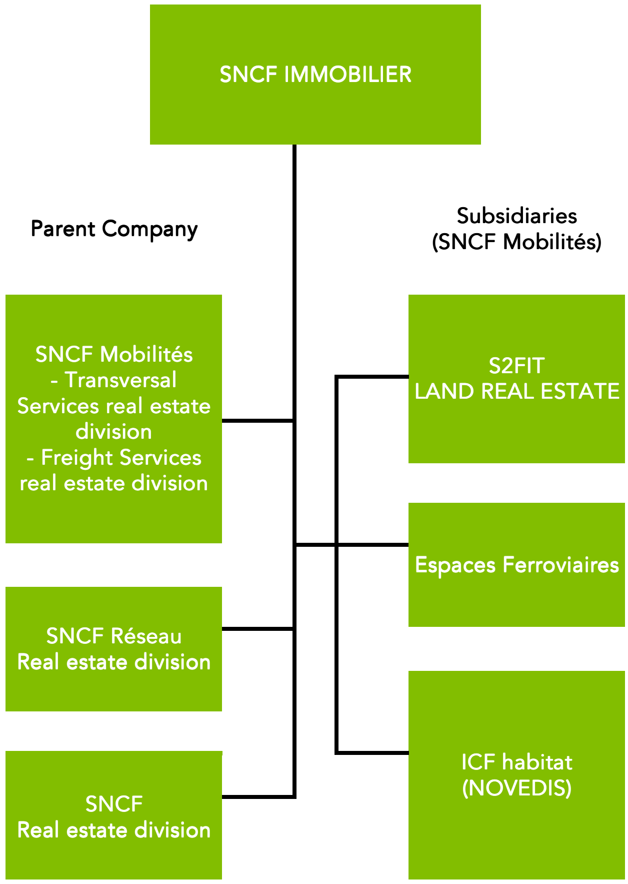
– Work on the 2021 Document de référence des gares (DRG).

3.5.6 SNCF IMMOBILIER

The law of 4 August 2014 significantly transformed the French national rail system. It resulted in the creation of a new business line dedicated to managing and monetising land and buildings: "SNCF Immobilier."

– The SNCF Group decided to represent real estate as a business in its own right, as an addition to the Group's historical core transport activities.

– SNCF Immobilier covers three main business segments: management of the Group's operating portfolio, land monetisation, housing.



In each of its business segments, it has three objectives:

Operational excellence, by constantly modernising and adapting the buildings used by the activities.

Enhancement of railway sites by developing real estate programmes adapted to as many needs as possible in urban centres.

Economic performance by optimising SNCF Réseau and SNCF Mobilités real estate expenses, and generation of new revenue flows.

Since its creation on 1 January 2015, SNCF Immobilier has incorporated all the management and production methods for all the Group's real estate assets, excluding the national rail network and stations, with an extensive and diversified portfolio of assets:

– 90,000 housing units;

– 8.5 million m² of tertiary, social and industrial properties, owned or leased by the 3 EPICs.

– 20,000 Ha of land rights-of-way.

In € millions	2019	2018	Change
a) External revenue	124	169	-45
b) Internal revenue	406	497	-91
a+b Revenue at SNCF Immobilier level	**530**	**666**	**-136**
Gross profit	236	125	110
Gross profit / revenue at SNCF Immobilier level	44.4%	18.8%	
Current operating profit	16	47	-31
Current operating profit after share of net profit of companies consolidated under the equity method	15	47	-32
Net investments	148	237	-89

2019 results

– Revenue

Between 2018 and 2019, SNCF Immobilier revenue declined by €136 million or -20.4%.

This decrease was mainly due to the loss of control of the Vesta subsidiary at the end of 2018.

Internal revenue decreased by €91 million, primarily due to the adoption of decision 2017-101 of the Transport Regulatory Authority that led to a change in the management rule applicable to the invoicing of rents and fees directly allocated to the activities and a transfer of assets within SNCF Mobilités.

– Gross profit

Gross profit amounted to €236 million in 2019, compared to €125 million in 2018, i.e. an 88% increase.

This rise was mainly due to the adoption of IFRS 16 as at 1 January 2019 in the amount of €180 million.

– Current operating profit

Current operating profit amounted to €16 million in 2019, compared to €47 million in 2018, i.e. a -65.9% decrease.

This rise was mainly attributable to greater depreciation and amortisation: the €172 million impact of the adoption of IFRS 16 as at 1 January 2019 was partly offset by the transfer of assets pursuant to Decision 2017-101 of the Transport Regulatory Authority.

– Net investments

Net investments amounted to €148 million in 2019, compared to €237 million in 2018.

This decrease was primarily due to the 2018 year-end loss of control of the housing developer Vesta and restatement of Novedis available-for-sale buildings to inventories.

3.6 INVESTMENTS

In € millions	31/12/2019	31/12/2018	Change	
Total investments	9,865	8,868	997	+11%
Disposals	350	366	-17	-5%
Investments, net of disposals	**9,516**	**8,502**	**1,014**	**+12%**

Total investments amounted to €9,865 million, up €997 million compared to 2018. This increase mainly involved SNCF Réseau whose rail network development projects rose by €564 million; furthermore, rolling stock purchases also went up, mainly at Transilien, TER and Intercités.

Disposals declined by €17 million compared to 2018 and mainly involved real estate.

3.7 GROUP NET DEBT

In € millions	31/12/2019	31/12/2018	Change
Non-current debt	68,105	65,212	2,893
Non-current receivables	-6,380	-6,558	178
Net non-current debt used to calculate net debt	**61,726**	**58,654**	**3,071**
Current debt	9,132	8,881	251
Current receivables	-10,576	-10,888	312
Net current debt used to calculate net debt	**-1,444**	**-2,008**	**563**
Net debt	**60,281**	**56,647**	**3,634**
Gearing (Net debt / Equity)	*-7.0*	*-8.7*	

Net debt stood at €60,281 million as at 31 December 2019, for a gearing (Net debt / Equity) of -7.0 (-8.7 as at 31 December 2018). Net debt as a percentage of gross profit decreased from 14.1 as at 31 December 2018 to 10.8 as at 31 December 2019.

Net debt was impacted by the following movements in 2019:

Opening net debt	56,647
Cash from operations	-3,551
Net investments	5,237
Disposals	-350
Dividends received from companies consolidated under the equity method	-31
Repayment of lease liabilities and related interest	898
Group structure transactions	466
Change in operating WCR	170
Dividends paid	595
Change in fair value, amortised cost, translation difference	412
Change in tax WCR	-24
Reclassification of finance lease payables as lease liabilities	-227
Other	38
Closing net debt	60,281

3.8 FINANCING SOURCES AND DEBT MANAGEMENT

Non-current debt and current debt increased by €2,893 million and €251 million, respectively.

These changes were essentially due to:

– the increase in bonds less issue premiums for +€5,854 million;

– the subscription of loans from credit institutions for €1,796 million;

– the repayment of bonds for -€1,895 million;

– the repayment of loans from credit institutions for -€1,068 million;

– the decrease in cash and cash equivalents for -€1,682 million.

The non-current receivable and current receivable decreased by €178 million and €312 million, respectively.

These changes mainly stemmed from the decrease in cash and cash equivalents for -€421 million.

The SNCF 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	23-Jan.-20
Moody's	Aa3	Stable	10-Dec.-19
Fitch Ratings	A+	Stable	10-Jan.-20

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

Market risk management is covered by a general framework, approved by the SNCF Mobilités and SNCF Réseau Board of Directors.

The breakdown of the strategy implemented is described in the Capital and financing Note to the consolidated financial statements.

3.10 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND RATIOS

In € millions	31/12/2019	31/12/2018 (*)
Goodwill	2,513	2,330
Intangible assets	2,368	2,205
Rights of use relating to leases	3,948	-
Property, plant and equipment	51,674	50,401
Non-current financial assets	7,562	7,692
Equity investments	1,026	970
Deferred tax assets	4,473	4,936
Non-current assets	**73,565**	**68,532**
Operating assets	11,857	10,882
Current financial assets	2,876	2,829
Cash and cash equivalents	7,754	8,197
Current assets	**22,488**	**21,907**
Assets classified as held for sale	-	-
TOTAL ASSETS	96,052	90,439
Share capital (**)	13,736	13,736
Consolidated reserves	-21,681	-20,505
Net profit/(loss) for the year	-801	141
Equity attributable to equity holders of the parent	**-8,746**	**-6,629**
Non-controlling interests (minority interests)	118	139
Total equity	**-8,628**	**-6,491**
Non-current employee benefits	2,767	2,540
Non-current provisions	1,260	1,260
Liabilities relating to concession assets excluded from the scope of IFRIC 12	2,549	2,728
Non-current financial liabilities	69,994	66,770
Non-current lease liabilities	3,137	-
Deferred tax liabilities	157	184
Non-current liabilities	**79,864**	**73,482**
Current employee benefits	179	167
Current provisions	164	166
Operating payables	14,429	14,234
Operating liabilities	**14,771**	**14,567**
Current financial liabilities	9,132	8,881
Current lease liabilities	913	-
Current liabilities	**24,816**	**23,448**
Liabilities associated with assets classified as held for sale	-	-
TOTAL EQUITY AND LIABILITIES	96,052	90,439
Gearing (Net debt / Equity)	*-7.0*	*-8.7*
Net debt / Gross profit	*10.8*	*14.1*

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 Leases (see Note 1.3 to the consolidated financial statements)
(**) As of 1 January 2020, following its transformation into a limited liability company, the share capital of the Group parent company, "SNCF SA national company," was €1 billion.

The statement of financial position recorded the following major changes in 2019:
– Rights of use relating to leases following the adoption of IFRS 16 for +€3,948 million.
– A decrease in equity attributable to equity holders of the parent, which mainly includes the net loss for the period (-€801 million), the dividend paid to the French State (-€537 million), the change in fair value of cash flow hedges (-€434 million), actuarial gains and losses on post-

employment benefit plans (-€203 million), the change in translation differences (€66 million) and the discounting of minority interest purchase commitments (-€276 million).

– Current and non-current lease liabilities relating to the adoption of IFRS 16 for +€913 million and +€3,137 million, respectively.

– A breakdown of financial assets and liabilities is shown in Note 6 to the consolidated financial statements.

3.11 EQUITY INVESTMENTS

In 2019, Keolis acquired the Belgian firm MyPark (100%). No major equity investments in companies whose registered office is located on French soil were made in 2018 and 2019.

3.12 FINANCIAL RELATIONS WITH THE FRENCH STATE AND LOCAL AUTHORITIES

SNCF receives:

– network investment grants,

– 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.

3.12.1 PUBLIC SERVICE ORDERS

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

In € millions	2019	2018	Change
Compensation for regional rates	27	49	-22
Services for the Organising Authorities (Regions and Île-de-France Mobilités)	5,201	4,826	376
Socially-motivated prices	9	9	0
Defence	146	140	5
Trains d'Equilibre du Territoire (TET)	185	247	-62
TER and TET access charge	1,860	1,832	28
Total	**7,428**	**7,102**	**325**

3.12.2 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	2019	2018	Change
Operating grants	149	141	8
Cash inflows from concession financial assets	1,508	1,379	129
Investment grants relating to intangible assets and PP&E	3,120	2,413	708
Freight business rate compensation	81	54	27
Trains d'Equilibre du Territoire (TET)	185	247	-62
Total	**5,043**	**4,233**	**810**

With respect to its network investments, SNCF Réseau receives co-financing from public and private partners. Public partners include the Agence de financement des infrastructures de transport de France (AFITF) or other regional authorities.

SNCF Mobilités receives investment grants in the form of third-party financing, primarily from local authorities, particularly for 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.

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.

Freight business rate compensation is paid to cover the marginal cost of freight traffic, in addition to fees paid by freight companies.

3.13 EMPLOYEE MATTERS

3.13.1 EMPLOYEES

	31/12/2019	31/12/2018		Change vs 31/12/2018		Change on a constant Group structure basis vs 31/12/2018
SNCF Réseau	58,035	58,301	-0.5%	-266	-0.5%	-266
SNCF Transilien & TER	43,185	44,227	-2.4%	-1,042	-2.4%	-1,042
Keolis	70,632	65,664	+7.6%	4,968	+5.3%	3,490
Intercités	2,662	2,771	-3.9%	-109	-3.9%	-109
Voyages SNCF	22,712	23,268	-2.4%	-556	-1.9%	-447
SNCF Gares & Connexions	4,040	4,056	-0.4%	-16	-0.4%	-16
SNCF Logistics	52,058	50,802	+2.5%	1,256	+2.7%	1,388
SNCF Immobilier	1,035	1,046	-1.0%	-11	-1.0%	-11
Corporate	21,991	22,587	-2.6%	-596	-2.6%	-596
TOTAL	276,350	272,721	+1.3%	3,629	+0.9%	2,391

3.13.2 Main agreements signed in 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 (8 February 2019);

– amendment to the agreement promoting professional equality between men and women and gender diversity (11 March 2019);

– collective agreement on Social and Cultural Activities shared within the Public Rail Group (15 March 2019);

– agreement on the conditions of social dialogue between Public Rail Group companies (6 December 2019).

3.14 2020 OUTLOOK

In 2020, the new SNCF and its employees will go on the offensive to serve customers and regional development in France.

SNCF is expected to report robust revenue growth in 2020 despite geopolitical uncertainty and a sluggish outlook for France (growth of +1.3%) and the global economy (+2.7%, the lowest level for a decade).

Strike days in January will have knock-on effects throughout the year, resulting in an operating loss estimated at -€330m. SNCF will need to work hard to win back the trust of its customers and restore service standards to pre-strike levels in every part of France, as well as adjusting or postponing expenditure on some projects to partially offset the losses recorded in January. These optimization measures, covering revenue, expenditure, cash and investments, are expected to increase free cash flow by +€200m. At the same time, SNCF should generate additional savings through cross-business, industrial and commercial performance plans aimed at increasing productivity and cutting costs.

The planned measures will have no impact on vital investments in the network and in rail operations, or on front-line staffing. Investments from all funding sources combined (including €5bn financed by SNCF) should exceed €11bn—a new record—and rail will continue to be the priority, with 95% of investments.

On 1 January 2020, the State took over €25bn in debt from SNCF Réseau, generating substantial savings on interest expenses. This debt transfer, coupled with SNCF’s solid fundamentals and further cost savings from performance plans, will significantly increase free cash flow. As a result, SNCF remains on course to achieve two targets: balanced free cash flow and a net indebtedness-to-EBITDA ratio of below 5.0 by end-2022.

The new management team will pursue SNCF’s strategy of growing rail use in France, with a focus on three challenges:

– Protecting the environment and the climate.

– Renewing ties with the regions in France.

– Opening up to competition.

And a commitment to four priorities:

– Putting the customer first.

– Modernizing and upgrading the French rail network.

– A return to growth for rail freight.

– Caring for the men and women of SNCF Group.

4. RISK MANAGEMENT AND INTERNAL CONTROL

4.1 RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The SNCF Group wishes to have a clear vision of the risks to which it is exposed and implement measures that contribute to the control of its activities, the effectiveness of its operations and the efficient use of its resources, in order to secure its decisions and strengthen its ability to create value.

Risk management and internal control are complementary to preventing and controlling these uncertainties.

4.1.1 Key components

4.1.1.1 Definition and Objectives

Risk is defined in SNCF Group as "any event (endogenous or exogenous) that could negatively or positively impact (opportunity) the achievement of the Group’s objectives, or affect its assets, reputation, people or the environment."

After identifying and assessing risks, risk management consists in taking priority actions to reduce or maintain the likelihood of these risks occurring or their impact at an acceptable level, or to improve control. It contributes to creating and preserving the value, assets and reputation of the Group's public institutions and their subsidiaries. As a steering tool, it fuels decision-making to secure the achievement of objectives. This approach promotes the consistency of actions with the Group's values. It mobilises employees around a common vision of key risks and raises awareness of the risks inherent in their business.

Internal control provides a control framework consistent with risk assessments and presents the Group’s governance, and more broadly each manager, with an overview of control of the various processes. It comprises all internal elements of the company (organisation, procedures, information systems, ethics charter, self-assessment questionnaires, guidelines, etc.) whose purpose is to prevent or reduce identified risks. The main objectives are:

– compliance with laws and regulations,

– proper functioning of internal processes, especially those relating to the protection of assets,

– implementation of the instructions and directions given by Executive Management,

– reliable financial information.

Like any control system, however, it cannot provide an absolute guarantee that all risks are fully controlled or eliminated.

4.1.1.2 Guidelines adopted

– The Group's risk management system is based on the main international standards (FERMA - Federation of European Risk Management Associations - Risk Management Reference Framework, ISO 31000 Risk Management Standard).

– More specifically, the Group’s internal control guidelines are based on the reference framework published by the AMF (French Financial Markets Authority) in January 2007 and updated in July 2010.

This reference framework identifies five components:

– an organisational structure with a clear definition of responsibilities, suitable resources and competencies that is supported by appropriate information systems, procedures, tools and practices,

– in-house dissemination of relevant and reliable information,

– a risk management system to identify, analyse and manage the main risks identified,

– control activities proportionate to the challenges,

– ongoing monitoring of the internal control system.

4.1.2 General organisation

The overall organisation of the Group's risk management and internal control system is based on a "three lines of defence" governance model.

Entity operational management is the first line of defence. It is responsible for conducting operations in line with the objectives set by the Supervisory Board and the Management Board. It defines and implements a control system encompassing the processes under its responsibility.

EPIC functional managers form the second line of defence, performing a support and management role. They also bring their expertise to the operational departments, promoting exchanges and the sharing of best practices. They contribute to the structuring and coordination of the control system.

On the third line of defence, internal audit provides an independent assessment of the risk control level and the robustness of internal control.

Each of the Group's public institutions is responsible for risk management and internal control across its scope, including its subsidiaries.

The risk management approach and internal control are led and managed within the Group by the Audit and Risk Department (DAR), an Audit and Risk Directorate (DGAR) entity. It is tasked with providing SNCF Group management and the governance bodies with a consolidated vision of major risks and reasonable assurance on the level of operational control.

The DGAR comprises two separate entities: the Safety Audit Department (DAS) and the Audit and Risk Department (DAR). The DAS focuses more specially on risk control issues relating to rail operational safety and occupational health and safety. Its roles are set out in Section 1.2.1. below.

The DAR's roles are structured around two functions:

– facilitating and steering the risk management and internal control approach,

– conducting internal audit assignments.

4.1.2.1 Facilitating and steering the risk management approach

The Group's risk management process is based on a common methodology framework defined by the DAR. A Risk Management policy, signed by the Chairman and Deputy Chairman of the Management Board, sets out the guidelines applicable within SNCF Group and is supplemented by a methodology guide.

The Management Board is responsible for risk management within EPIC SNCF and, more broadly, the Group, while the SNCF Réseau and SNCF Mobilités Executive Management teams are responsible for risk management within their scope.

Major risks are identified and assessed and treatment plans are defined and implemented. Each risk is entrusted to a sponsor designated by the Executive Committee, who is responsible for ensuring the risks are properly analysed and assessed, facilitating the progress of action plans and reporting on changes in risks to executive or governance bodies.

The DAR facilitates the mapping of the Group's major risks by meeting the following objectives:

- identifying risks by ensuring all Group activities are covered,

- providing a consolidated view of major risks and their control level,

- guaranteeing consistent mapping by the EPICs, notably at the interfaces.

It also supports sponsors in managing major risks.

A network of risk managers operating throughout the Group is led by the DAR, which provides methodology support and helps implement a risk detection, analysis and control system. The DAR ensures that the relevant departments adopt and sustain this approach.

In 2019, risk reviews were conducted in July and November by the Executive Committees, as well as by the Management Board. The mid-year risk review focused on progress with action plans and deliverables, while the year-end review focused on the modification and re-assessment of major risks.

The updated mapping of the Group's major risks was presented to the Audit and Risk Committee on 17 December 2019 and to the Supervisory Board on 20 December 2019.

4.1.2.2 Facilitating and steering the internal control approach

The three EPIC's have primary responsibility for their internal control, including within their affiliated subsidiaries.

The DAR drives the Group's internal control approach, in conjunction with the financial departments of each EPIC, each of which has appointed an internal control manager.

A roadmap was drawn up for each EPIC and co-signed by its Chief Financial Officer and the Audit and Risk Director. It defines the EPIC's internal control ambitions.

A Group Internal Control Committee, comprising managers from the DAR and the EPIC SNCF, SNCF Mobilités and SNCF Réseau finance departments, meets three times a year to set the main internal control objectives and ensure they are achieved. In 2019, discussions focused in particular on monitoring the implementation of the statutory auditors' recommendations, the deployment of an e-learning course on internal control fundamental principles within the Group, the review of the 2017 self-assessment campaigns, and the implementation of a new internal control information system.

A Committee comprising the Internal Control Directors of the three EPICs was established in 2018. It meets monthly and is tasked with organizing the implementation of the objectives set by the Group Internal Control Committee, sharing practices within the Group, and implementing cross-cutting internal control projects (training, assessment of systems, etc.). In 2019, agenda items for the Group Internal Control Committee meetings were shared.

A network of correspondents working within SNCF Group's Activities, Businesses and Cross-functional departments is led by the DAR. This role involves the organisation of training sessions (internal control, ethics, fraud prevention and detection) and themed seminars and working meetings. In 2019, activities focused specially on raising awareness of the legal issues surrounding the offences of improper sub-contracting and favouritism, as well as patronage, cybersecurity and external benchmarks.

An internal control checkpoint database common to the Group covers all the processes featuring in the AMF reference framework implementation guide, as well as the various "control environment" components and certain specific processes.

An internal control tool common to the Group has been used each year since 2013 for self-assessment campaigns within all SNCF Group entities. Approximately 300 entities regularly self-assess their control of processes, such as the control environment as defined by the AMF. Based on the results, and in line with the process benchmarks, collective and individual actions plans are defined where required and best practices shared.

4.1.3 Control environment

4.1.3.1 Organisation of operational and functional responsibilities

SNCF is structured as follows:

EPIC SNCF is organised around:

– management and support functions (Safety, Strategy, Finance, Legal, Rail System and Technologies, Ethics and Conduct, Human Resources, Audit and Risk, Communication and Reputation, e.SNCF, General Secretary),

– "Shared Service Centres" combining services that provide shared production for the whole Group,

– a real estate function dedicated to managing, developing and enhancing the value of the Group's real estate and land park.

SNCF Réseau breaks down at a central level into:

– technical and commercial departments (strategy, scheduling & contracting authority, system operations, industrial and engineering department, operations and production department, customer and services department, etc.),

– general and cross-functional departments (human resources, finance and purchasing, communication and regional dialogue, legal and compliance, safety, security, risks, etc.).

– a geographical level, with national and regional structures (regional departments, institutions, regional engineering hubs and project agencies, etc.).

SNCF Mobilités and its subsidiaries are 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.

These businesses rely on common support functions that combine the holding company activities of SNCF Participations and the service provider activities of SNCF Mobilités Group (equipment, and other transversal services).

4.1.3.2 Integrity and ethics

SNCF Group's ethical approach is based on five core ethical values that express how the Group intends to work with its stakeholders (customers, suppliers, employees and civil society). These values are integrity, responsibility, respect for people, trust and courage.

This approach is based on the SNCF Group's ethics charter, which was approved by the EPIC SNCF Supervisory Board on 3 November 2016. The charter, signed by all Executive Committee members, was distributed in January 2017 and sets out the five ethical values and the eleven resulting principles of conduct. These principles are distributed to all employees, whatever their status and function, and shall guide their professional conduct on a daily basis, particularly on anti-corruption, protection of the Group's human capital, compliance with competition law and anti-fraud.

The SNCF Group's ethics charter is fully consistent with the various codes of ethics and best practice adopted by certain Group activities, businesses and entities, as well as ethics and conduct documents produced by the Ethics and Conduct Office and in particular, the guidelines for the prevention of corruption and the conflict of interest awareness guide.

An essential complement to the new charter is the whistle-blowing procedure steered by the Ethics and Conduct Office under which employees can confidentially express their concerns regarding any failings they have been a victim of or witnessed. This system was brought into compliance with Law 2016-1691 of 9 December 2016 on transparency, the fight against corruption and modernisation of economic life (known as the SAPIN II Law).

Furthermore, the SNCF Group implemented the programme to prevent and fight corruption as set forth in the aforementioned law.

The SNCF Group Ethics and Conduct Office is responsible for:

– conducting internal ethical investigations following reports of failings, particularly under the whistle-blowing procedure,

– advising on ethical, conduct and anti-corruption compliance matters,

– identifying anomalies in procedures and responsibilities and documenting recommendations to ensure better control of these risks,

– raising Group employee awareness of the ethics charter in general, as well as the risks of corruption and influence peddling in the Group's businesses,

– steering the deployment of the programme to prevent and fight corruption,

– organising and facilitating scientific seminars, known as "ethics mornings", offering participants the opportunity to exchange with researchers and practitioners in the ethics field on topical issues.

A "MYETIC" application was deployed in 2018 across all work smartphones provided to Public Rail Group employees, enabling ethics to be developed and practised by the largest number of employees. Using the application, employees can familiarise themselves with ethics documents, contact an ethics officer and initiate a whistleblowing procedure.

A network of SNCF Group ethics officers, representing the Group's various businesses, is led by the Ethics and

Conduct Office. These regularly trained officers are responsible for facilitating, relaying, reinforcing and, where necessary, adapting the Group's ethical approach in their respective entities.

There is a Group Ethics Committee chaired by the former National and Higher Education mediator and composed of directors representing EPIC SNCF, SNCF Mobilités and SNCF Réseau and representatives of Geodis and Keolis. The purpose of this committee is to validate ethics and conduct measures and adopt the ethics guidelines proposed by the Ethics and Conduct Office. Accordingly, in 2019 it validated the GDPR guide or the guide on artificial intelligence and the prevention of sexual harassment in the workplace.

4.1.3.3 Internal audit

The internal audit function is provided by the Audit and Risk Department (DAR), an entity of the Audit and Risk Directorate (DGAR).

The DAR audit universe (audit scope and typology) is subject to the approval of the Executive Committee and Audit and Risk Committees of the 3 EPICs. It covers the PRG and its subsidiaries, with the exception of Géodis and its subsidiaries and Kéolis and its subsidiaries which have their own respective Internal Audit Departments. The relations between the DAR and these two Departments are governed by protocol. The Director reports to the Chairman and Deputy Chairman of the Management Board. He is also functionally linked to the Chairmen of the Audit and Risk Committees of each of the three EPICs (EPIC SNCF, SNCF Mobilités and SNCF Réseau).

The DAR conducts its audit assignments independently and objectively. Its activities are governed by the audit charter of each EPIC (EPIC SNCF, SNCF Mobilités and SNCF Réseau) approved by the governance bodies. All DAR internal auditors and potential external service providers undertake to comply with the ethical rules set out in the International Professional Practices Framework issued in France by IFACI (French Institute of Internal Audit and Control). Specific procedures are implemented for audits covering the scope of essential facilities to ensure compliance with all legal and regulatory provisions attached to the performance of these functions. Under SNCF Réseau's Confidential Information Management Plan, the Audit and Risk Director signed a confidentiality agreement.

The DAR uses a rigorous and proven methodology in conducting its tasks, in line with professional standards in this field. It has been IFACI Certified since June 2006.

Internal audit assignments are part of the audit programme consolidating the respective audit plans of EPIC SNCF, SNCF Mobilités and SNCF Réseau.

Each EPIC's audit plan is based on its risk mapping and is established following discussions between the DAR and its managers. These annual plans are approved by their respective Executive Committees and submitted for opinion to each EPIC's Audit and Risk Committee.

In 2019, the DAR conducted some 50 audit assignments. The reports, together with recommendations to mitigate the related risks, were presented to the members of the relevant Executive Committees. The summary memo is systematically transmitted to the relevant Management Board or Chairman for the audits of SNCF Réseau or SNCF Mobilités. The implementation of audit recommendations is monitored every six months.

It also conducts Information System Security (SSI) audits through the ISS Supervisory Function (MCSSI). Each year, it conducts a programme of functional and technical audits to inform the business and IS teams of the risks they face if IS compromised or unavailable over a prolonged period. In particular, it confirms the compliance and effectiveness of IS security operational rules within the scope covered by the DAR's audit universe. Around twenty audits were conducted in 2019 on high-stakes business scopes or technological bases (applications processing sensitive data, critical applications for the businesses, assessment of an entity's maturity in line with ISO 27001/27002, resilience and security measures for the Group's IS hosting targets, monitoring tools and IS access systems for privileged accounts, etc.).

The DAR activity report is presented annually to the Audit and Risk Committee of each EPIC.

The DAR also coordinates its procedures with the statutory auditors working on the SNCF Group scope.

4.1.3.4 Institutional control

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

SNCF Group is subject to the control of:

– the French Court of Auditors,

– the French Government Commissioner,

– the French Transport Economic and Finance Control Office (MCEFT),

– the French Government Shareholding Agency (APE),

– its line ministries (transport, budget and economy),

– the French Transport Regulatory Body (ART),

– the French public institution of railway safety (EPSF),

– the French High Committee for the National Rail Transport System.

The accounts are audited by two statutory auditors appointed by the French Minister of Economy and Finance, following consultation with the Supervisory Board's Audit and Risk Committee. Each subsidiary is audited by at least one of the two statutory auditors of SNCF Group.

These various participants are tasked with verifying that SNCF Group's obligations are met, particularly in the area of accounting and finance.

4.1.3.5 Compliance

Among recent legal and regulatory developments, the entry into force of the law on transparency, the fight against corruption and modernisation of economic life ("SAPIN II Law") and the subject of personal data are being considered jointly by the Ethics and Conduct Office and the Group Legal Department.

A Compliance Committee, chaired by the EPIC SNCF Executive Vice-President and consisting of the Legal Directors of the three EPICs, the Audit and Risk Director, the Ethics and Conduct Director, one member of each Executive Committee, and a representative of Keolis and Geodis was established in early 2018. This committee is tasked with ensuring the progress of the anti-corruption programme and taking any useful initiatives to this end, in particular in terms of coordinating actions. It brings together implementation and compliance monitoring around a uniform and coherent compliance programme for SNCF Group. Compliance Committee members can rely on their respective employees and networks to this end. The cases entered on the Committee's agenda are examined by a "Compliance Secretary" acting together with all the relevant employees. The scope of the Committee's action includes, but is not limited to, the following areas:

– preventing corruption,

– protecting personal data,

– competition law,

– non-financial reporting and the duty of care,

– embargoes and export rules,

– banking constraints,

– the illegal supply of labour and improper sub-contracting,

– personal data.

Following a decision of the EPIC SNCF Executive Vice-President, an anti-corruption operational committee was set up in 2019. It comprises representatives of the departments and entities participating in the Compliance Committee and has the following duties:

– regularly review the progress, maturity and relevance of anti-corruption procedures,

– determine which procedures should be renewed, and the corresponding process and timeframe,

– organise and/or verify the means of deploying these procedures and ensure that they are properly traced and documented.

The SNCF Group has long been committed to corporate social responsibility.

In its annual Corporate Social Responsibility report, audited by an independent auditor, the SNCF Group has already opted to partially comply with the new non-financial reporting regulations. The 2019 Corporate Social Responsibility report will be published in the first half of 2020.

In connection with the Non-Financial Performance Statement (NFPS), SNCF formalised its business model in 2017 and identified its most significant non-financial risks as well as its first initiatives and related main KPIs in 2018. To illustrate its CSR commitment, the Group continues to work on initiatives and KPIs to present a full NFPS in its 2020 management report.

4.2 MANAGEMENT SYSTEM FOR THE MAIN RISKS

The Group has established a process enabling it to identify, on an ongoing basis, the main risks to which it is exposed and to assess changes therein over time. It is committed to implementing appropriate control systems for these risks, as described below.

4.2.1 Operational Risks

4.2.1.1 Railway safety and occupational health and safety

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

- for customers and the community, a service with the expected level of safety,

- for its personnel and partners, a guarantee of safety in their procedures.

The Group respects and values the regulatory obligations defined by the States where it conducts its activities.

The regulatory framework in France is largely based on the French Transport Code, as well as Law 2006-10 of 5 January 2006, which transposes European directives into French law. It also comprises decree 2006-369 of 28 March 2006 relating to the mandates and by-laws of the EPSF and decree 2006-1279 of 19 October 2006, relating to rail traffic safety and rail system interoperability, amended by the decrees 2010-814 of 13 July 2010, 2014-121 of 11 February 2014, 2015-143 of 10 February 2015, 2015-960 of 30 July 2015 and 2015-1757 of 24 December 2015.

Rail operational safety management is under the direct responsibility of SNCF Réseau and SNCF Mobilités, which each have a Safety Management System (SMS). Each SMS was submitted to the EPSF, which issued safety approval to SNCF Réseau on 1 July 2016 and a safety certificate to SNCF Mobilités on 1 July 2016 for a period of five years.

In 2018, the Chairmen of the Management Board, SNCF Mobilités and SNCF Réseau signed the European Rail Safety Culture Declaration initiated by ERA (European Union Agency for Railways). This declaration demonstrates the commitment of European rail company leaders in terms of promoting a positive safety culture and raising the awareness of all industry players. A positive safety culture reinforces the effects of the Safety Management System by improving its capacities and efficiency.

In 2018, the Chairmen of the Management Board, SNCF Mobilités and SNCF Réseau and the members of the three Executive Committees reaffirmed their commitment to an integrated safety policy covering both the workplace and operations. This commitment is based on the Public Rail Group's General Safety policy: to attain safety excellence and serve as an acknowledged international reference for both occupational and operational safety.

EPIC SNCF has four main safety tasks:

– carry the PRISME programme, the management transformation policy and ensure it is firmly anchored within the Public Rail Group and develop a common safety culture. The following six pillars are coordinated in this programme:

– develop a Proactive behaviour so that employees effectively contribute to the continuous improvement system by signalling any incidents and precursors of which they are aware to their supervisors,

– introduce Risk management to prioritise actions and focus energies,

– manage Interfaces between the entities so as to work in a safety chain in which each link is essential and connected, including partners and subcontractors,

– Simplify procedures and documentation so as to guarantee systematic application by the operators,

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

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

– carry Safety issues and act as the interface between SNCF Réseau and SNCF Mobilités.

– carry the Occupational Health and Safety managerial transformation

– conduct safety inspections.

To ensure a simplified and tight control of safety, the Public Rail Group's General Director for Safety reports directly to the EPIC SNCF Management Board and the Chairmen of SNCF Réseau and SNCF Mobilités. Safety coordination thus improves interface safety.

EPIC SNCF is also tasked with helping facilitate, within the framework of consultation procedures organised and led by the EPSF, reflections on developments in rail system safety from a transversal perspective.

With regard to rail operational safety:

The Safety Directorate contributes to the risk management system for rail operational safety. It carries the PRISME programme and accompanies SNCF Mobilités and SNCF Réseau in its appropriation and implementation across their respective scopes. The Safety Directorate comprises several entities that contribute to the risk management system for rail operational safety:

– the Safety General Inspectorate, which is responsible for random inspections, risk response for the company as a whole, the identification of low-level signals, and risk anticipation and warning. To achieve these tasks, it relies on the Safety Channel tool,

– the Security System Department, which is responsible for coordinating the security system steering committee which deals with interface issues,

– the Department of Expertise and Knowledge, which assists SNCF Réseau and SNCF Mobilités implement tools to develop non-technical skills and improve their reliability.

– the purpose of the “Risks” platform is to implement a safety policy based on risk analyses, founded on the principle of preparing, supporting and using “butterfly loops” when faced with menaces as part of the Public Rail Group’s risk mapping,

– the “Simplification” platform is intended to produce, based on the priorities identified in the Public Rail Group, an operational documentation that is simplified, electronic and structured according to universal principles.

From 27 November 2018 to 1 March 2019, the safety train criss-crossed France in 56 stages to meet 14,000 railway workers. This was the second edition of this scheme which aims to develop risk awareness among SNCF employees.

In addition, in 2019, as in previous years, the Safety Audit Department (DAS), an entity of the EPIC SNCF Audit and Risk Directorate (DGAR), provided management of EPIC SNCF, SNCF Réseau and SNCF Mobilités and the various managers tasked with ensuring rail operational safety with a constant assessment of safety levels in the institutions and various entities of the EPICs SNCF Réseau and SNCF Mobilités, and specifically the performance of safety operational procedures and the quality of their management from a compliance perspective. National operational safety audits, periodic compliance audits conducted under the sponsorship of the EPICs SNCF Réseau and SNCF Mobilités, fulfilled this first task.

A Thematic Safety Audit division is tasked with conducting theme-based advisory audits on process, site or product compliance, as well as audits to assess the effectiveness of preventive or corrective actions initiated following national audits. These audits were conducted under the sponsorship of the EPICs SNCF Réseau and SNCF Mobilités, assembled by their Safety Departments, at the proposal of activity and business segment managers.

Finally, under the sponsorship, potentially joint, of the three EPICs, SNCF, SNCF Réseau and SNCF Mobilités, the Safety Audit Department conducted Design Safety Audits to understand the ability of a system or of a product or process to meet the required security requirements and objectives.

In 2018, the audit renovation process (auditor’s stance, joint audit preparation with the entity audited, continuous audit feedback, simplified reporting, and more easily actionable) was reinforced.

All managers of the EPICs SNCF Réseau and SNCF Mobilités, and of the operational entities, therefore had an audit service that is easy to perform and recognised as such. In line with progress with the company’s safety cultural transformation, “fair and equitable” safety audits were also strengthened in 2019 using a method that allows institutions to share, prior to the audit, their strengths and weaknesses with the auditor in an active bid to achieve progress.

After an initial test in 2018, the project to merge rail operational safety audits and occupational health and safety audits into a single national safety audit, to achieve an integrated safety vision, was gradually rolled out in 2019. The conclusive tests carried out in 2018 were extended in 2019 to all SNCF Réseaux and SNCF Mobilités institutions, with a view to their general roll-out in 2020.

The activities of all DAS staff are governed by a strict methodology. The DAS is ISO 9001-2015 certified.

With regard to Occupational Health and Safety:

Employer responsibility for occupational health and safety rests with each EPIC, which have described their occupational health and safety management system in a set of guidelines. The institution directors assume employer responsibility for the implementation of this management system. Risk assessment and its documentation and update in the Single Document are an integral part of this responsibility.

– Occupational health and safety actions fall within the three priority areas of the Group’s safety policy implemented through PRISME:

– developing a risk-based management approach, with the launch of an Occupational Safety platform that combines all the tools a manager needs to fulfil his risk prevention role,

– roll-out of specific action plans targeting major risks cutting across the Public Rail Group,

– simplifying occupational health and safety documentation.

The company is also completing the roll-out of an ambitious occupational health and safety managerial transformation programme, based on training in how to see and how to dialogue for line managers through coaching by internal or external specialists.

SNCF is pursuing its work to develop occupational health and safety leadership among top management and senior executives.

Employer responsibility for occupational health and safety rests with each EPIC, which have written guidelines describing the occupational health and safety management system. The institution directors assume employer responsibility for the implementation of this management system. Risk assessment and its documentation and update in the Single Document are an integral part of this responsibility.

The Safety Audit Department also includes a national Occupational Health and Safety audit division, which regularly assesses, in the institution itself, the quality of the management and operational control of risks with regard to occupational health and safety. As in previous years, this approach is deployed under the sponsorship of each of the three Public Rail Group's EPICs. The audit and evaluation method is in line with the requirements of the French Labour Code.

4.2.1.2 Energy-related risks

The energy sector is undergoing significant changes and the SNCF Group has rolled out an ambitious Responsible Energy policy driven by the SA SNCF Voyageurs Energy Department.

The Energy risks for the Group vary in nature:

– Economic: uncertainty over energy prices and higher taxes;

– Business: licence to operate and inter and intramodal competition;

– Political: greater territorial expectations regarding the energy transition;

– Environmental and health: more stringent regulations to meet climate change and air quality challenges;

– Technological: changes regarding energy carriers and players.

The Responsible Energy policy satisfies the SNCF Group's Performance, Business and Sustainable Development issues, through several medium and long-term objectives:

– Performance: improve energy performance (consumption/activity) by 20% between 2015 and 2025

– Greening: increase the renewable electricity ratio in the rail traction electricity mix in France: 20% of the Renewable Energy Power Purchase Agreements signed by the SNCF Group, via the SNCF Energy subsidiary of SA SNCF VOYAGEURS in 2026

– Carbon reduction: Group energy transformation to meet the carbon neutrality goal in 2035, and remove fossil fuels from rail transport by the same date

A SNCF Group Energy Strategic Committee, steered by the SA SNCF Voyageurs Energy Department, determines Responsible Energy policy directions and conducts arbitrations with regard to the aforementioned challenges and risks.

Furthermore, SNCF Énergie, a 100% subsidiary of SA SNCF Voyageurs, whose Chairman is the Energy Department Director, optimises energy coverage and purchases (electricity and gas) based on specific risk governance: a Risk Committee steadily controls the level of risk and – where necessary – validates the risk mitigation methods considered by line managers. This Risk Committee comprises the SNCF Energy Executive Management and Finance Department and its Front office manager and representatives of SA SNCF Voyageurs (whose composition will be defined in Q1 2020, with the new organisation in place following the creation of the limited liability company as at 1 January 2020).

4.2.1.3 Safety of persons and property

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

– loss of human lives, in the event of an attack,

– aggression of customers, shoppers or personnel in stations,

– economic:

- loss of revenues, relating to fraud, either directly, or by the disaffection of customers who consider that travelling with fraudsters is a matter of annoyance if not insecurity,
- deterioration or even destruction of facilities (attacks, cyberattacks, vandalism),
- damage to the Group's image, which can also be a precursor to revenue losses if the rail system seems unable to protect against delinquency and the terrorist risk.

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

In view of these threats, the Security Department's response in 2019 specifically covered:

– the reinforcement of canine explosive detection resources (increase from 24 to 30 teams),

– a very strong commitment by station personnel and train crews to better apply the abandoned item procedure. The Group's efforts must never be relaxed as experience has shown that deviant behaviour (opening of an abandoned object to avoid initiating a corporate procedure, at the risk of setting off an explosive device) persists at all levels;

– the launch of the company security plan, the purpose of which is to supplement the directive security approach (application of government plans) with a managerial component designed to ensure the adoption of conduct by personnel that is most conducive to security. This approach will be rolled out in full cooperation with the SNCF Mobilités and SNCF Réseau security officers. Over 500 persons attended a "job protection plan" training course (1/2 day) in 2019,

– continuation of "ramming vehicle" analyses in the most vulnerable stations (Île de France stations, major regional stations, and in 2019 stations on the outskirts of regional cities where there are proven areas of radicalisation.

- IDF: 228 stations were analysed by the end of 2019,
- Excluding IDF, 60 stations were analysed by the end of 2019, including 23 in 2019.

The Security Department conducted compliance visit analyses to monitor work progress.

– deployment of train marshals with the *Gendarmerie Nationale* (French National Police Force) (its elite task force (GIGN) in civilian dress present on board trains), in close coordination with the surveillance teams;

– the ongoing increase in requests for opinion from the French Minister of the Interior on the compatibility of employee conduct with jobs defined as sensitive in the Conseil d'État decree adopted in accordance with the Savary Law.

4.2.1.4 Protection of persons and property against fire

In addition to compliance with technical and regulatory requirements relating to building construction and maintenance, property fire safety requires significant management involvement within each of the Public Rail Group's EPICs in order to achieve the following objectives:

– ensure there are safety measures to counter the risks of fire and panic for all persons occupying sites regardless of their function,

– protect property, optimise risk management and anticipate the conditions in which the company's activities can continue under any circumstances, so as to guarantee service continuity and avoid financial losses,

– limit the risks of fire spreading to third parties and damage to the environment.

SNCF Immobilier (excluding stations and the national rail network scope):

– fulfils ownership obligations for the three EPICs,

– ensures compliance with fire safety regulations,

– conducts fire safety visits to buildings,

– facilitates consistent fire safety management within the Public Rail Group,

– supports and advises CEOs and directors of institutions and/or similar entities,

– provides fire safety training for institution directors, fire safety officers and local fire safety officers,

– trains its agents in fire risks.

Excluding the Gares & Connexions scope, fire safety for real estate property is under the responsibility of SNCF Immobilier through its management mandates. In the SNCF Réseau scope, fire safety related to industrial and rail operations is steered by the SNCF Réseau Safety Security and Risk Department.

In 2019, SNCF Immobilier trained 48 employees in fire risks. They are spread across all SNCF Immobilier Regional Property Departments.

For stations, the Fire Safety General Inspectorate (IGSI), which is part of the Safety Audit Department (DAS), acting under powers delegated by the French State (inter-ministerial decree of 24 December 2007), is responsible for conducting periodic visits to establishments receiving the general public (Stations) and issuing an opinion on the conformity of station construction or development projects prior to their approval by the Prefecture. It cooperates with the project owner to better take account of fire safety issues as early as possible in the projects.

In 2019, the IGSI conducted a periodic inspection of 173 stations and 360 concessions, and issued 450 opinions on station construction or development projects. Throughout the year, the IGSI also specifically accompanied project owners, mainly Gares & Connexions, on transformation projects for major stations across the whole network and particularly those concerning the Paris stations.

4.2.1.5 Flood risk

Our efforts to prepare the railway offering for flood risk were continued and improved in 2019. The first pillar of our system designed to improve rail network resilience was confirmed by the roll-out of SNCF Réseau regional Business Continuity Plans. Most of our traffic management establishments and railway maintenance and regeneration establishments are equipped with joint Business Continuity Plans to ensure maximum operational efficiency.

This year, the managers of passenger and freight commercial offers had an enhanced vision of network resilience. They began to revise their procedures and this will continue in 2020.

The Safety Department Flood Mission continued its flood facilitation and awareness-raising work, by bringing together all the SNCF Group railway central departments and support services.

As illustrated this year by the brutal autumn weather conditions (common in the Cevennes region) in Occitanie and Provence Alpes Côte d'Azur, it is difficult to anticipate and model the disorder caused by such events. The damage suffered by the rail infrastructure in Languedoc Roussillon was disproportionate to that caused in the south-east of France and yet the weather phenomena were very similar.

In 2019, we continued to work with other rail operators and government authorities, particularly in Île-de-France where the stakes are high regarding this risk.

2019 was marked by further risk investigations and continued collaboration and improvement.

In 2019, SNCF added a flood section to its Météo France weather warning agreement.

4.2.1.6 Climate change risk

SNCF Group is already bearing the consequences of climate change on its activities. This is illustrated by the damage caused on infrastructures (asset impairment, track deterioration, etc.), equipment (breakdowns, accelerated obsolescence, etc.), and resulted in a decline in service quality (delays, temporary cessation of activity). These events have had financial impacts and affected customer satisfaction.

Natural disasters or extreme weather conditions, whether or not due to climate change, will have a growing negative impact on SNCF's operations and financial performance if anticipatory measures are not implemented as of now. Such events may result in physical damage to assets, leading to the temporary closure of the transport infrastructure in affected areas, company revenue loss and breaks in the supply chain. In addition to the impacts on SNCF's operations, these events could have knock-on repercussions for the regions with considerable socio-economic impacts. Bearing in mind that climatic events are becoming more intense, more frequent and with greater impact, scope and gravity, the SNCF Group has given the matter a great deal of thought in the past few years.

Several measures have been undertaken within the Group:

– To reduce infrastructure, station and rolling stock vulnerability – and boost their resilience to external pressures – the inclusion of climate risk in technical choices is now decisive for the company's future performance as the commitment is for several decades due to the lifespan of the investments. Since 2019, the SNCF Commitments Committee has included a "greenhouse gas" indicator in the valuation of infrastructure renovation project investments.

– In 2019, an internal audit entitled "Preparation and adaptation of SNCF Réseau for climate change" was conducted at SNCF Réseau's request. The conclusions of this audit will result in the drafting and roll-out of an action plan as from 2020, in line with the recommendations of ISO 14090 :2019 on adaptation to climate change.

– Studies were conducted to better understand the climate change mechanisms and the impact on railway operations and incorporate this knowledge into our operating frameworks and processes.

In 2016, a study carried out on the links between the weather and SNCF network incidents was used to qualify the nature of the impacts. A second study was used to identify the indicators to be monitored on the Transilien scope to reduce weather-sensitive incidents. These two studies were accompanied by adaptation recommendations which could be adopted for future projects.

In 2015, the SNCF and SNCF Réseau Sustainable Development Departments launched, in partnership with the Environment and Energy Management Agency (ADEME), the Institute for Climate Economics (I4CE) and the University of Versailles Saint-Quentin, a thesis on the adaptation of the French railway system to the impacts of climate change. Entitled "From scientific knowledge on climate change to an economic analysis for decision-making with a view to adapting infrastructure," this project that was completed in 2019 analysed how this knowledge is grasped within the SNCF Group and how the economic analysis could be more effectively used to transform this knowledge into operational components for adaptation decision-making.

4.2.1.7 Risks relating to rail production crisis management

Rail transport is a particularly sensitive sector, exposed to disruptions of all kinds which, depending on their magnitude, can quickly generate disorder and/or a rail crisis.

Pursuant to Article 3 of Decree 2015-137 of 10 February 2015, EPIC SNCF coordinates crisis management for the benefit of rail system players: Infrastructure managers, rail companies and station managers.

The Reference Document, "Coordination of crisis situations in the rail system", sets out how Crisis Management Coordination is implemented. It is updated annually and submitted to the Supervisory Board for approval and ARAFER for opinion.

As Crisis Management Coordination was transferred to SNCF Réseau under the new railway pact law 2018-515 of 27 June 2018, SNCF no longer managed this system as of 31/12/2019.

However, the purpose and objectives of crisis management coordination remain unchanged: increase the efficiency of crisis management through:

– the quality of the system: anticipation and preparation of crises,

– facilitation of the continuous improvement approach for crisis management,

– operational coordination between rail system players in national and territorial crisis rooms.

The substantive work initiated in 2018 on processes, design and operational standards, tools and management in order to improve the robustness of rail operations and improve the passenger information system has continued.

In this context, SNCF Réseau, the rail network architect, is strengthening its role as hub with regard to railway system operations.

4.2.2 Risks, Strategy and Governance

The State defined its 10-year strategic vision for the Public Rail Group in the policy report presented in September 2016. It sets out five priorities for the development of the French rail transport system:

– the highest priority is given to rail safety,

– a rail system serving balanced regional planning,

– improved service quality at all levels,

– renewed competitiveness with a renovated social framework of the highest level,

– control of rail system debt.

With a view to meeting these ambitions, EPIC SNCF and the EPICs SNCF Réseau and SNCF Mobilités for their own scopes identified the main strategic and governance risks common to the Group.

The EPIC SNCF Strategy Department assembles and proposes items that can inform the strategic decisions of Public Rail Group managers and alert them to emerging issues that may have an impact on its business.

It produces, in particular, strategic analysis on rail system financing, economic performance, mobility trends and intermodal competition.

It coordinates exchanges between the French State (supervisory authority and shareholder) and the Group's entities.

A major projects strategic committee, chaired by the Deputy CEO, brings together, once a month, managers appointed by each of the three EPICs, to share issues and updates concerning major projects, prepare strategic decisions and possible strategic arbitrations at Public Rail Group level and ensure regular and ongoing monitoring of projects, in coordination with the rail steering committee.

The Strategy Department is one of ARAFER's contacts on matters within its remit.

2019 was marked by fundamental changes in the Group's functioning:

– adoption of the Law of 27 June 2018 for a New Railway Pact, reorganising SNCF Group and preparing for the opening of the market to competition,

– announcement of the transfer of €35 billion of SNCF Réseau's debt to the French State (€25 billion in 2020 and €10 billion in 2022),

– Group productivity requirements aimed at ensuring the Group's economic and financial sustainability.

Commitments were made to the French State which now guides the Group's organisation and production:

– boost employee satisfaction and commitment,

– be the best on fundamentals (robustness, passenger information and safety),

– develop rail use,

– increase customer satisfaction,

– be economically rigorous and high performing.

The New Railway Pact was completed and clarified by Decree 2019-552 of 3 June 2019 including various clauses relating to the SNCF Group and by the decrees establishing the initial by-laws of SNCF, SNCF Réseau, SNCF Voyageurs and SNCF Gares & Connexions of 30 December 2019. This framework determined the new SNCF Group structure on 1 January 2020, with the aim of transforming it into a major unified and integrated public group comprising 5 companies: a fully state-owned limited company SNCF (100% owned by the French State, whose shares cannot be transferred), SNCF Voyageurs and SNCF Réseau (100% owned by SNCF), SNCF Gares & Connexions (100% owned by SNCF Réseau) and Fret SNCF (100% owned by SNCF). Within this framework, the parent company defines the structure of the public group in order to fulfil the roles set by law (i) operating and developing, in a fair and transparent manner, the national rail network in accordance with the public service principles in order to promote rail transport in France, (ii) operating and developing, in a fair and transparent manner, passenger train stations and other service facilities relating to the national rail network, (iii) fulfilling transversal duties essential to the proper operation of the national rail system for the benefit of all the players in this system, particularly to secure the safety of persons, property and the rail network and (iv) guarantee national and international passenger and freight transport services;

The parent company's role of defining and piloting the Group's strategy is therefore confirmed.

The law considers SNCF Réseau to be the hub of the rail system. SNCF Réseau is responsible for guaranteeing, in a fair and transparent manner, directly or through its subsidiaries, in accordance with public service principles and in order to promote rail transport in France with a view to sustainable development, regional planning and economic and social efficiency, and specifically (i) access to the rail infrastructure of the French national rail network, including the allocation of capacities and the pricing of this infrastructure and (ii) operational management of the traffic on the French national rail network.

Under the law, Gares & Connexions is transformed into a limited liability company and subsidiary of SNCF Réseau, effective 1 January 2020, with organisational, decision-making and financial autonomy (Article 1 of the New Railway Pact).

The Railway Law also organises the opening of the national passenger rail transport market to competition. This is the major point affecting SNCF Mobilités activity:

– regulated rail transport (TER, Intercités and Transilien): from 3 December 2019, the organising authorities (the regions, French State and Île-de-France Mobilités, respectively) may launch calls for tenders to select a rail operator. In Île-de-France, the competition opening schedule is specific for RER and Transilien lines.

– open access will begin for long-distance transport in 2020, allowing the market to be opened widely to all competitors respecting market entry conditions, in particular regarding compliance with safety rules. Several rail operators have notified the Transport Regulatory Authority of their intention to access the French market as from 2020 (Thello, Trainitalia and Flixtrain).

This new structure has led to major transformations in the roles of each Group entity, the level of integration of functions (finance, HR, shared functions, etc.) and governance to ensure the consistency of an integrated Group in accordance with European and national regulations.

2019 was marked by the preparation for the 1 January 2020 transition: internal preparation work and presentation of the target organisation to employee representative bodies in coordination with the French State departments authorising the law's adoption. This work related to the new Group's governance, the structure of the new companies, the management of the companies by the parent company and the parent company's new organisation.

Under the law, a ten-year agreement will be adopted for SNCF Réseau. This agreement, which is currently being drawn up, will be signed in 2020 with the French State and determine the infrastructure manager's objectives (operational, commercial and financial).

4.2.2.1 Risks relating to changes in transport legislation

The change in the transport legal framework requires preventive and appropriate treatment of emerging risks by the Group Legal Department at both European and national level. This change is marked by new or growing risks related to the transport and public sector legal framework, but also to the diversity of Public Rail Group businesses, particularly in the mobility chain and digital services, which call for new business risks to be taken into account. The approach must be forward-looking, notably through participating in various sector bodies to identify developments upstream and take action.

The prospects of opening the passenger transport sector to competition as of 1 January 2020 as well as the requirements and standards of the various authorities in charge of competition and regulation - which are constantly changing and increasingly stringent - are also a major factor affecting the Group's strategy. The central departments of each entity are responsible for their implementation within the new Public Group.

Furthermore, at the instigation of the French Justice Ministry, the Group legal department took part in examining the civil liability reform with the help of the Public Transport Union. It was able to convince its contacts to avoid extending the provisions of the Law of 5 July 1985 on the improvement of the situation of traffic accident victims and the acceleration of compensation proceedings (Badinter law) to railway accidents, thus safeguarding their specific characteristics (guided transport, limited role of the driver, non-compulsory insurance). This analysis also covers the roll-out of a fairer and more universal compensation system for the victims of such accidents.

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

The Public Rail Group human resources department regularly updates major HR risks. These are analysed during the discussions with the PRG HR department managers. Risks are managed in relation to the company's major challenges by analysing the major transversal risks shared with the Group (poor control of the resources trajectory, deviation from commitments and psychosocial risks), decisive HR risks managed by the HRD (loss or absence of competencies and managing excess personnel) and risks relating to the transformation of the Public Rail Group.

On 1 January 2019, the new employee representative bodies set up by the French Labour Code to replace the Personnel Delegations, Health, Safety and Working Conditions Committees and Works Committees were created: 33 Social and Economic Committees, structured in line with the Public Rail Group's organisation.

In 2019, the changes to the social framework were prepared for the Law for a New Railway Pact adopted in June 2018, which provides for the end of special employment status for new recruits from 1 January 2020, the continuity of employment contracts during the transformation of the EPICs to limited liability companies, the maintenance of special employment status in the event of the creation of subsidiaries within the scope of the Public Rail Group's current activities, the possible decentralisation of social dialogue, and the transfer of personnel in the event of loss of operation of a passenger rail service following the opening of the market to competition. The legal provisions were completed with orders and decrees.

At the same time, branch negotiations continued (notably on the classifications and remuneration component), as part of the drafting of the national collective agreement for the railway industry.

4.2.3 Information system risks

The acceleration of the company's digital transformation has undeniably created performance levers and opportunities, but this has been accompanied by the growing dependence of the Group's business lines and activities on information systems, which accentuate the impacts of a major system failure on operational production and therefore the security risks of these information and telecom systems.

Added to this "IS dependency" phenomenon is a substantial reinforcement of the national and European regulatory framework that obliges companies, including the SNCF Group, to implement sustained compliance initiatives in regard to their critical systems and data, and specifically personal data that is now strictly governed by the GDPR (General Data Protection Regulation).

In 2019, cyber-attacks against business also multiplied. No sectors were spared (industry, finance, government authorities, hospitals, etc.) and the risk of a long-term cessation of activity due to a cyber-attack is now high. The average period for a total information system shutdown following a cyber-attack is between thirty and fifty days. All the business activities must therefore ensure that they can resist this type of disaster using business continuity plans which still too often fail in terms of resilience to a major cyber-attack.

With respect to cyber-security governance, the SNCF Group has made this issue a top priority since 2015 through its ISS (Information System Security) management committee, which is regularly informed of the such risks and steers the major projects relating to this problem using a multi-year ISS master plan that is updated annually.

The ISS rules are governed by the SNCF Group's information system security policy, which defines cyber security principles that are articulated in a general framework, with the aim of developing risk management based on a principle involving continuous improvement, threat anticipation, and ISS business developments according to the transformation of SNCF business lines and legal and regulatory compliance.

In 2019, these rules were updated to adapt to the development of cyber-attack threats, regulations and the Group's digital transformation.

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

The level 3 control of corporate cyber security falls within the scope of the ISS supervisory function reporting to the Audit and Risk Department, which implements a yearly cyber security controls plan approved by the group's business departments and conducts technical tests to ensure application compliance with prevailing legislation and the effectiveness of the IS protection operational rules within the Group scope. Any discrepancies are escalated to the relevant department and give rise to corrective action plans coordinated by the competent ISSOs. The rate at which corrections are rolled out could be improved.

In 2019, the SNCF Group again boosted its detection and remediation capability by developing the computer emergency response team (CERT) and equipping its IS operational security centre with the latest technologies. Furthermore, an ambitious programme to modernise ISS departments was initiated in a 3-year strategic plan.

In parallel and because human behaviour is central to the company's IS protection, awareness-raising actions for users and project managers were conducted so that cyber security best practices are widely communicated and individual vigilance becomes a daily reality. Several information campaigns on ISS risks and best service practices were again conducted in 2019 as part of the "Attitude 3D" programme.

2020 is going to be pivotal year as the group's reorganisation will significantly modify the organisation and responsibilities with regard to cyber security to maintain for the future group the same consistency adopted for the PRG in 2019.

4.2.4 Purchasing and Supplier Risks

The Group Purchasing Department's strategic coordination of the Purchasing function is based on a process of risk analysis, prioritisation and management by major market segment. Accordingly, the Purchasing function assists the Group in its transformation to:

– Guarantee the Purchasing fundamentals:

- Sustainable performance for all criteria (financial, quality, safety, CSR, etc.),
- Compliance and regularity of purchasing acts.

– Guide the transformation strategy:

- Support the activities in their quest for innovation,
- Ensure consistency vis-a-vis suppliers, by managing the supplier relationship,
- Guarantee a top-level service while gaining in productivity.

In terms of risk management, three priority focal points have been formulated:

– Compliance with the various applicable regulations: public procurement principles, competition rules, SAPIN II law, GDPR: risk mapping, due diligences, training, application of contractual clauses adapted to the GDPR.

– Observance of ambitious "Corporate Social Responsibility" (CSR) commitments: roll-out of supplier anti-corruption-CSR charters, new risk mappings for CSR purchasing by segment, pursuit of the multi-pronged evaluation of key and strategic suppliers;

– Management of the digital transformation of stakeholder businesses involved in the purchasing process, including the consolidation in 2019 of the unified purchasing IS deployed in 2018 with data provider interfacing and continuous updates of supplier 360° dashboards as well as local purchase testing to program the systems extension in 2020.

Internal Control operations within Purchasing rely on the AMF framework. The central purchasing entities conduct annual risk reviews and therefore adapt their internal control plans, conducted in a new dedicated IS.

These actions help to deliver the financial, organisational and strategic aspects of the PRG purchasing performance plan.

Various audits of all or part of the purchasing process, including the audit of the renewed Supplier Relations and Responsible Purchasing Label were conducted to assess the progress made and future milestones.

Finally, the group's purchasing function revised the purchasing process risk mapping that will be used to support the internal control plans in 2020.

4.2.5 Risk of failure to comply with laws and regulations

Coverage of this risk is managed within SNCF Group by the EPIC SNCF Group Legal Department.

The architecture of the legal function is similar to that of the Group as a Legal Department has been set up in each of its three components:

Four tasks have been assigned to the EPIC SNCF Legal Department:

– ensuring legal needs specific to the institution's governance (including governance, compliance and enforcement of regulations on IT and civil liberties),

– accompany and secure its activities assigned by law (including international matters, security, sustainable development, etc.),

– develop, define and lead the SNCF Group's legal doctrine and strategy in eight key areas (project management and accompanying change, financial, business and company law, European and competition law, international matters, intellectual property, institutional public law, public business law, law applied to the rail system and infrastructures),

– coordinate and drive the legal community,

– manage the legal expertise centre responsible for legal services for the Group (support functions: HR management, management control, regulatory watch, documentation, knowledge management; operational functions: real estate law, risks and insurance, labour law, accidents involving people, competent regional legal delegations, in particular, on matters relating to invoking liability vis-a-vis third parties or employees). In addition, the Contract Control and Quality Department is part of the expertise centre, as it provides services to the Public Rail Group. However, it reports directly to the Group Legal Director to preserve its independence (see below).

In addition, SNCF Mobilités and SNCF Réseau have a Legal and Compliance Department.

There is also a coordination and regulation body, the Group Legal Committee, comprising the legal directors of the three EPICs. This Committee acts as:

– an arbitration body for any disputes within the SNCF Group,

– a permanent consultative body, particularly for the steering and management of files with significant media and/or financial issues, the drafting of legal advisor referencing and cost and fee reduction policies and the processing of files on a project basis.

In addition, the Contract Control and Quality Department, which reports to the Group Legal Director, provides prior opinions to the Boards of Directors of SNCF Réseau and SNCF Mobilités and the EPIC SNCF Management Board, as well as to the Chairmen and key managers of the EPICs (files reviewed by the Market Commissions – COMA and for contracts requiring prior approval by the MCEFT) on contracts and other contractual commitments comparable to contracts, sales of old materials, equipment and leaseholds. It therefore provides assurance that the procedures for awarding a public contract or other contracts are fair, the financial terms and conditions obtained are acceptable and the contractual clauses safeguard the interests of the different EPICs.

4.2.5.1 Risks associated with holding personal data

As part of its activities, SNCF Group is required to collect and process personal data relating to its customers, employees and partners, such as its suppliers and service providers. SNCF Group ensures compliance with the rules on the protection of personal data and has adopted a rigorous approach in this area.

As of 25 May 2018, each of the three EPICs (SNCF, SNCF Mobilités and SNCF Réseau) appointed a Data Protection Officer (DPO), as required by regulation. Several other SNCF Group entities have also chosen to appoint a DPO. The DPO is primarily tasked with informing and advising the company and its employees on their obligations under the personal data protection regulations, monitoring compliance and cooperating with the supervisory authority (CNIL).

4.2.5.2 Risks relating to corruption and failure to comply with the duty of probity

The Ethics and Conduct Office (DED) continued to steer the implementation of the anti-corruption compliance programme imposed by the SAPIN II Law. This program comprises 8 measures in addition to the management bodies commitment which in 2019 resulted in the use in specific training sessions of the day devoted to the fight against corruption, during which the Chairman's speech was recorded for broadcast purposes. The other measures are as follows:

– The Anti-Corruption Code of Conduct has been included in guidelines applicable to the three Public Rail Group EPICs. Violations of the Code of Conduct may therefore result in disciplinary action that could lead to dismissal. The Code, which is currently being developed, will be incorporated into the different internal regulations of the future limited liability companies in 2020.

– the proposed adherence to the EPIC SNCF whistleblowing procedure for the Group's French subsidiaries (12 subsidiaries formalised their adherence to the procedure).

– regarding accounting procedures, work was carried out on key control points to adapt the content of the self-assessment campaigns. Anti-corruption will be a new audit matter for the statutory auditors.

– regarding training, the awareness-raising sessions organised by the Ethics and Conduct Office were maintained and the training for those employees most exposed to risks of corruption and influence peddling continued at a fast pace. More than 3,300 employees were trained in France and abroad by a specialised law firm over a period of two and a half years.

The Ethics and Conduct Office has rolled out internal anti-corruption training that has been fully renewed since mid-September 2019. Over 200 employees have already received it.

In 2019, specific training (fraud and anti-corruption) was proposed to the network of internal controllers by the Ethics and Conduct Office: 40 internal controllers received this specific training.

The Ethics and Conduct Office also contributes to training proposed by Dauphine University in connection with the compliance officer certificate.

The SNCF Group was subject to an inspection by the French Anti-Corruption Agency, which issued it with a draft report at the end of August 2019. SNCF sent its responses in October 2019 and is awaiting the publication of the agency's final report.

4.2.5.3 Risks of non-compliance with competition and regulation rules

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

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

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

In this respect, SNCF depends on the prices determined under the legal framework and in discussions between ART and SNCF Réseau for the operation of the national rail network.

To cover the risk of a breach in competition regulations in France and worldwide, Geodis set up a "competition framework" issued to all its employees and available on the Geodis Intranet. This framework is included in the Ethics Charter which, in turn, is incorporated into the Internal Regulations.

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

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

This framework serves as a base for a global compliance programme comprising training initiatives and a whistle-blowing procedure. This programme is monitored by an Ethics and Compliance Director, who reports directly to the Geodis General Secretary.

4.2.5.4 US tax reform risks

The US tax reform finalised at the end of 2017 came into force on 1 January 2018.

It introduces certain positive changes such as the reduction in the federal corporate income tax from 31% to 21% (to which is added each State tax rate).

It also introduces several constraints such as the decrease in the limits for tax losses (from 100% to 80%), a limit in the deduction of financial expenses and the potential taxation of intragroup flows.

For 2019, the drop in the federal corporate tax to 21% (emblematic measure of the tax reform) only impacts the valuation of deferred tax assets relating to the group's tax loss carry-forwards.

The Base Erosion and Anti-abuse Tax (BEAT Tax) is the main negative measure impacting Geodis and more largely SNCF in terms of payments to foreign affiliates that are deemed to be "erosive."

A study was carried out by the Group's Tax Affairs Department with Deloitte to identify flows that may be affected and assess at SNCF Group level all the ratios that could result in the application of the BEAT Tax.

It concluded that, to date, the SNCF Group entities operating in the United States are not liable to BEAT Tax.

This work will have to be conducted annually to assess the situation of US entities with regard to the BEAT TAX.

4.2.5.5 Risks relating to insider trading

Insider trading rules and prohibited practices for management changed with the entry into force on 3 July 2016 of the Market Abuse Regulation ("MAR2") to which SNCF is bound as an issuer of financial instruments. Insiders are prohibited from using or disclosing non-public information over the period during which the information they hold regarding SNCF remains non-public. SNCF considers the Group financial report to be insider information. A list of permanent insiders is drawn up based on access to and knowledge of the consolidated financial statements.

Any non-compliance will incur administrative sanctions (maximum amount of €5 million) for natural persons and criminal sanctions (up to 5 years in prison and/or a fine of up to €100 million). The Finance Department's internal control division retains the insider list, notifies insiders that they are registered on the list and informs those relevant persons of their duty to comply with Black-out Periods.

4.2.5.6 Environmental risks

There are many types of environmental risk: water and marine life pollution, soil pollution, air pollution, neighbourhood nuisances (noise, dust, odours, waste, etc.), impacts on biodiversity or overconsumption of resources. They may arise in the course of operating activities (e.g. rolling stock maintenance), projects or even through involvement with contractual service providers (e.g. track renovation project). These risks may have various economic, sanitary and image-based impacts.

Risk identification is based on environmental analyses (in compliance with regulations and standards) that are required in connection with the set-up of environmental management systems (EMS) within the various entities. Environmental management is defined within the Public Rail Group by a dedicated framework which specifies the roles and responsibilities of the various Public Rail Group entities in a context marked by the increasing environmental responsibility of companies. These responsibilities are also present in the delegations of authority for managers.

The resulting organisation is based on the principles of the international standard ISO 14001 and therefore incorporates operational and organisational missions in a global management system. For each institution, Environmental Management Systems are rolled out according to procedures tailored to each business line or geographical area. For industrial sites, the ISO 14001 certification is required by each business line.

To address the risk of non-compliance with environmental regulations and standards (current or future), collective procedures, methods and tools are deployed within the PRG:

– based on support frameworks involving the inclusion of environmental issues in engineering contracts, operation of Installations Classified for Environmental Protection and "Water Act" facilities in and around railway rights-of-way or multi-occupied sites

– the sharing of tools and methods involving environmental risk analysis, environmental incident rating and environmental performance assessment.

In 2018, an internal audit of the environmental management systems was conducted. The conclusions resulted in the drafting of an action plan that is currently being rolled out. This audit will be supplemented in 2020 with a monetisation of the identified risks to facilitate and direct decision-making by the company and establishment directors.

The Sustainable Development Department within SNCF Group Executive Management coordinates and monitors the roll-out of the environmental policy. It provides the activities with its expertise and operational support. It organises and coordinates the "environmental network" through steering committees for the Public Rail Group (overall approach to issues) and specific committees (topical meetings): training, water, circular economy/waste, etc.

Certain transversal processes such as strategic and regulatory monitoring, employee training, environmental skills development and environmental data sharing and archiving (using common SNCF Group IT tools) are also managed at Group level.

4.2.6 Risks relating to the sector's technical complexity

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

4.2.7 Financial risks

Financial risks can be accepted more or less broadly, depending on whether they are limited to risks for which management actions are possible (hedges or other) or extended to all uncertainties that have a financial impact. This section considers both risks that can be mitigated or modified by management actions (liquidity, interest rate, exchange rate and counterparty) and risks associated with the use of means of payment.

Each EPIC implements risk hedging systems tailored to its challenges.

In SNCF Mobilités, financial risk management is conducted by the Financing and Treasury Department, which is part of the SNCF Mobilités Finance Department. The rules relating to interest rate, exchange rate, counterparty and liquidity risk are set out in a document presented to the SNCF Mobilités Audit Committee and approved by the Chairman of SNCF Mobilités.

In SNCF Réseau, the risk management activity is conducted by the Financing and Treasury Department, which is part of the SNCF Réseau Finance and Purchasing Directorate. The management and hedging of liquidity, interest rate, exchange rate and counterparty risks are defined in a document presented to the Audit Committee and approved by the SNCF Réseau Board of Directors. Compliance with these principles and limits is monitored daily.

Detailed information relating to the management of SNCF Mobilités and SNCF Réseau financial risks is contained in their respective reports.

In EPIC SNCF, the Financing and Treasury Department, within the EPIC SNCF Finance Department, manages the risks listed below. It defines and implements the financing and cash management policy, manages risks that can be hedged and ensures the proper use of means of payments. It guarantees EPIC SNCF's financial interests vis-a-vis public and private third parties, banks and financial markets.

The EPIC SNCF Financing and Treasury Department contractually entrusted the management and accounting of its cash and financial operations to the SNCF Mobilités Finance and Treasury Department. This department also assumes part of the cash management functions of EPIC SNCF's direct subsidiaries (SNCF Conseil, SNCF Développement, ITNOVEM, SNCF International, etc.), which signed a cash pool agreement on 1 July 2015 with SNCF Participations (SNCF Participations is a subsidiary of EPIC SNCF Mobilités and a semi-public holding company. It owns most of the subsidiaries and investments of the SNCF Mobilités Group and carries out services on behalf of all the Group's entities).

4.2.7.1 Interest rate risk

There is no interest rate exposure on long-term debt as a single 10-year fixed-rate borrowing was secured on 1 July 2015 with SNCF Mobilités. This loan can be repaid early without penalty.

The cash position, on the other hand, whether lender or borrower, is naturally exposed to interest rate fluctuations.

4.2.7.2 Foreign currency risk

SNCF International's commercial activities expose it to foreign currency risk. Given the low volume of business and moderate volatility in the exchange rates concerned, no hedges were entered into in 2019.

4.2.7.3 Counterparty risk

Counterparty risk comes from the operating activity but is limited because EPIC SNCF's "customers" are mainly SNCF Mobilités and SNCF Réseau.

The cash management activity generates counterparty risk when excess cash is placed with banking institutions or in any financial instrument. EPIC SNCF therefore solely invests with counterparties with a minimum credit rating of A- awarded by credit rating agencies.

4.2.7.4 Liquidity risk

Liquidity risk is the risk to which the company would be exposed if it were unable to obtain the necessary funds to meet its financial commitments. A €50 million overdraft facility was set up to address this risk. Regular monitoring of changes in working capital requirements also helps control this risk.

4.2.7.5 Risk associated with the use of means of payment

Three means of payment are available to EPIC SNCF to pay expenses and suppliers: bank transfers, direct debits and cheques.

The security of the use of means of payment is ensured by the implementation of a verification procedure. At least four individuals are involved in the issue of payments, namely an invoice input clerk, an invoice "validator" and two payment order signatories, irrespective of whether payments are made by bank transfer, direct debit or cheque.

The EPIC SNCF Financing and Treasury Department controls the authorisations of individuals using means of payment (delegations of signature with banks).

4.2.7.6 Financial risks associated with climate change

The growing concern with greenhouse gas emissions and climate disruption, the basis of the signing of the Paris Agreement of 12 December 2015 as part of COP21, could result in new regulations in these areas (e.g. low emission zones in particular, carbon tax). The latter could require SNCF Group to reduce, modify and/or initiate operations, meet new compliance obligations for its facilities and/or equipment, with operational and financial impacts. This situation could also provide an opportunity for the Group to boost customer satisfaction (e.g.: service quality) and set itself apart from the competition (e.g.: new offerings).

In September 2018, the "hybrid TER" project was launched by SNCF and Alstom, in partnership with the Centre-Val-de-Loire, Grand Est, Nouvelle Aquitaine and Occitanie regions. It consisted of replacing 2 of the 4 diesel engines with lithium batteries on a Régiolis train. These storage systems will recover braking energy and reuse it to meet the train's energy requirements. The goal is to reduce daily train energy consumption by 20% in 10 years, limit polluting emissions (greenhouse gases, particles, etc.) and lower diesel engine maintenance costs. This helps to anticipate the transformation of equipment in order to meet future compliance obligations when operating in cities in particular. The hybrid TER will be tested on a Régiolis train from the Occitanie TER fleet as of 2020 and will run in early 2022.

Furthermore, the increasing demand for energy combined with greater production costs and potentially stricter tax laws should increase pressure on the energy market leading to an impact of prices. The signature in 2019 of a PPA with Voltalia for the direct purchase of solar power produced in France (around 150 megawatts) contributes to improving the management of financial risks relating to climate change. By committing to purchase renewable energy over 25 years, SNCF contributes to energy transition and climate change mitigation, while reducing its financial risk.

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

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

4.2.7.6.1 Interest rate risk

Certain SNCF Group debts bear interest at floating rates that are generally indexed to a market benchmark index such as the EURIBOR. Any interest rate hike would increase its financing costs and the cost of refinancing its current debt or obtaining new means of financing. The SNCF Group uses derivative instruments to actively manage its interest rate risk and minimise its impact. It also monitors interest rate fluctuations. However, should the SNCF Group fail to minimise these fluctuations, they may have a negative impact on its financial position and operating income.

4.2.7.6.2 Foreign currency risk

The SNCF Group operates internationally and is exposed to the foreign exchange risk arising from transactions denominated in foreign currencies, mainly USD and GBP. Foreign currency risk exists when future sales transactions or recognised assets or liabilities are denominated in a currency that differs from the functional currency of the company that carries out the transaction. For the SNCF Group, foreign currency risk mainly involves USD and GBP sales. The SNCF Group may also be exposed to exchange rate fluctuations in connection with foreign investments. The SNCF Group uses derivative instruments to hedge or limit the risk of currency fluctuation relating to these transactions. There is no guarantee that future exchange rate fluctuations will not have a major negative impact on SNCF Group's activities, financial position or operating income.

4.2.7.6.3 Risk relating to marketable securities

The SNCF Group invests a portion of its assets in securities issued by various companies, government bonds and monetary funds. The failure by one of these companies or governments to make repayments according to the planned schedule for these securities or a significant decline in their market value and/or equity market volatility could have a major negative impact on the SNCF Group.

4.2.7.6.4 Liquidity risk

The SNCF Group carefully manages liquidity risk by ensuring that it has sufficient liquidities and negotiable securities depending on SNCF's current financing agreements. The financial markets may nevertheless encounter periods of liquidity shortage or volatility. If the SNCF Group is unable to access the financial markets or other financing sources at competitive rates over an extended period, its financing costs may increase and it may have to reassess its strategy. Any of these events could have a major negative impact on SNCF Group's activities, financial position or operating income;

4.2.7.6.5 Counterparty risk

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

4.3 RISK COVERAGE AND INSURANCE

Reporting to the Group Legal Department's legal expertise centre, the Risk and Insurance Department is in charge of designing and applying the Group's insurance policy with an objective of optimizing insurance coverage for the EPICs and their subsidiaries, based on a mutualised approach designed to improve guarantees, while benefiting from competitive pricing conditions.

The insurance programmes negotiated and monitored by the Risk and Insurance Department with brokers and insurers are proposed to all SNCF Group entities (EPIC SNCF, SNCF Mobilités and SNCF Réseau as well as their subsidiaries, in particular Keolis).

They mainly involve the following policies:

– the SNCF Group Civil Liability policy which has covered the SNCF Group since 1 January 2014, with a new programme effective on 1 October 2019;

– the Automobile Fleet policy proposed to all SNCF Group entities and renegotiated in 2019 under very favourable renewal conditions as at 1 January 2020,

– the Constructions Civil Liability policy which has covered the SNCF Group since 1 January 2018;

– the Property Damage policy which covers EPIC and its subsidiaries and came into force on 1 January 2017,

– The Cyber-crime risk policy which has covered the SNCF Group since 1 January 2019.

The Risk and Insurance Department relies on a regional network of eight General Insurance divisions that are part of the Regional Legal Delegations. Each General Insurance division rolls out the insurance policy initiated and coordinated by the Risk and Insurance Department over its geographical scope. The General Insurance

Division is a vital local link responsible for identifying and amicably managing claims as well as an important entry point for insurance and risk prevention questions.

Finally, based on its developed technical expertise, the Risk and Insurance Department has created and managed since 2012 a reinsurance captive, "SNCF Re" in order to reinsure part of the SNCF Group's damage risks and, since 2019, the civil liability of SNCF Mobilités and its subsidiaries. This transfer of risks safeguards Group earnings with coverage and deductibles tailored to its specific financial capacities and risks, while reducing the price pressure of insurers whose potential risk share declines. The scope of SNCF RE includes the EPICs and certain Group subsidiaries. Keolis' general insurance programme has been reinsured by SNCF RE since 1 January 2019.

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

5.1 DEFINITION, OBJECTIVES AND SCOPE

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

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

5.2 FINANCIAL AND ACCOUNTING ORGANISATION MANAGEMENT PROCESS

5.2.1 Accounting production and maintenance of EPIC SNCF and its directly controlled subsidiaries

The production of EPIC SNCF financial and accounting information is managed by the EPIC SNCF Finance Department. It coordinates the accounts closing with the help of the EPIC SNCF Financial Control and Accounting Department and the financial and accounting departments of EPIC SNCF operational entities and subsidiaries.

The EPIC SNCF Accounting Department coordinates the preparation of the monthly reporting packages produced by the accounting players using a reporting tool, and validates the overall consistency before importing the packages into the accounts consolidation tool.

The operational entities produce an income statement, balance sheet items, a statement of changes in equity and the corresponding analyses. The subsidiaries produce an income statement, balance sheet, statement of changes in equity and the corresponding analyses. These items are discussed at monthly management meetings (except the January and July results) with the EPIC SNCF Finance Department.

The quality of the financial and accounting information produced is based on continuously improved tools and competencies, particularly the EPIC SNCF Finance Department and the financial and accounting teams of the operational entities and subsidiaries.

The Finance Department is responsible for the final production of the EPIC parent company financial statements. The Finance Departments of the subsidiaries are responsible for the production of their financial statements. The EPIC SNCF Finance Department ensures financial statement compliance with prevailing accounting standards and may request adjustments to the financial statements produced by the operational entities and subsidiaries.

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

– bookkeeping, for tasks that are not shared within accounting shared services centres,

– formalised review of their accounts, and the production of their individual financial statements (where necessary) and financial reporting for the EPIC SNCF Finance Department.

For EPIC SNCF, the quality of the half-year and annual financial statements is backed by the 31 May and 30 November pre-closings, during which all specific accounting matters are discussed with the operational entities and then validated by the EPIC SNCF Finance Department.

The Statutory Auditors notify the SNCF Group Activity and Entity Finance Departments of the audit, limited review and internal control and audit procedures that they have carried out within the subsidiaries and accounting entities. They share any recommendations issued and audit matters with them. A summary of the major internal control recommendations is prepared for the Finance Department and presented to the December Audit and Risk Committee.

In addition, EPIC SNCF has a system of formalised commitments from the CFOs and financial managers of the operational entities on the faithful representation and fairness of the financial information they produce in their respective financial statements.

5.2.2 Production and maintenance of the SNCF Group financial statements

SNCF Group financial and accounting information is produced by the EPIC SNCF Finance Department. It coordinates the SNCF Group accounts closing with the help of the SNCF Réseau and SNCF Mobilités Finance Departments.

Consolidated accounts were prepared for 2019 for the SNCF Group. They are presented in audited and published financial statements.

SNCF Mobilités and SNCF Réseau coordinate the financial and accounting tasks of the subsidiaries and accounting entities within their scope.

The EPIC SNCF Finance Department is responsible for the final production of the SNCF Group consolidated financial statements and ensures compliance with prevailing accounting standards.

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

Furthermore, pursuant to the rail reform law 2014-872, separate financial statements are prepared and published. Following the ART decision n°2017-101, these separate financial statements comprise a balance sheet and income statement in order to distinguish between service facilities and station management activity (SNCF Gares & Connexions), passenger transport activities and passenger transport activities covered by a public service agreement, freight rail transport activity (Fret SNCF), other activities, the eliminations of internal flows between these separate activities and a total corresponding to the EPIC SNCF Mobilités financial statements.

In its decision 2019-003 of 31 January 2019 published on 7 February 2019, the ART (formerly ARAFER) approved the accounting separation rules of EPIC SNCF Mobilités.

In its decision 2020-008, the ART approved the compliance of the separate financial statements of EPIC SNCF Mobilités to these accounting separation rules.

5.2.3 EPIC SNCF Accounting Shared Services Centre (SSC) Department

The Accounting Shared Services Centre Department, which reports to Optim'Services, ensures the accounting production for the transversal processes of the three Public Rail Group EPICs. These processes concern trade payable accounting, payroll and social security accounting, trade receivable and expense claim accounting.

To fulfil its duties, the Accounting SSC Department relies on 4 dedicated Shared Services Centres by process:

– the Trade Payable SSC which manages the supplier invoices of EPIC SNCF Mobilités and EPIC SNCF and certain supplier invoices for EPIC SNCF Réseau,

– the Expense Claim Accounting SSC which manages and records the expenses incurred by PRG employees in their professional activity,

These 2 SSCs roll out a transaction management approach to local players and conduct certain centralised controls themselves.

– the Trade Receivable Accounting SSC which handles a portion of the invoicing carried out by the 3 EPICs (particularly inter-EPIC invoicing, seconded personnel, etc.) as well as the related accounting and collection,

– the Payroll and Social Security Accounting SSC, which is responsible for the accounting of salaries, social security contributions and employee-related liabilities, whatever the type of employment contract, for the whole PRG. It checks and corroborates the accounting data. In coordination with the Payroll Department, it develops the control measures and procedures to cope with changes in scope, accounting journal entries or information systems.

5.2.4 Standards and chart of accounts

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

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

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

Given the complexity of IFRS 16 on leases, project and steering committees in addition to a specific project unit were set up to apply this new standard to the Group consolidated financial statements as of 1 January 2019.

5.2.5 Management tools

The SNCF Group relies on a management cycle whose objective is to determine and monitor the level of the SNCF Group's economic and financial ambition broken down between SNCF Réseau, SNCF Mobilités and EPIC SNCF. These three scopes, for their part, then each apply the objectives by steering their own entities (businesses, activities, EPIC institutions, subsidiaries, etc.).

For the SNCF Group, Executive Management, assisted by management control within the SNCF Finance Department, coordinates the process using various management cycle components.

This comprises stages common to the entire SNCF Group:

– the strategic and financial plan: it defines the SNCF Group's strategic and financial directions over the next 5 to 10 years. It relies on a financial model designed to coordinate the Group's key financial indicators. Normally, according to the Group's management timetable, the strategic and financial plans of SNCF Réseau, SNCF Mobilités and SNCF and the Group summary may be reviewed each year by the executive management teams of the relevant entities as of May / June. They are used to set objectives, particularly in terms of profitability, investment financing and changes in net financial debt. A Public Rail Group trajectory (scope of the three EPICs) is extracted from this SNCF Group financial trajectory. Financial indicators taken from this PRG trajectory were included in the performance contracts signed on 26 April 2017 that govern the relations of EPIC SNCF Mobilités, SNCF Réseau and the PRG with the French State. A new strategic plan was presented to the SNCF Supervisory Board of 27 July 2018 as part of the new railway pact under the Law of 27 June 2018. This SNCF Group strategic plan was not updated by SNCF Executive Management in 2019.

– the budget Y+1, with reference to an estimated Y: the Y+1 budgets of SNCF Mobilités, SNCF Réseau and EPIC SNCF and the SNCF Group are analysed in November / December. They determine the level of ambition for the subsequent year and are approved at the respective Board meetings of the 3 EPICs before 31/12/N.

– an annual forecast in the autumn which is used to update the current year budget data and serves as a basis for the following year's budget;

The above measures are supplemented by monthly management monitoring:

For EPIC SNCF, and its direct subsidiaries,

– monthly management reviews (except for January and July results) of the various scopes of EPIC SNCF and its direct subsidiaries are carried out by the EPIC SNCF Finance Department based on a management letter prepared by each activity (accounting and financial analyses, production indicators and operational performance indicators). These monthly management reviews are used to continuously monitor changes in the performances of the various scopes of responsibility and ensure that they meet their budget objectives.

– every month, a summary document on the results of EPIC SNCF and its direct subsidiaries is drafted by the Management Control Department for EPIC SNCF Executive Management.

For the SNCF Group,

– a monthly dashboard is produced for the SNCF Supervisory Board. It combines the management and analysis components generated by EPIC SNCF, SNCF Mobilités and SNCF Réseau.

5.3 FINANCIAL AND ACCOUNTING INFORMATION REPORTING

The EPIC SNCF Finance Department oversees and coordinates the financial reporting of the SNCF Group, SNCF Mobilités and SNCF Réseau and monitors standard compliance and financial reporting requirements.

These requirements are met using the closing instructions transmitted by the EPIC SNCF Finance Department to the entities, specifying the key process dates and the substantive procedural requirements relating to the financial statements and management reports.

SNCF, the Group's head company, does not issue securities in financial markets contrary to SNCF Mobilités and SNCF Réseau which carry their own debt and separately obtain financing from banks and markets.

In this context, although the SNCF Group manages the corporate, economic and financial reporting in coordination with all its entities, only SNCF Mobilités and SNCF Réseau are required to comply with stock market regulations and adopt a strict financial reporting policy (General Regulations of the *Autorité des Marchés Financiers*, French Commercial Code and French Monetary and Financial Code).

Hence, for each year and each half-year:

– the SNCF Group publishes its consolidated financial statements while presenting the Group’s different businesses (a single Group press release),

– SNCF Réseau also publishes its financial report and the regulated documentation on its financial market transactions (financial prospectus, financing programme, etc.).

The SNCF Group proactively reports on its accounts, mainly externally. At the time of publication of the annual consolidated results, the SNCF Group also publishes its full financial report.

SNCF Réseau limits its own financial reporting to its wholly financial targets (rating agencies, financial contacts and the investor environment) to satisfy its requirements as and separate and stand-alone issuer in the financial markets.

A charter on the SNCF Group’s economic and financial reporting was set up in 2018 to govern the publication of results. Considering the reform and the creation of the new SNCF Group as of 1 January 2020, a new financial reporting charter should be implemented within the Group in 2020.

The financial information communicated to the public by the SNCF Group is available on the website https://www.sncf.com/en/group/finance.

The specific financial information of SNCF Mobilités is available on the website https://www.sncf.com/en/group/finance/sncf-mobilites.

The specific financial information of SNCF Réseau is available at http://investors.sncf-reseau.com.

The statutory auditors guarantee the reliability and true and fair nature of the SNCF Group financial statements and ensure that the specific documents published when results are announced are compliant (management report, press release and press presentation).

The *Autorité des Marchés Financiers* (AMF) also ensures that the SNCF Group, SNCF Mobilités and SNCF Réseau comply with their requirements as financial market issuers in terms of financial reporting.

31 December 2019

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CORPORATE GOVERNANCE

SNCF governance as of 1 January 2020:

The new Railway Pact Law of 27 June 2018 approved the creation as at 1 January 2020 of an unified public group in the rail transport and mobility sector. The three EPICs, SNCF, SNCF Réseau and SNCF Mobilités will become five companies: SNCF (the "parent company"), SNCF Réseau, SNCF Gares & Connexions, Fret SNCF, and SNCF Voyageurs.

Pursuant to Decree 2019-1585 of 30 December 2019, the fully state-owned limited company SNCF directs, coordinates and manages the unified public group that it controls and whose organisation it defines.

The SNCF Board of Directors has 12 members, among whom:

– 7 members appointed by the shareholders' meeting, at least two of whom meet independence criteria,

– 1 French State representative appointed under Article 4 of the Order of 20 August 2014 on the governance and capital transactions of public companies,

– 4 employee representatives appointed under Article 7 of the aforementioned order.

	Names and titles	Positions
(*)	Mr. Jean-Pierre Farandou [Chairman]	*Other positions within SNCF* SNCF Chairman and Chief Executive Officer *Positions outside SNCF* None
(*)	Mr. Frédéric Saint-Geours [Vice-Chairman]	*Other positions within SNCF* None *Positions outside SNCF* Directorships: - Groupe Casino-Guichard-Perrachon - BPI France Participations
(*)	Mr. Didier Casas	*Other positions within SNCF* None *Positions outside SNCF* - Executive Vice-President – Bouygues Telecom
	Ms. Hélène Dantoine Member representing the French State	*Other positions within SNCF* None *Positions outside SNCF* - Executive Vice-President – Agence des participations de l'Etat Directorships : - Orange SA - Safran SA
(*)	Ms. Céline Lazorthes	*Other positions within SNCF* None *Positions outside SNCF* - Leetchi Group – Founder and non-executive chairman - Director: Generation Libre (law 1901 association) - - Chairwoman: Celavi SAS (personal holding) - Representative: ZZ SCI (real estate investment company) - Representative: Verdura SCI (real estate investment company) - Representative: Oney Bank

(*)	Mr. André Martinez	*Other positions within SNCF* None *Positions outside SNCF* - Director of Kaufman&Broad - Member of the Strategic Committee of the restaurant group ParisJus/ Wild &TheMoon - Formerly Chairman of the ICADE Board of Directors (April 2015- April 2019)
(*)	Ms. Agnès Touraine	*Other positions within SNCF* None *Positions outside SNCF* - Chairwoman Act III Consultants - Rexel SA-France- listed company - Tarkett SA- France- listed company - Proximus BV –Belgium- listed company - Groupe Bruxelles Lambert – Belgium - listed company - 21 Partners-France – unlisted - Keesing- Amsterdam- unlisted
(*)	Ms. Amélie Verdier	*Other positions within SNCF* None *Positions outside SNCF* - Budget Director– French Budget Ministry - Directorships: Companies: - AFP (Agence France Presse) - FRANCE TV EPIC (State-owned industrial and commercial companies) - AFPA (State-owned company in charge of professional training for adults) - OPERA NATIONAL DE PARIS - PHILHARMONIE DE PARIS (State-owned company at the Cité de la musique) - SOLIDEO (Company tasked with delivering Olympics facilities) EPA (State-owned administrative companies): - ANTAI (National agency for automated offence processing) - ANTS (National Agency for Secure Documents) - CADES (Supervisory Committee of the organisation set up to amortise the French social debt - *Caisse d'amortissement de la dette sociale*)
	Ms. Christelle Jeannet (employee representative)	*Other positions within SNCF* Mobility adviser *Positions outside SNCF* None
	Mr. Bruno Lacroix (employee representative)	*Other positions within SNCF* Executive - Equipment *Positions outside SNCF* None
	Ms. Maryse Thaeron (employee representative)	*Other positions within SNCF* Chief conductor – Chief instructor *Positions outside SNCF* None
	Mr. Julien Troccaz (employee representative)	*Other positions within SNCF* Station employee *Positions outside SNCF* None

(*) Member appointed by the Shareholders' Meeting.

At its first meeting on 16 January 2020, the Board of Directors decided to set up three specialised committees chosen from among its members and responsible for assisting it with its work:

– An Audit and Risk Committee,

– A Strategy and Investment Committee.

– An Appointments and Remuneration Committee.

The SNCF Chairman and Chief Executive Officer is Mr. Jean-Pierre Farandou.

SNCF governance in 2019:

Pursuant to the rail reform law 2014-872 of 4 August 2014, SNCF has a Supervisory Board and a Management Board. The composition, roles and by-laws of these two bodies are determined by this law and Decree 2015-137 of 10 February 2015.

1. THE SUPERVISORY BOARD

1.1. BOARD COMPOSITION

The Board has 24 members:

12 representatives of the French State,

– 1 senator appointed by the President of the French Senate,

– 1 MP appointed by the President of the French National Assembly,

– 1 member elected as representative of the rail transport regional organising authorities from outside the Île-de-France region,

– 1 representative of the Île-de-France transport union appointed by its Board of Directors,

– 8 employee representatives.

In 2019, the Board's 24 members met 10 times (6 ordinary meetings and 4 extraordinary meetings).

The Supervisory Board members are appointed for a five-year term of office. The Supervisory Board Chairman is appointed by decree on the Board's recommendation. No Supervisory Board member can exercise more than two consecutive terms of office.

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

Furthermore, the Management Board Chairman, the Management Board Deputy Chairman, the Supervisory Board Secretary, his assistant and, possibly, his colleagues automatically sit on the Supervisory Board. However, the Supervisory Board can meet in private without the presence of the Management Board or any other Group employee.

The statutory auditors also attend Supervisory Board meetings to review the annual financial statements.

The Supervisory Board Chairman may also invite any person whose expertise could shed light on Board decisions to attend in an advisory capacity, in accordance with Article 17 of Decree 2015-137 of 10 February 2015.

In accordance with the provisions on gender equality set forth in Article 6-1 of the Law 83-675 of 26 July 1983 on the democratisation of the public sector, 50% of the EPIC SNCF Supervisory Board's members appointed by decree are women.

1.2. BOARD DUTIES AND POWERS

Pursuant to Article 15 of Decree 2015-137 of 10 February 2015 on the duties and by-laws of EPIC SNCF, the Supervisory Board approves the SNCF Group's main strategic, economic, labour and technical guidelines.

The following are submitted to the Supervisory Board for prior approval:

– the draft framework agreement mentioned in Article 8 of Decree 2015-137 of 10 February 2015 and its planned updates that will be entered into by the French State and EPIC SNCF and the annual report on its performance,

– the SNCF Group consolidated financial statements and the Group management report for verification,

– the agreements mentioned in Article 3 of Decree 2015-137 of 10 February 2015 (transversal duties) when their amount exceeds the threshold of €150 million set by the Board on 23 July 2015,

– the agreements mentioned in Article 6 of Decree 2015-137 of 10 February 2015 (shared functions) when their amount exceeds the threshold of €150 million set by the Board on 23 July 2015,

– the decision to call on a specialised subsidiary of a Public Rail Group institution to carry out one of the shared functions mentioned in Article 5 of Decree 2015-137 of 10 February 2015.

The Supervisory Board is informed of any investments exceeding €100 million decided by SNCF Réseau or SNCF Mobilités.

The Supervisory Board verifies that the duties of EPIC SNCF are fulfilled by the Management Board. It constantly oversees the management of EPIC SNCF. The following are submitted to the Supervisory Board for prior approval:

– the forecast statement of income and expenses and its amending decisions, particularly changes in debt, wage policies and employees,

– the consolidated financial statements of EPIC SNCF and its direct subsidiaries,

– the financial account and appropriation of earnings for verification,

– purchases, sales or extensions of financial interests,

– declassifications of assets making up the institution's public land,

– divestments exceeding the €80 million threshold set by the Board on 17 September 2015,

– transactions exceeding the €80 million threshold set by the Board on 17 September 2015,

– securities, endorsements and guarantees exceeding the €5 million threshold set by the Board on 17 September 2015,

– investments exceeding the €80 million threshold set by the Board on 17 September 2015,

– general terms and conditions for concluding agreements,

– annual activity report.

Pursuant to Article 16 of Decree 2015-137 of 10 February 2015, the Supervisory Board draws up its internal regulations and determines the state-owned institution's headquarters.

More specifically:

– Pursuant to Article 54 of the aforementioned decree, if distributable earnings as defined by French law are recorded in SNCF Mobilités' financial statements, as approved by its Board of Directors, the Supervisory Board decides on the dividend amount that may be allocated to EPIC SNCF, taking into account SNCF Mobilités' financial position. The decision is submitted for approval to the French Economy and Budget Ministers who issue an opinion within one month. In the absence of any objection by either of the ministers upon expiry of this deadline, they are deemed to have approved the decision,

– The EPIC SNCF Supervisory Board decides on the grant amount paid to SNCF Réseau. The decision is submitted for approval to the French Economy and Budget Ministers who issue an opinion within one month. In the absence of any objection by either of the ministers upon expiry of this deadline, they are deemed to have approved the decision.

1.3. BOARD OPERATING PROCEDURES

The Board holds at least 6 ordinary meetings per year. It may also hold an extraordinary shareholders' meeting, at the request of the Government Commissioner, the majority of Board members or at the initiative of its Chairman.

The notices of meeting, agendas and documents needed to understand the matters submitted to the Board for deliberation are transmitted to its members, the Government Commissioner, the head of the Transport Economic and Finance Control Office and the Secretary of the Public Rail Group Joint Labour-Management Committee at least ten days prior to the date of the Board meeting.

In urgent and justified cases, there may be exception to this rule with the approval of the Government Commissioner: Board members are therefore convened by e-mail with acknowledgement of receipt.

During the six ordinary meetings held in 2019, the following files were reviewed:

– the annual financial statements of EPIC SNCF, the consolidated financial statements of EPIC SNCF and its subsidiaries and the consolidated statements of the SNCF Group for the year ended 31 December 2018,

– the SNCF Group Corporate Project;

– the Ethics and Conduct Office 2018 activity report,

– the 2018 SNCF Group CSR rapport,

– the review of the SNCF Group's major risks,

– the 2019 half-year financial statements of EPIC SNCF and its subsidiaries and of the SNCF Group,

– the 2020 draft safety service pricing and reference document,

– the 2020 budget of SNCF SA and the SNCF Group,

– the presentation of the activity, strategy and future positioning of Gares & Connexions,

– the SNCF Group's international strategy.

At each ordinary meeting, the Supervisory Board is kept abreast by its Chairman and the Management Board of the main events in the life of the SNCF Group and has a dashboard containing information on production quality. A safety review is systematically presented by the General Director for Safety.

1.4. THE SPECIALISED COMMITTEES

The Supervisory Board has two committees responsible for preparing the decisions submitted to the Board and completing its information:

The Strategy, Economic Coherence and Social Unity Committee is responsible for:

– reviewing the SNCF Group's annual and multi-annual strategic and financial guidelines (projected budget, including investments and the cash flow statement) as well as scope transactions (purchases, sales or extensions of financial interests, creations, sales or removals of subsidiaries),

– informing the Board of the social and human challenges of the Group's main transformation projects, and, more generally, of its strategy. Its scope of expertise was also extended to the analysis of Corporate Social Responsibility (CSR) issues.

The scope of expertise of the Strategy, Economic Coherence and Social Unity Committee has also been extended since 2018 to the Appointments Committee.

It met five times in 2019, covering the topics recorded in the Supervisory Board's agenda.

The Audit and Risk Committee is responsible for reviewing files of major economic and financial importance or with significant impacts on the EPIC SNCF financial statements. It ensures that risks are properly appraised and assesses internal control quality. Its main role is to review the SNCF Group consolidated financial statements.

It expresses an opinion on the Audit and Risk Department's annual audit plan and stays informed of internal control procedures. It also reviews the SNCF Group risk mapping and risk identification, appraisal and mitigation methods.

In 2019, it met six times to discuss:

– the SNCF Group consolidated financial statements and the EPIC SNCF annual financial statements for the year ended 31 December 2018,

– the 2018 activity report of the Audit and Risk Department;

– the 2019 Group audit programme,

– the 2019 half-year financial statements of the SNCF Group and of EPIC SNCF and its subsidiaries,

– the review of the SNCF Group's major risks,

– the audit universe

– the follow-up of the implemented internal audit recommendations of EPIC SNCF and the SNCF Group

– the transfer of shares and assets/liabilities from the EPICs to the new Group companies, under the agreements to be concluded by EPIC SNCF pursuant to Article 18 of the Order of 3 June 2019

2. CHAIRMAN OF THE SUPERVISORY BOARD

Pursuant to Article 22 of Decree 2015-137 of 10 February 2015, the Chairman of the EPIC SNCF Supervisory Board is appointed by decree, on the Board's recommendation, from among the Supervisory Board members representing the French State.

Should the position become vacant, the Board is convened and chaired by the eldest member to propose the appointment of its Chairman.

The Chairman will appoint from among the French State representatives a deputy to chair the meeting in the event he is unavailable.

The Board Chairman cannot be a member of either SNCF Réseau's or SNCF Mobilités' management bodies, in accordance with Article L. 2102-8 of the French Transport Code.

The Supervisory Board Chairman prepares the Board's comments on the activity report that the Management Board presents each year on the position of EPIC SNCF and the SNCF Group and reports on the implementation of the framework agreement entered into by EPIC SNCF and the French State, in accordance with Article 28 of Decree 2015-137 of 10 February 2015.

In the event of disagreement within the Management Board, the Board's Chairman decides in its place, pursuant to Article 29 of Decree 2015-137 of 10 February 2015. He cannot therefore participate in Supervisory Board deliberations relating to this decision, for which he is responsible under the same conditions as Management Board members, as set forth in Article L. 2102-12 of the French Transport Code.

3. MANAGEMENT BOARD

3.1. COMPOSITION AND POWERS

The composition of the SNCF Management Board is governed by Article L. 2102-9 of the French Transport Code (see the rail reform law 2014-872 of 4 August 2014). It has two members, appointed by decree on the Supervisory Board's recommendation. They cannot be chosen from among Supervisory Board members. One member is appointed as Management Board Chairman, the other as Management Board Deputy Chairman.

The member appointed as the Management Board Chairman is also appointed Chairman of the SNCF Mobilités Board of Directors. The member appointed as the Management Board Deputy Chairman is also appointed Chairman of the SNCF Réseau Board of Directors.

The Management Board is responsible for the SNCF Group's coherence and unity. Accordingly, the Board has the following duties:

- it puts forward the SNCF Group's strategy and general guidelines to the Supervisory Board,
- it negotiates, submits for approval to the Supervisory Board, concludes and implements the framework agreement mentioned in Article 8 of Decree 2015-137 of 10 February 2015,
- it submits the SNCF Group consolidated financial statements and the Group management report to the Supervisory Board,
- it submits the financial trajectory for the SNCF Group based on SNCF Réseau and SNCF Mobilités contributions to the Supervisory Board,
- it informs the Supervisory Board every year of any SNCF Group subsidiary scope changes, the key data on their activity and the Public Rail Group's general structure.

The Management Board carries out its duties through continuous dialogue with the French State. The Management Board is responsible for the Public Rail Group's management and smooth operation. It exercises authority over SNCF personnel and has the following duties:

- it puts forward general SNCF state-owned institution's policy guidelines to the Supervisory Board,
- it prepares and rolls out the business plan based on the strategic plan,
- it determines the general structure of EPIC SNCF and its direct subsidiaries,
- it prepares the forecast statement of income and expenses as well as its amending decisions which it then implements upon approval of the Supervisory Board,
- it submits the EPIC SNCF financial account to the Supervisory Board,
- it prepares the annual activity report.

The Management Board determines, where necessary within the limits set by the Supervisory Board, the use of funds that exceed cash requirements and the investment of reserves. The Management Board is responsible for executing the decisions of the Supervisory Board.

3.2. CONTRACTING COMMITTEE

In 2019, the Contracting Committee approved all the strategies and draft contracts submitted to it.

In 2019, the Transport Economic and Finance Control Office continued to examine contracts exceeding €8 million and the Board of Directors' meetings – through the Contracting Committee - continued to examine Work or Supply contracts exceeding €40 million and Service contracts exceeding €15 million.

3.3. COMMITMENTS COMMITTEES

The role of the Commitments Committees is to safeguard the corporate interest of EPIC SNCF and provide the governing bodies with reasonable assurance that the commitment files they have received were previously analysed, particularly in terms of economic optimisation and risk management.

3.3.1 Corporate Commitments Committee

The Corporate Commitments Committee reviews all types of EPIC SNCF commitments, except for real estate transactions, totalling more than €3 million, communication transactions totalling more than €0.5 million and scope transactions totalling more than €1. Furthermore, the committee is notified of any investments exceeding €100 million decided by SNCF Réseau and SNCF Mobilités prior to their presentation to the Supervisory Board for information purposes.

The committee meets once a month under the chairmanship of Deputy CEO of EPIC SNCF and comprises representatives of the Group's legal and finance departments, of the department undertaking the commitment, experts as and when required, and the committee chairman and secretary.

3.3.2 Real Estate Commitments Committee

The Real Estate Commitments Committee reviews commitments amounting to more than €3 million. In addition to those of EPIC SNCF, the committee reviews real estate commitments undertaken on behalf of SNCF Réseau and SNCF Mobilités under real estate management and development agreements concluded in 2015. SNCF Mobilités and SNCF Réseau representatives, holding a right to challenge commitments relating to their assets, participate in committee meetings.

The committee meets twice a month and is chaired by the SNCF Immobilier CEO. In addition to these participants, the composition of the Real Estate Commitments Committee is based on the same model as the Corporate Commitments Committee.

Following the Committees' reviews, their Chairmen are authorised, under their delegation whose general terms and conditions were validated by the Supervisory Board on 23 July 2015, to approve commitments submitted to them for up to the approval thresholds set by the Management and Supervisory Boards.

4. DELEGATIONS OF AUTHORITY

The EPIC SNCF Management Board is invested with the broadest powers to act on behalf of EPIC SNCF, subject to the delegations of authority expressly attributed to the Supervisory Board and under the conditions validated by the Board. The Management Board can delegate some of its powers to the EPIC SNCF managers under its direct responsibility upon approval of the conditions governing delegations of power by the Supervisory Board. The managers who benefit from the delegations of authority granted by the Management Board can themselves sub-delegate some of their powers. The delegations of authority granted by the Management Board and Executive Management representatives are published in the EPIC SNCF Official Gazette.

These delegations are used to roll out EPIC SNCF's policy for internal matters within the institution and matters regarding the Public Rail Group.

5. "SNCF 2020" STRATEGIC GROUP

The purpose of the "SNCF 2020" strategic group is to discuss SNCF's transformations as of 1 January 2020. Every two weeks, "SNCF 2020" brings together those responsible for this transformation. Its members are:

- Executive Vice-President, Innovation & Industrial Performance,
- Transilien CEO,
- TER CEO,
- VOYAGES SNCF CEO,
- Executive Vice-President, SNCF Mobilités Performance,
- EPIC SNCF CEO, Group Chief HR Officer, SNCF Logistics CEO,
- Public Rail Group Chief Human Resources Officer,
- Gares & Connexions CEO,
- Executive Vice-President, SNCF Réseau Economy and Strategy,
- EPIC SNCF Executive Vice-President (in charge of Strategy and Finances).

It is jointly chaired by the Management Board assisted by the SNCF CEO. Members cannot be represented.

To prepare for the main issues, an Operational Committee was set up under the chairmanship of the CEO assisted by the Executive Vice President of EPIC SNCF and a representative from each EPIC.

6. EXTENDED THEME-BASED MANAGEMENT BOARD MEETINGS

Theme-based Management Board meetings can be organised on the proposal by one of the members of the 3 EPIC Executive Committees on any matter requiring arbitration or top-level decisions between the various EPICs, particularly the two Chairmen.

They generally focus on railway (H00 / FIRST programmes, etc.), strategic, transversal (real estate, insurance policy, energy policy, etc.) and HR (changes in Public Rail Group business lines) matters.

They are organised for a duration adapted to the matter's importance. The participants may be from outside the three Executive Committees. A proposed list of participants is sent to the Management Board Chairman at the same time as the subject matter.

7. SNCF MANAGEMENT COMMITTEE

Alongside the Management Board, the EPIC SNCF management team comprises:

- the CEO,
- the Executive Vice-President,
- the Executive Vice-President, Rail System and Technologies,
- Public Rail Group Chief Human Resources Officer,
- CEOs: Safety, SNCF Immobilier, Audit and Risk and, e.SNCF,
- CEO of Group Communications and Reputation,
- the General Secretary,
- the General Safety Inspector,
- the Optim'Services CEO.

A weekly management committee brings together management team members. This committee organises how the company's activities contribute to achieving its objectives.

Furthermore, to tackle system issues, a monthly Rail Steering Committee, facilitated by the Rail System and Technologies Executive Vice-President, brings together the chief officers of EPIC SNCF, SNCF Réseau and SNCF Mobilités.

8. COMPANY OFFICER COMPENSATION

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

– their gross compensation is capped;

– the compensation and benefits of any kind relating to their activity as well as any compensation or benefits payable or likely to be payable in the event of a cessation of activity or a change in their position or subsequent thereto, are verified;

– decisions or approvals from competent ministers are made public.

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

As at 31/12/2019						Amounts paid			Amounts due	
In € thousands	Fixed compensation	Annual variable compensation	Deferred/multi-annual variable compensation	Exceptional compensation	Benefits in-kind	Sub-total	Termination benefit	Non-compete benefit	Supplementary pension	Total
Farandou Jean-Pierre										
Board Chairman SNCF Mobilités										
Due										
Paid	75					75				75
Pépy Guillaume										
Board Chairman SNCF Mobilités										
Due										
Paid	375				1	376				376
Jeantet Patrick										
Board Chairman SNCF Réseau										
Due										
Paid	330	106			16	452				452
Total compensation	780	106			17	903				903

As at 31/12/2018						Amounts paid			Amounts due	
In € thousands	Fixed compensation	Annual variable compensation	Deferred/multi-annual variable compensation	Exceptional compensation	Benefits in-kind	Sub-total	Termination benefit	Non-compete benefit	Supplementary pension	Total
Pépy Guillaume Board Chairman SNCF Mobilités										
Due										
Paid	450				1	451				451
Jeantet Patrick Board Chairman SNCF Réseau										
Due										
Paid	330	80			13	423				423
Total compensation	780	80			14	874				874

31 December 2019

SNCF GROUP ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

In € millions	Notes	31/12/2019	31/12/2018 (*)
Revenue	3	35,120	33,311
Purchases and external charges	3	-13,660	-14,044
Employee benefit expense	3	-14,574	-14,184
Taxes and duties other than income tax	3	-1,379	-1,392
Other operating income and expenses	3	85	327
Gross profit		**5,591**	**4,020**
Depreciation and amortisation	4.1.5	-3,946	-2,830
Net movement in provisions	4.5	55	211
Current operating profit		**1,700**	**1,401**
Net proceeds from asset disposals	4.1.6	179	811
Fair value remeasurement of the previously held interest	4.2	0	170
Impairment	4.3	-86	-150
Operating profit/(loss)		**1,793**	**2,232**
Share of net profit/(loss) of companies consolidated under the equity method	4.2	35	28
Operating profit after share of net profit of companies consolidated under the equity method		**1,828**	**2,261**
Net borrowing and other costs	6.1	-1,853	-1,452
Net finance costs of employee benefits	5.3	-4	13
Finance cost		**-1,856**	**-1,439**
Net profit before tax from ordinary activities		**-28**	**822**
Income tax expense	7	-745	-609
Net profit from ordinary activities		**-773**	**213**
Net profit/(loss) from discontinued operations, net of tax	4.2	0	0
Net profit/(loss) for the year		**-773**	**213**
Net profit/(loss) for the year attributable to equity holders of the parent		**-801**	**141**
Net profit/(loss) for the year attributable to non-controlling interests (minority interests)		27	73

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 Leases (see Note 1.2)

Until 31 December 2019, share capital comprised a contribution from the French State and not shares.

Hence, as the Group did not fall within the scope of IAS 33 "Earnings per share," no earnings per share was calculated or presented in the Group consolidated financial statements.

As of 1 January 2020, following its transformation into a limited liability company, the share capital of the Group parent company, "SNCF SA national company," was €1 billion.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions	Notes	31/12/2019	31/12/2018 (*)
Net profit/(loss) for the year		-773	213
Other comprehensive income:			
Change in foreign currency translation		93	14
Tax on change in foreign currency translation		-3	1
		90	*15*
Change in fair value of cash flow hedges	6.3	-431	-230
Tax on change in fair value of cash flow hedges		-1	60
		-432	*-170*
Change in fair value of hedging costs	6.3	84	32
Tax on change in fair value of hedging costs		0	-11
		84	*21*
Share of recyclable other comprehensive income of companies consolidated under the equity method		11	8
Total recyclable other comprehensive income/(loss)		**-248**	**-126**
Actuarial gains and losses arising from employee defined benefit plans	5	-193	32
Tax on actuarial gains and losses arising from defined benefit plans		-12	-19
		-205	*14*
Change in value of equity instruments at fair value through equity		0	-3
Share of non-recyclable other comprehensive income of companies consolidated under the equity method		3	0
Total non-recyclable other comprehensive income/(loss)		**-202**	**11**
Total comprehensive income/(loss) for the period		**-1,223**	**98**
Total comprehensive income/(loss) attributable to equity holders of the parent		**-1,278**	**42**
Total comprehensive income attributable to non-controlling interests (minority interests)		55	56

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 Leases (see Note 1.2)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED ASSETS

In € millions	Notes	31/12/2019	31/12/2018 (*)
Goodwill	4.2	2,513	2,330
Intangible assets	4.1	2,368	2,205
Rights of use relating to leases	4.1	3,948	0
Property, plant and equipment	4.1	51,674	50,401
Non-current financial assets	6	7,562	7,692
Equity investments	4.2	1,026	970
Deferred tax assets	7	4,473	4,936
Non-current assets		**73,565**	**68,532**
Inventories and work-in-progress	4.4	1,361	1,200
Operating receivables	4.4	10,496	9,681
Operating assets		**11,857**	**10,882**
Current financial assets	6	2,876	2,829
Cash and cash equivalents	6	7,754	8,197
Current assets		**22,488**	**21,907**
Assets classified as held for sale	4.2.3	0	0
Total assets		**96,052**	**90,439**

CONSOLIDATED EQUITY AND LIABILITIES

In € millions	Notes	31/12/2019	31/12/2018 (*)
Share capital (**)	6.4	13,736	13,736
Consolidated reserves		-21,681	-20,505
Net profit/(loss) for the year attributable to equity holders of the parent		-801	141
Equity attributable to equity holders of the parent		**-8,746**	**-6,629**
Non-controlling interests (minority interests)	6.4	118	139
Total equity		**-8,628**	**-6,491**
Non-current employee benefits	5	2,767	2,540
Non-current provisions	4.5	1,260	1,260
Liabilities relating to concession assets excluded from the scope of IFRIC 12	4.1.4	2,549	2,728
Non-current financial liabilities	6	69,994	66,770
Non-current lease liabilities		3,137	0
Deferred tax liabilities	7	157	184
Non-current liabilities		**79,864**	**73,482**
Current employee benefits	5	179	167
Current provisions	4.5	164	166
Operating payables	4.4	14,429	14,234
Operating liabilities		**14,771**	**14,567**
Current financial liabilities	6	9,132	8,881
Current lease liabilities		913	0
Current liabilities		**24,816**	**23,448**
Liabilities associated with assets classified as held for sale	4.2.3	0	0
Total equity and liabilities		**96,052**	**90,439**

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 Leases (see Note 1.2)

(**) As of 1 January 2020, following its transformation into a limited liability company, the share capital of the Group parent company, "SNCF SA national company," is €1 billion.

Notes 1 to 10 are an integral part of these 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	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests (minority interests)	Total equity
Equity published as at 01/01/2018	**13,736**	**-407**	**-64**	**-269**	**-847**	**-156**	**-18,101**	**-6,108**	**135**	**-5,973**
Net profit for the year	-	-	-	-	-	-	140	140	73	213
Other comprehensive income/(loss)	-	17	-3	23	-166	21	8	-98	-17	-115
Total comprehensive income/(loss)	**-**	**17**	**-3**	**23**	**-166**	**21**	**148**	**42**	**56**	**98**
Dividends paid	-	-0	0	-	-	-	-274	-274	-	-274
Dividends of subsidiaries	-	0	-	-	-	-	-	-	-26	-26
Capital transactions	-	-	-	-	-	-	0	0	0	1
Changes in scope, non-controlling interests and non-controlling interest purchase commitments (*)	-	1	-	0	-0	-	-256	-255	-26	-281
Other changes	-	2	-0	-	-0	-	-37	-35	0	-34
Equity published as at 31/12/2018	**13,736**	**-387**	**-66**	**-246**	**-1,013**	**-135**	**-18,519**	**-6,629**	**139**	**-6,491**
Net profit for the year	-	-	-	-	-	-	-801	-801	27	-773
Other comprehensive income/(loss)	-	-203	0	66	-434	84	10	-478	28	-450
Total comprehensive income/(loss)	**-**	**-203**	**0**	**66**	**-434**	**84**	**-791**	**-1,278**	**55**	**-1,223**
Dividends paid	-	-	-	-	0	-	-537	-537	-	-537
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-58	-58
Capital transactions	-	-	-	-	-	-	-0	-0	9	9
Changes in scope, non-controlling interests and non-controlling interest purchase commitments (*)	-0	-0	-	-0	0	-	-271	-272	-24	-295
Other changes	-	-16	-	-1	-18	4	1	-30	-2	-33
Equity published as at 31/12/2019	**13,736**	**-607**	**-66**	**-181**	**-1,465**	**-47**	**-20,117**	**-8,746**	**118**	**-8,628**

(*) Of which changes in Eurostar and THI Factory non-controlling interest purchase commitments mainly.
(**) As of 1 January 2020, following its transformation into a limited liability company, the share capital of the Group parent company, "SNCF SA national company," is €1 billion.

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

CONSOLIDATED CASH FLOW STATEMENT

In € millions	Notes	31/12/2019	31/12/2018 (*)
Net profit/(loss) for the year	**IS(1)**	**-773**	**213**
Eliminations:			
share of net profit/(loss) of companies consolidated under the equity method	IS(1)	-35	-28
deferred tax expense (income)		423	294
depreciation, amortisation, impairment losses and provisions		4,024	2,791
revaluation gains/losses (fair value)		104	-53
net proceeds from disposals and gains and losses on dilution		-193	-1,000
Cash from operations after net borrowing costs and taxes		**3,551**	**2,217**
Eliminations:			
current income tax expense (income)	7	322	315
net borrowing costs		1,736	1,501
dividend income		-4	-2
Cash from operations before net borrowing costs and taxes		**5,604**	**4,030**
Impact of change in working capital requirement	4.4	-170	112
Taxes paid (collected)		-298	-523
Dividends received		36	32
Cash flow from operating activities	**6**	**5,172**	**3,652**
Acquisitions of subsidiaries, net of cash acquired		-295	-55
Disposals of subsidiaries, net of cash transferred		15	669
Purchases of intangible assets and property, plant and equipment	4.1	-8,371	-7,794
Disposals of intangible assets and property, plant and equipment		350	366
New concession financial assets		-1,494	-1,028
Cash inflows from concession financial assets	3.3	1,508	1,379
Cash inflows from financial lease receivables		1	0
Purchases of financial assets		-81	-8
Disposals of financial assets		-8	-8
Changes in loans and advances		-49	238
Changes in cash assets		-98	178
Investment grants received		3,120	2,413
Cash flow used in investing activities	**6**	**-5,403**	**-3,652**

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 Leases (see Note 1.2)
(1) Consolidated income statement.

In € millions	Notes	31/12/2019	31/12/2018 (*)
Cash from equity transactions		-1	16
Issue of debt instruments		7,780	2,593
Repayments of borrowings net of the Public Debt Fund (PDF) receivables (3)		-3,039	-2,441
Cash inflows for PPP receivables		275	271
Cash outflows for PPP payables		-282	-275
Net borrowing costs paid		-1,648	-1,590
Repayments of lease liabilities		-918	0
Interest paid on lease liabilities		-127	0
Dividends paid to Group shareholders	Chg. in eq (2)	-537	-274
Dividends paid to non-controlling interests	Chg. in eq.(2)	-59	-26
Increase/ (decrease) in cash borrowings		-1,682	-266
Cash flow from financing activities		**-238**	**-1,991**
Effects of exchange rate fluctuations		16	-3
Impact of changes in accounting policies		-4	-10
Impact of changes in fair value		2	0
Increase (decrease) in cash and cash equivalents		**-455**	**-2,004**
Opening cash and cash equivalents	6	7,728	9,733
Closing cash and cash equivalents	6	7,273	7,728

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 Leases (see Note 1.2)
(2) Consolidated statement of changes in equity.
(3) Of which cash inflows of €0 million for the PDF receivable (€0 million in 2018).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

1. ACCOUNTING STANDARDS BASE

Pursuant to Article L2102-10 of the French Transport Code, amended by the rail reform law 2014-872 of 4 August 2014 effective 1 January 2015, SNCF prepares the consolidated accounts of the Public Rail Group (PRG) and the subsidiaries of the Group's entities. The PRG was defined as the group legally comprising the three State-owned industrial and commercial institutions (EPIC) SNCF, SNCF Réseau and SNCF Mobilités until 31 December 2019.

The coming into force as at 1 January 2020 of Law 2018-515 of 27 June 2018 for a new railway pact completed by Order 2019-552 of 3 June 2019 does not modify the presentation of the consolidated financial statements for the year ended 31 December 2019. (see Note 2.1.1 Rail reform).

The consolidated financial statements for the year ended 31 December 2019 were approved by the SNCF Group Board of Directors on 28 February 2020.

1.1. ADOPTION OF IFRS

The consolidated financial statements of SNCF Group for the year ended 31 December 2019 have been prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union as at this date. The IFRS framework as adopted in the European Union may be consulted on the European Commission website:
(http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm).

The basis of preparation for the 2019 consolidated financial statements detailed in the following notes is the result of:

– standards and interpretations of mandatory application for fiscal years commencing on or before 1 January 2019, as described in a grey inset in each note to the financial statements;

– elected accounting options and exemptions applied, as provided for by the standards, in the preparation of the 2019 financial statements. These options and exemptions are described in the relevant notes to the financial statements.

1.1.1. Standards and interpretations applicable to 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 more specifically concern the Group's consolidated financial statements are as follows:

Standard or interpretation	Summarised description	Expected impacts in 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 1.2 to the 2019 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 1.2 to the 2019 consolidated financial statements.

1.1.2. Standards and interpretations adopted in advance for the preparation of 2019 consolidated financial statements

In connection with the reform of interest rate benchmark indexes, such as Interbank Offered Rates (IBOR), the IASB published an amendment to IFRS 9 – Financial Instruments, adopted by the European Union on 15 January 2020, and applied prospectively as of 1 January 2020.

The purpose of this amendment, that the Group elected to adopt in advance as of fiscal 2019 as authorised by the standard, is not to disqualify hedging relationships as documented under IFRS 9, despite the uncertainties raised by the current reform.

The Group identified and analysed the relevant contracts. Benchmark hedges are mainly exposed to 3-month Euribor, 6-month Euribor as well as the 3-month Libor USD rate hedged by a derivative maturing at the end of 2020. The risk generated by the reform only involves the Euribor benchmark rate.

The transition timetable still depends on the actions of the regulator and will be adapted when the final decisions will be made known to draw suitable conclusions on the Group's hedging relationships.

The information relating to the Group derivative hedging instruments are described in Note 6.3

1.1.3. Standards and interpretations not adopted in advance for the preparation of 2019 consolidated financial statements

The Group has not opted for the early application of the other standards and interpretations that must be applied to fiscal years starting on or after 31 December 2019, regardless of whether they were adopted by the European Commission.

In particular, the Group did not adopt the following standards for its 2019 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 a group of assets.	IASB: 01/01/2020 with possible early adoption as at 01/01/2019 EU: not adopted Group: pending adoption
Standard amendments IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors"	These amendments clarify 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: 01/01/2020 Group: 01/01/2020

1.2. 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 standard in the consolidated financial statements for the year ended 31 December 2019 are outlined below.

1.2.1. 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 Group consolidated financial statements for the year ended 31 December 2019.

1.2.2. 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) in liabilities and a right-of-use in assets. Both of these items are fully amortised on expiry of the lease estimated term according to IFRS 16.B34.

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 some industrial equipments.

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

The financial impacts of the initial adoption of this standard are presented in Note 1.2.3; bearing in mind that comparative periods cannot be reconciled under the modified retrospective approach. The Group discloses below financial items before and after the adoption of IFRS 16 as at 31 December 2019, which enables a comparison of performance with 2018.

In accordance with the standard's transitional requirements, the Group adopted the following expedients, applicable to on a lease by lease basis:

– assess the right-of-use relating to operating leases existing immediately before the date of first-time adoption, 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;

– no restatement of leases which expire in the 12 months following the date of first-time adoption.

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."

1.2.3. Reconciliation of published data and data restated under IFRS 16 Leases

Consolidated statement of financial position

CONSOLIDATED ASSETS

In € millions	31/12/2018 before IFRS 16	Impacts IFRS 16	01/01/2019 after IFRS 16
Goodwill	2,330	0	2,330
Intangible assets	2,205	1	2,205
Rights of use assets relating to leases	0	4,169	4,169
Property, plant and equipment	50,401	-272	50,129
Non-current financial assets	7,692	11	7,703
Equity investments	970	0	970
Deferred tax assets	4,936	2	4,938
Non-current assets	**68,532**	**3,911**	**72,443**
Inventories and work-in-progress	1,200	0	1,200
Operating receivables	9,681	-2	9,679
Operating assets	**10,882**	**-2**	**10,880**
Current financial assets	2,829	0	2,829
Cash and cash equivalents	8,197	0	8,197
Current assets	**21,907**	**-2**	**21,905**
Assets classified as held for sale	0	0	0
Total assets	**90,439**	**3,908**	**94,348**

CONSOLIDATED EQUITY AND LIABILITIES

In € millions	31/12/2018 before IFRS 16	Impacts IFRS 16	01/01/2019 after IFRS 16
Total equity	**-6,491**	**-2**	**-6,493**
Non-current employee benefits	2,540	0	2,540
Non-current provisions	1,260	-3	1,257
Liabilities relating to concession assets excluded from the scope of IFRIC 12	2,728	0	2,728
Non-current financial liabilities	66,770	-171	66,600
Non-current lease liabilities	0	3,298	3,298
Deferred tax liabilities	184	0	184
Non-current liabilities	**73,482**	**3,124**	**76,607**
Current employee benefits	167	0	167
Current provisions	166	0	166
Operating payables	14,234	-62	14,172
Operating liabilities	**14,567**	**-62**	**14,505**
Current financial liabilities	8,881	-56	8,824
Current lease liabilities	0	904	904
Current liabilities	**23,448**	**786**	**24,234**
Liabilities associated with assets classified as held for sale	0	0	0
Total equity and liabilities	**90,439**	**3,908**	**94,348**

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;

– reclassification of liabilities relating to finance leases as an increase in lease liabilities;

– reclassification of lease incentives recorded in operating liabilities as a reduction from rights of use;

– reclassification of advance lease payments recorded in operating receivables as an increase in rights of use;

– reclassification of rights of use in financial receivables for sub-leases granted over the total residual term of the leases.

Consolidated income statement

In € millions	31/12/2019 before IFRS 16	Impacts IFRS 16	31/12/2019 after IFRS 16
Revenue	35,122	-1	35,120
Purchases and external charges	-14,676	1,015	-13,660
Employee benefit expense	-14,533	-42	-14,574
Taxes and duties other than income tax	-1,379	0	-1,379
Other operating income and expenses	85	0	85
Gross profit	**4,619**	**972**	**5,591**
Depreciation and amortisation	-3,044	-902	-3,946
Net movement in provisions	47	8	55
Current operating profit	**1,621**	**79**	**1,700**
Net proceeds from asset disposals	179	1	179
Fair value remeasurement of the previously held interest	0	0	0
Impairment	-86	0	-86
Operating profit/(loss)	**1,714**	**79**	**1,793**
Share of net profit/(loss) of companies consolidated under the equity method	36	-1	35
Operating profit after share of net profit of companies consolidated under the equity method	**1,750**	**78**	**1,828**
Net borrowing and other costs	-1,712	-140	-1,853
Net finance costs of employee benefits	-4	0	-4
Finance cost	**-1,716**	**-140**	**-1,856**
Net profit before tax from ordinary activities	**34**	**-62**	**-28**
Income tax expense	-762	16	-745
Net profit from ordinary activities	**-728**	**-45**	**-773**
Net profit/(loss) from discontinued operations, net of tax	0	0	0
Net profit for the year	**-728**	**-45**	**-773**

Consolidated cash flow statement

In € millions	31/12/2019 before IFRS 16	Impacts IFRS 16	31/12/2019 after IFRS 16
Net profit for the year	**-728**	**-45**	**-773**
Eliminations:			
share of net profit/(loss) of associates	-36	1	-35
deferred tax expense (income)	440	-16	423
depreciation, amortisation, impairment losses and provisions	3,130	894	4,024
revaluation gains/losses (fair value)	104	0	104
net proceeds from disposals and gains and losses on dilution	-192	-1	-193
Other income and expenses with no cash impact	0	0	0
Cash from operations after net borrowing costs and taxes	**2,718**	**832**	**3,551**
Eliminations:			
current income tax expense (income)	322	0	322
net borrowing costs	1,596	140	1,736
dividend income	-4	0	-4
Cash from operations before net borrowing costs and taxes	**4,632**	**972**	**5,604**
Impact of change in working capital requirement	-162	-8	-170
Taxes paid (collected)	-298	0	-298
Dividends received	36	0	36
Cash flow from operating activities	**4,207**	**965**	**5,172**
Acquisitions of subsidiaries, net of cash acquired	-295	0	-295
Disposals of subsidiaries, net of cash transferred	15	0	15
Purchases of intangible assets and property, plant and equipment	-8,371	0	-8,371
Disposals of intangible assets and property, plant and equipment	350	0	350
New concession financial assets	-1,494	0	-1,494
Cash inflows from concession financial assets	1,508	0	1,508
Repayment financial lease receivables	0	1	1
Purchases of financial assets	-1	0	-1
Disposals of financial assets	-8	0	-8
Changes in loans and advances	-129	0	-129
Changes in cash assets	-98	0	-98
Investment grants received	3,115	5	3,120
Cash flow used in investing activities	**-5,409**	**6**	**-5,403**
Cash from equity transactions	-1	0	-1
Disposal (acquisition) net of equity	0	0	0
Issue of debt instruments	7,780	0	7,780
Repayments of borrowings net of inflows from the SNCF Réseau and Public Debt Fund (PDF) receivables	-3,113	74	-3,039
Cash inflows for PPP receivables	275	0	275
Cash outflows for PPP payables	-282	0	-282
Net borrowing costs paid	-1,648	0	-1,648
Net borrowing costs paid for PPP	0	0	0
Repayments of lease liabilities	0	-918	-918
Interest paid on lease liabilities	0	-127	-127
Dividends paid to Group shareholders	-537	0	-537
Dividends paid to non-controlling interests	-59	0	-59
Increase/ (decrease) in cash borrowings	-1,682	0	-1,682
Increase/(decrease) in derivatives	0	0	0
Cash flow from financing activities	**733**	**-971**	**-238**
Effects of exchange rate fluctuations	16	0	16
Impact of changes in accounting policies	-4	0	-4
Impact of changes in fair value	2	0	2
Increase (decrease) in cash and cash equivalents	**-455**	**0**	**-455**
Opening cash and cash equivalents	7,728	0	7,728
Closing cash and cash equivalents	7,273	0	7,273

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

In € millions

IAS 17 off-balance sheet commitments as at 31/12/2018	**4,298**
Impacts relating to contracts that are not eligible for IFRS 16 restatements (exemptions, etc.)	-95
Impacts relating to provisions of services	-127
Impacts relating to different terms (see accounting for options, etc.)	400
Impact of discounting	-523
Liability relating to existing finance leases	227
Other impacts	23
Amount of the IFRS 16 lease liability as at 01/01/2019	**4,202**
Weighted average incremental borrowing rate	3.4%

1.3. ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the Group accounts, management must make estimates, as numerous items included in the consolidated financial statements cannot be valued precisely. The accounting estimates used for the 31 December 2019 financial statements were prepared under the current context of uncertainty regarding business outlooks (see Note 2.1.1). Management is required to revise its estimates in the event of a change in circumstances on which they are based or as a result of new information or further experience. As such, the estimates adopted on 31 December 2019 may be materially modified and subsequent actual results may differ materially from these estimates based on different assumptions or conditions.

These estimates and assumptions primarily concern:

– Determination of goodwill

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

– Impairment of non-financial assets

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

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

A new performance contract should be signed between the French State and SNCF Réseau in 2020.

– Employee-benefit related items:

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

– Recognition of deferred tax assets

A deferred tax asset is recognised when it is probable that the Group will generate future taxable profits against which unused tax savings may be offset. The Group's ability to recover these tax assets is analysed based on its business plan, contingencies relating to the economy and the uncertainties surrounding markets in which the Group is active. In line with the rail reform, a new performance contract should be signed between the French State and SNCF Réseau in 2020. Deferred tax assets are adjusted upward or downward should there be any material change in future Group tax results, the adjustment being offset in the income statement.

– Provisions for environmental risks

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

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

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

– Derivative financial instruments

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

– Leases

The main uncertainties concern the inclusion of optional periods when assessing lease terms. The Group bases its estimates on the materiality of the underlying assets in the conduct of operations and a set of other assumptions deemed as reasonable with regard to facts and circumstances.

1.4. BASIS OF CONSOLIDATION

1.4.1. Entities under control, joint control or significant influence

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

All material transactions between the controlled companies are eliminated.

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

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

The following are equity-accounted:

– Joint arrangements qualified as joint ventures under IFRS 11, meaning that they solely give rights to the net assets of an entity.

– Entities in which the Group exercises significant influence over financial and operating policies, but which it does not control (associates) under IAS 28. Significant influence is presumed to exist where the Group holds an interest of 20% or more.

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

The financial statements of the companies included in the scope of consolidation are drawn up to 31 December 2019 and restated to comply with Group accounting policies. All internal profits and losses between controlled companies are fully eliminated and those between companies accounted for under the equity method are eliminated according to the percentage interest held.

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

1.4.2. Translation of the financial statements of foreign subsidiaries

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

– balance sheet accounts are translated at the year-end rate of exchange,

– income statement items are translated at the average annual rate of exchange,

– translation differences arising on the retranslation of opening balance sheet items (movement between opening and closing exchange rates) and income statement items (movement between average and closing exchange rates) are taken to "Translation differences" under other comprehensive income in consolidated equity.

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

2. MAJOR EVENTS

2.1. MAJOR EVENTS 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 French Railway Pact" - Nouveau Pacte Ferroviaire), effective as of 1st January 2020, has significantly modified the SNCF Group's current organisation. It is based on the following focal points:

– Build a new SNCF Group organisation as of 1st January 2020, thus transforming it into a major unified and integrated public group comprising a fully state-owned limited company (société anonyme à capitaux publics), SNCF, and two national companies, SNCF Voyageurs and SNCF Réseau with the following duties:

- The state-owned SNCF (formerly EPIC SNCF Mobilités until 31 December 2019), responsible for coordinating and steering the unified public group, ensuring the strategic and financial management and defining its organisation;
- SNCF Voyageurs created on 1st January 2020, whose role is to operate passenger rail transport services on the French national rail network; and
- SNCF Réseau, whose role is to guarantee access to the rail infrastructure of the French national rail network and operational management of the traffic on this network and passenger stations.

– Pursuant to Decrees 2019-1585, 2019-1587 and 2019-1589 enacted in December 2019 and effective as of 1st January 2020, SNCF Réseau and SNCF Voyageurs become limited liability companies, held by the SNCF unified public group parent company, itself a fully state-owned limited company (*société nationale à capitaux publics*) (the "Holding" company). Under the New Railway Pact, the capital held by the French State in the Holding Company and the capital held by the Holding Company in SNCF Réseau and SNCF Voyageurs will be non-transferable (see below);

– Gares & Connexions is wholly owned by SNCF Réseau;

– End of recruitment of personnel with railway worker status as from 1st January 2020. Current employees may continue to benefit from this status. At the same time as this transformation, negotiations were conducted in connection with the railway division;

– Define the methods to successfully open the passenger transport activity in France to competition; and

– Set up a new system of governance.

The New Railway Pact was completed by Decree 2019-552 of 3 June 2019 including various clauses relating to the SNCF Group (the "Decree") regarding the operation and creation of the new unified public group (UPG) satisfying public service roles in the rail transport and mobility sectors.

Transformation of the current SNCF Group into a unified public group

On 1st January 2020, the following transactions took place:

– Transfer, via a net carrying amount contribution, of all the assets, rights and obligations attached to passenger station management activities from EPIC SNCF Mobilités to a newly created and wholly-owned limited liability company SNCF Gares & Connexions. The shares of this limited liability company were transferred at their net carrying amount to EPIC SNCF Réseau which also transferred all its assets, rights and obligations associated with the management of public passenger stations.

– Transfer by EPIC SNCF Mobilités, via a net carrying amount contribution, of all its assets, rights and obligations attached to its passenger transport activities to a wholly-owned limited liability company SNCF Voyageurs.

– Transfer by EPIC SNCF Mobilités, via a net carrying amount contribution, of all the assets, rights and obligations (except for the financial liability which is not transferred) attached to freight rail transport activities both in and outside France (that currently belong to the SNCF Logistics division) to a wholly-owned simplified limited liability company Fret SNCF.

– The scopes of the transferred assets, rights and obligations were approved by joint decrees from the French Transport, Economy and Budget Ministers published in the *Journal officiel de la République française* on 17 December 2019.

– EPIC SNCF was automatically dissolved and all its assets, rights and obligations were acquired at the net carrying amount as part of a transfer of all assets and liabilities ("merger-takeover") by EPIC SNCF Mobilités.

– EPIC SNCF Mobilités became a fully state-owned limited company and was renamed SNCF.

– EPIC SNCF Réseau became a limited liability company, whose share capital was transferred in full to SNCF.

The transformation of SNCF Réseau and SNCF Mobilités into limited liability companies did not result in the creation of new legal entities or any cessation of activity, and the rights and obligations of SNCF Réseau and SNCF Mobilités were not affected by such changes.

As of 1st January 2020, the new unified public group fulfilling public service roles in the rail transport and mobility sectors comprises SNCF (formerly EPIC SNCF Mobilités) that owns several subsidiaries, including SNCF Voyageurs and SNCF Réseau (formerly EPIC SNCF Réseau).

Purpose of the new SNCF

SNCF is responsible for coordinating and steering the unified public group, ensuring the strategic and financial management and defining its organisation.

It determines and rolls out the UPG's industrial and innovation, human resources, and asset enhancement and management policies.

It also carries out (i) shared functions for the whole unified public group and (ii) transversal duties essential to the proper operation of the national rail system.

Furthermore, the French State announced the following commitments:

– A new golden rule for the financing of SNCF Réseau's growth investments that will cover a wider scope.

– The French State's absorption of SNCF Réseau's debt in the amount of €35 billion, of which €25 billion in January 2020 and €10 billion in 2022, in accordance with the French Prime Minister's announcements on 25 May 2018.

– The limitation of infrastructure price increases to inflation for non-regulated activities.

Several decrees published on 30 and 31 December 2019 have completed and clarified the orders adopted by the French Government:

– Decree 2019-1582 on SNCF Réseau's investment financing rules, with a new golden rule covering a broader scope in order to prevent the infrastructure manager from becoming over-indebted,

– Decree 2019-1527 on the referral of conditions of the Transport Regulation Authority on the appointment, renewal or dismissal of the SNCF Réseau CEO,

– Decree 2019-1575 on the alienation of land built and not belonging to the private domain of the French State managed by SNCF Réseau or its subsidiary as provided for in Article L.3211-13-1 of the General Public Property Code,

– Decree 2019-1516 on the land management rules of SNCF Réseau and its subsidiary mentioned in section 5 of Article L.2119-9 of the French Transport Code. This decree specifies the arrangement for the assets entrusted by the French State to SNCF Réseau and its subsidiary responsible for unified station management,

– The decree enacting the absorption of SNCF Réseau's debt by the French State for the first portion of €25 billion as at 1 January 2020.

The legal implementation of the rail reform as of 1st January 2020 is considered as a legal reorganisation of companies under common control with regard to IFRS. The consolidation scope for all the fiscal years presented - 2018 and 2019 - applies the historical consolidation method for the companies included within this scope and therefore the 3 EPICs and their related subsidiaries.

On the approval of the 2019 financial statements by the Board of Directors on 28 February 2020, the share capital of SNCF that became a limited liability company as at 1st January 2020, totalled €1 billion.

2.1.2. Strike action

Strike action began on 5 December 2019 in protest against the pension reform.

A loss was recorded, in addition to the commercial gestures with negative impacts on revenue, in the Group financial statements for the year ended 31 December 2019.

2.1.3. 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 an income of €30 million in its 31 December 2019 accounts, corresponding to the partial repayment of the fine paid in April 2016 (see Note 4.5 to the consolidated financial statements).

2.1.4. Signing of TER agreements

New TER agreements were signed in 2019 with the following regions:

– Agreement with the South region (PACA) for 2019-2023 signed on 9 April;

– Agreement with the Nouvelle-Aquitaine region for 2019-2024 signed on 29 April;

– Agreement with the Hauts-de-France region for 2019-2024 signed on 25 October.

Furthermore, the Normandy region agreement for 2020-2029 including the resumption of Intercités Normandy lines was voted in a plenary session of the Regional Council on 16 December 2019 and signed on 23 December 2019.

The operating of TER lines was partly opened to competition, as certain Organising Authorities published information notices.

In addition, the first France-Geneva RER line in the Auvergne-Rhône-Alpes region was launched on 15 December 2019.

The 2019-2028 operating agreement with the Brittany region signed on 23 December 2019 defines the new guiding principles of SNCF's regional strategy and is applicable retroactively to 1 January 2019.

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

The Group implemented its Brexit plan in line with the original Brexit date of 29 March 2019 and is now operating in line with its post Brexit business model.

The Group considers that the principal remaining risks relating to Brexit are any impact on the economies of the markets which the Group serves and any material and adverse changes to the smooth running of border controls between the UK and the EU after the end of the withdrawal agreement transition period.

2.1.6. Green Speed project

In September 2019, SNCF Group management presented to its board of directors, in agreement with SNCB and Patina Rail LLP in their capacity as minority shareholders, the Green Speed project which proposes to combine Eurostar and Thalys to build a sustainable and even stronger high speed rail travel company.

The Group ambition is to achieve the highest operational and environmental standards, leveraging mutual resources (in particular fleets as well as information and distribution systems) and offering customers an attractive alternative to road and air transport.

When this project is more precisely defined, it will be subject to the approval of the Boards and consultation with the representative bodies of employees as well as clearance of the European Commission regarding merger control.

The process of securing the necessary approvals and bringing businesses together is not expected before 2021.

2.1.7. New accounting separation requirements

ART (formerly 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 1st January 2018.

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

In response to the infringement proceedings opened by ART in July 2019, the documents relating to the 2018 separate accounts were sent by the Company in December 2019.

In its 2020-008 decision, ART removed the infringement proceedings on the 2018 accounting separation of EPIC SNCF Mobilités, which is therefore approved by the regulator.

2.1.8. Creation of StatioNord

As part of the Paris Gare du Nord 2024 project, SNCF Mobilités, via G&C, set up a single-purpose semi-public company (*société d'économie mixte à opération unique*) with CEETRUS, called StatioNord, 34% owned by SNCF Mobilités. The purpose of this company will be carry out the transformation of the Paris Nord station and ensure the operation and management of the commercial activities in the station. A works concession agreement and an agreement for the temporary occupation of public land were signed on 22 February 2019 (see Note 9 to the consolidated financial statements).

2.1.9. Sale of the Ouibus subsidiary

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

The transaction did not generate any significant divestment gains.

2.1.10. Signing of a renewable energy 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 contracts in Europe.

2.2. SUBSEQUENT EVENTS

The main subsequent events are as follows:

2.2.1. Roll-out of the rail reform

Pursuant to Note 2.1.1 to the consolidated financial statements, the rail reform was rolled out as of 1st anuary 2020.

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

The UK left the EU under a withdrawal agreement on 31 January 2020 and is now in a transition period which runs to 31 December 2020.

3. GROSS PROFIT

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

Revenue recognition principles are described in Note 3.2.

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

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

3.1. INFORMATION BY SEGMENT

3.1.1. Determination of segments presented

SNCF Group activity is organised into six business units and ten segments:

– Daily mobilities comprising the following segments:

- 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, tramway, ferries, bicycles), and the management of interconnection hubs (stations, airports) and parking.

– Long-distance mobilities comprising the following segments:

- 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.
- Intercités: medium-distance transport activities in France.

– SNCF Logistics comprising the following segments:

- Geodis: a European operator with a worldwide scope which proposes management solutions covering all or part of the logistics chain (Supply Chain Optimization, Freight Forwarding - air and sea, Contract Logistics, Distribution & Express, Road Transport, Contract Logistics US).
- Rail freight and multimodal transport: activities of rail transport operators, combined transport operators and freight forwarders carried out by several companies (Fret SNCF, VFLI, Naviland Cargo, Captrain and Lorry Rail).
- Ermewa Group: long-term management and leasing of rail transportation equipment (specialised wagons, tank containers, locomotives, mainline locomotives or shunters).

– SNCF Réseau, whose role is to commercialise, manage, maintain, upgrade and develop the French national rail network. Its customers are 29 railway operators which use the national rail network and 12 other companies (combined transport operators, ports, etc.) which reserve track slots that they then assign to the railway operator of their choice.

– SNCF Gares & Connexions: dedicated to the development and operation of all stations and the non-discriminatory welcome of all operators.

– SNCF Immobilier with 3 primary duties: management of operating facilities (mainly via the collection of internal lease payments from the EPICs SNCF Réseau and SNCF Mobilités), valuation of assets that are of no use to the rail activities and management of housing through the ICF Habitat group, a subsidiary of SNCF Mobilités.

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 Group (equipment and other transversal services) and certain operating subsidiaries.

3.1.2. Indicators presented

The following main indicators are presented for each segment:

– External revenue, excluding transactions with the Group's other segments.

– Internal revenue comprising transactions between 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 is eliminated in an "Inter-segment" line item for purposes of reconciliation with the Group consolidated financial statements.

3.1.3. Information by segment

					31/12/2019
In € millions	External revenue	Internal revenue	Revenue	Gross profit	Net investments
SNCF Transilien & TER	7,402	742	8,145	359	-290
Keolis	6,475	118	6,592	634	-287
Voyages SNCF	7,604	463	8,067	1,230	-806
Intercités	626	140	766	25	117
Geodis	8,072	117	8,188	724	-141
TFMM	1,531	125	1,656	-39	-52
Ermewa Group	404	82	486	263	-269
Other	0	0	0	6	-1
Intra-business unit eliminations		-104	-104		
SNCF Logistics	10,007	220	10,227	953	-463
SNCF Réseau	2,350	4,069	6,419	1,777	-2,917
SNCF Gares & Connexions	282	1,261	1,543	243	-248
SNCF Immobilier	124	406	530	236	-148
Corporate	250	2,972	3,222	135	-195
Inter-segment		-10,392	-10,392		
Total	35,120		35,120	5,591	-5,237

					31/12/2018 (*)
In € millions	External revenue	Internal revenue	Revenue	Gross profit	Net investments
SNCF Transilien & TER	6,881	808	7,690	251	-28
Keolis	5,814	122	5,936	350	-166
Voyages SNCF	7,307	530	7,837	1,044	-884
Intercités	701	132	833	50	43
Geodis	8,063	103	8,166	306	-112
TFMM	1,445	134	1,578	-188	-59
Ermewa Group	330	83	413	238	-258
Other	0	0	0	-3	0
Intra-business unit eliminations		-105	-105		
SNCF Logistics	9,837	214	10,052	353	-429
SNCF Réseau	2,254	3,962	6,216	1,560	-2,956
SNCF Gares & Connexions	249	1,237	1,486	233	-246
SNCF Immobilier	169	497	666	125	-237
Corporate	98	2,849	2,947	54	-173
Inter-segment		-10,352	-10,352		
Total	33,311		33,311	4,020	-5,077

*) The 2018 comparative period was not restated due to the adoption of IFRS 16 Leases (see Note 1.2)

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

3.2. REVENUE

SNCF Group generates its revenue from contracts with customers. It corresponds to all compensation (transaction price) collected from business transactions carried out in connection with its main standard and recurring operating activities. SNCF Group revenue is generated from the following main sources:
- long-distance passenger transport activities,
- passenger transport activities in connection with regulated activities,
- freight transport and logistics activities,
- rail network management activities,
- station management activities,
- other real estate and maintenance activities.

The transaction price mainly comprises:
- fixed contractual compensation agreed to with the customer,
- variable consideration corresponding to an entitlement subject to the realization of recurring future events that can be reliably estimated using predictive methods. This mainly involves discounts and rebates granted to customers, penalties and indemnification following failure to meet contractual specifications and gain or loss regarding the performance of contractual objectives,
- consideration payable to customers corresponding to amounts paid or payable that is deducted from the transaction price when it does not correspond to distinct

services received from the customer.

For the most part, guarantees are granted to customers in connection with passenger and freight transportation. They may be used to provide assurance that services sold meet contractual specifications (assistance guarantee, guarantee for damages, etc.). In this case, costs are provided for in accordance with IAS 37. When they correspond to a penalty incurred because a certain level of performance has not been met, they are deducted from revenue as a variable consideration of the transaction price (punctuality guarantee, travel vouchers issued due to disruptions, etc.). Finally, when they correspond to an additional service provided to the customer, they are recognised in revenue as a performance obligation pursuant to IFRS 15.

The Group recognises revenue in its consolidated financial statements once control over the service is transferred to the customer:
- Under the multi-year agreements with the Transport Organising Authorities, the Group operates a transportation service for the TOA, considered as the unique customer. The performance obligation consists in maintaining continued access to the transport public service for users. The transaction price is determined on a yearly basis, according to the estimated operating costs and the criteria for achieving certain contractually defined performance objectives. Given the direct relationship between the parameters used to calculate compensation and the expected level of performance in completing the service over the same period, the annual compensation received is allocated directly to the annual services to which it corresponds. The transfer of control is therefore considered as over-time in a short term as the Transport Organising Authority benefits from the advantages of the service as and when the Group performs it, resulting in an annual invoicing right, and a revenue recognition on the same basis.
- Regarding the other passenger transport activities, control is transferred as soon as the travel service is provided. Payment of the transaction price is due once the customer receives the service,
- Rail network usage fees are recognised as revenue when trains are actually running, with control over the service being immediately transferred on such date,
- Regarding freight transport and logistics services, control over the service is steadily transferred over a short period and revenue can be recognised, given the very short duration, at a given time (goods departure or arrival),
- Services for which control is transferred over a long period primarily correspond to some real estate activities and certain station management activities.

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

In € millions	31/12/2019	31/12/2018	Change	Segments
Revenue generated by passenger transport within Voyages activities	7,144	6,866	278	Voyages SNCF
Revenue generated from freight transport activities	7,043	6,832	212	SNCF Logistics
Other related transport activities	2,615	2,739	-124	Voyages SNCF, SNCF Logistics
Compensation collected from the Transport Organising Authorities in connection with regulated activities	13,914	12,927	987	SNCF Transilien & TER, Keolis, Intercités
Rail network management fees	2,205	2,096	110	SNCF Réseau
Revenue generated from station management	286	250	36	SNCF Gares & Connexions
Real estate leasing revenue (excluding rental payments generated by stations)	126	173	-47	SNCF Logistics, Voyages SNCF, Corporate
Transport equipment leasing revenue	352	312	39	SNCF Logistics, SNCF Transilien & TER, Keolis
Upkeep and maintenance services	254	194	60	All segments
Other revenue	1,182	923	259	All segments
Revenue by main service line	**35,120**	**33,311**	**1,809**	
Public sector customers (government authorities)	16,216	15,370	846	
Private individuals	7,440	6,901	539	
Private sector companies	11,464	11,041	424	
Revenue by customer type	**35,120**	**33,311**	**1,809**	
Immediate or one-day transfer	10,116	9,968	148	
Point-in-time transfer over a period of less than one year (logistics, freight transport and compensation from OA)	24,391	22,745	1,647	
Over-time transfer over a period of more than one year (real estate activities, certain station management activities, etc.).	613	599	14	
Revenue by recognition rate	**35,120**	**33,311**	**1,809**	

3.3. TRANSACTIONS WITH TRANSPORT ORGANISING AUTHORITIES

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

- the OA controls or regulates the public service, i.e. the OA controls or regulates the services that must be provided with the infrastructure that is the subject of the concession, and determines to whom it must provide them, and at what price; and
- the OA controls the infrastructure, i.e. is entitled to recover the equipment at the end of the contract.

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

- the "intangible asset model" applies where the Group, as operator, receives a right to charge users of the public service and is paid in substance by the user, which means the operator bears a demand risk;
- the "financial asset model" applies where the Group has an unconditional right to receive cash or another financial asset, either directly from the OA or indirectly by means of guarantees given by the OA on the revenue from users of the public service. The consideration is independent of user numbers. Investment grants are classified, in this case, as a repayment clause of the operating financial asset. The Group has opted to categorise these financial assets in loans and receivables pursuant to IFRS 9 and to record them at amortised cost

calculated using the effective interest rate.

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

Pursuant to IFRS 15 "Revenue from contracts with customers", since 1 January 2018, SNCF Group has presented passenger revenue from regulated activities as revenue from transport organising authorities and not from private individuals.

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

In € millions	31/12/2019	31/12/2018	Change
Services with OA	11,093	10,167	926
Revenue generated from passenger ticket sales	2,601	2,516	85
Services with the French state as OA of the Trains d'Équilibre du Territoire	179	238	-59
Interest income arising from concession financial assets	41	46	-5
Impacts on revenue (*)	**13,914**	**12,967**	**947**
New concession financial assets	-1,494	-1,028	-466
Cash inflows from concession financial assets	1,508	1,379	129
Investment grants relating to intangible assets and PP&E (1)	3,120	2,413	708
Impacts on cash flow used in investing activities	**3,134**	**2,763**	**371**
(*) of which Keolis revenue	5,930	5,388	542
of which EPIC SNCF Mobilités revenue	7,984	7,579	405
Concession intangible assets	112	76	36
Concession non-current financial assets	966	923	43
Impacts on non-current assets	**1,078**	**999**	**79**

(1) of which €2,601 million in 2019 (€2,046 million in 2018) for SNCF Réseau rail infrastructure grants.

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	31/12/2019	31/12/2018(*)	Change
Sub-contracting	-6,076	-6,098	22
Eurotunnel and other infrastructure fees	-904	-845	-59
Other purchases and external charges	-6,047	-6,638	591
Traction energies	-634	-463	-171
Purchases and external charges	**-13,660**	**-14,044**	**384**

(*) The 2018 comparative period was not restated due to the adoption of IFRS 16 Leases (see Note 1.2)

The Group's consolidated financial statements were audited by the statutory auditors EY and PWC. The breakdown of their fees for work carried out for the parent company and its French subsidiaries included in "Purchases and external charges" is as follows. Services other than certification mainly include consistency reports, contractual audits and agreed-upon procedures.

This information is not required under IFRS, but disclosed in accordance with regulation 2016-09 of 2 December 2016 issued by the French Accounting Standards Authority (ANC).

	31/12/2019		31/12/2018	
In € millions	E&Y	PWC	E&Y	PWC
Accounts certification	-6	-5	-5	-4
Parent company	0	0	0	0
French subsidiaries	-6	-5	-5	-4
Services other than certification	-1	0	0	-1
Parent company	0	0	0	0
French subsidiaries	-1	0	0	-1
Total	**-7**	**-5**	**-6**	**-5**

3.4.2. Employee benefit expenses and headcount

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

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

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

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

As at 31 December 2019, the employee benefit expenses and headcount break down as follows:

In € millions	31/12/2019	31/12/2018	Change
Wages and salaries	-13,947	-13,694	-253
Other employee benefits	-25	-31	6
Profit-sharing and incentive schemes	-45	-33	-12
Seconded and temporary employees	-557	-426	-132
Employee benefit expense	**-14,574**	**-14,184**	**-390**

The average number of employees breaks down by socio-professional category as follows. The average number of employees includes those of fully-consolidated companies and the share of those in joint operations. The calculation corresponds to a mathematical average number of employees at the end of each calendar quarter, pursuant to regulation 2016.09 of 2 December 2016.

Average number of employees	31/12/2019	31/12/2018
Managers	57,565	54,742
Supervisors	61,204	58,799
Labourers	157,582	159,180
Total	**276,350**	**272,721**

3.4.3. Taxes and duties other than income tax

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

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

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

In € millions	31/12/2019	31/12/2018	Change
IFER	-276	-280	4
Property taxes	-138	-134	-4
Territorial Economic Contribution	-344	-330	-14
Territorial Solidarity Tax	-16	-16	0
Payroll taxes	-182	-163	-19
Other taxes and duties other than income tax	-424	-469	45
Of which Other taxes based on compensation	*-336*	*-371*	*35*
Taxes and duties other than income tax	**-1,379**	**-1,392**	**12**

As of 1 January 2018, the operating contributions paid by the Organising Authorities (Regions and Île-de-France Mobilités) to EPIC SNCF Mobilités, in connection with its regional transport activity, are incorporated into the payroll tax calculation base.

Furthermore, Law 2018-771 ("Professional Future") of 5 September 2018, effective as at 1 January 2019, reforms payments of apprenticeship tax. For 2019, the apprenticeship tax calculated on compensation paid in 2019 has not been disbursed.

3.4.4. Other operating income and expenses

For the year ended 31 December 2019, "Other operating income and expenses" totalled €85 million (€327 million for the year ended 31 December 2018).

Other operating income and expenses primarily represent the Competitiveness and Employment Tax Credit (CICE) introduced by the amending finance act of 29 December 2012. It is based on compensation not exceeding two and a half times the minimum growth salary that companies pay their employees during the calendar year. It was 6% in 2018 before being removed in 2019.

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

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

4. OPERATING ASSETS AND LIABILITIES

4.1. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

4.1.1. Intangible assets

Intangible assets are recorded at historical cost or, where necessary, at fair value on the date of acquisition if such assets are acquired in connection with a business combination. Certain assets are amortised using the method specified in Note 4.1.4.

	31/12/2019			31/12/2018		
In € millions	Gross	Amortisation and impairment	Net	Gross	Amortisation and impairment	Net
Concessions, patents, software	2,703	-1,997	706	2,367	-1,786	581
Concession intangible assets (Note 3.2)	160	-48	112	118	-42	76
Other intangible assets	2,200	-1,132	1,068	2,121	-993	1,128
Intangible assets in the course of development	490	-7	483	427	-8	419
TOTAL	5,552	-3,184	2,368	5,033	-2,829	2,205

Other intangible assets mainly include brands acquired during business combinations for €415 million (€404 million in 2018) and customers for €273 million (€304 million in 2018).

Movements in intangible assets break down as follows:

In € millions	Concessions, patents, software	Concession intangible assets	Other intangible assets	Intangible assets in the course of development	Total
Net carrying amount as at 01/01/2018	**567**	**56**	**1,244**	**338**	**2,206**
Acquisitions	45	0	31	295	**371**
Disposals	-3	3	-2	0	**-3**
Amortisation	-258	-16	-114	0	**-387**
Impairment	-12	0	-9	-3	**-24**
Change in scope	6	0	25	0	**30**
Unrealised foreign exchange gains and losses	1	0	-2	0	**-1**
Other changes	236	32	-45	-210	**13**
Net carrying amount as at 31/12/2018(*)	**581**	**76**	**1,128**	**419**	**2,205**
Acquisitions	46	0	25	391	**462**
Disposals	-5	0	-2	-1	**-8**
Amortisation	-265	-17	-120	0	**-403**
Impairment	0	0	-4	-6	**-10**
Change in scope	-1	0	18	0	**17**
Unrealised foreign exchange gains and losses	1	0	25	1	**26**
Other changes	350	53	-2	-321	**79**
Net carrying amount as at 31/12/2019	**706**	**112**	**1,068**	**483**	**2,368**

4.1.2. Property, plant and equipment

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

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

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

Maintenance and repair expenses are recognised as follows:
- for rolling stock:
• current maintenance expenses borne during the useful life of equipment (repair work on faulty spare parts and replacement of unusable and missing parts) are recorded as operating expenses;
• expenses under multi-year major overhaul programmes are capitalised as a separate overhaul component and depreciated;
• overhauls performed at the end of the initial useful life of a component, together with refurbishment and transformation costs, are capitalised in assets where they extend the useful life;

- for fixed installations:
• current maintenance and repair expenses (technical inspections, maintenance contracts, etc.) are recorded as operating expenses;
• expenses under multi-year major building maintenance programmes are capitalised via the partial or total replacement of each component concerned.

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

Investment property
Investment property consists of property assets held by the Group in order to collect rents or for capital appreciation.
Investment property is measured at acquisition cost and depreciated on a straight-line basis over the respective useful lives.
As part of the first-time adoption of IFRS, their balance sheet value was calculated using the most appropriate estimate based on the total value of land and buildings. This amount has since been depreciated and reduced by the value of the disposals.

Rail infrastructures
The production cost of projects is capitalised in assets from the “pre-project” phase, with preliminary studies expensed in the period incurred.
For projects carried out directly, production cost includes the cost of studies, construction work, purchase cost and compensation paid for land acquisitions and direct operating expenses.
The production cost of work carried out under Public-Private-Partnerships (PPP) or concession arrangements is recognised in line with the physical progress of work based on the percentage completion communicated by the partners or concession holder. It consists of the sum of fees invoiced by the partners or concession holder plus the present value of future fees payable, multiplied by the percentage completion.
For certain work-in-progress, SNCF Réseau performs a review to identify “dormant” projects. The risk of not completing the project would result in costs being capitalised in circumstances where no asset will ultimately be created and for which a provision is therefore recognised. When investment in a project is discontinued, the expenditure recognised is written down to its recoverable amount. If an exceptional event calls project completion into question, the expenses are written down in full. Impairment is calculated net of earned grants related to the corresponding projects.

Investment grants
The Group receives investment grants in the form of third-party financing of some of its assets. The grants received are primarily from the French State and regional authorities. They are presented as a deduction from the corresponding asset.
Grants relating to PPP or concession arrangements are recognised in the same manner according to the percentage completion of work, to mirror the recognition of production in progress.
The methods used to amortise and release grants are specified in Note 4.1.4.

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

In € millions	31/12/2019 Gross	31/12/2019 Depreciation and impairment	31/12/2019 Net	31/12/2018 Gross	31/12/2018 Depreciation and impairment	31/12/2018 Net
Investment property	312	-24	288	322	-24	298
Land and buildings	24,537	-10,957	13,581	23,751	-10,548	13,203
Tracks, earthworks, engineering works and level crossings	55,702	-23,043	32,659	53,216	-21,995	31,222
Technical, electrical, telecom. and signalling facilities, industrial and technical plant (ITP) and other assets	29,497	-14,071	15,426	28,744	-13,199	15,545
Transportation equipment (*)	34,758	-22,462	12,296	34,289	-22,024	12,265
Property, plant and equipment in the course of construction	14,877	-21	14,857	12,713	-35	12,678
TOTAL EXCLUDING GRANTS	**159,684**	**-70,578**	**89,107**	**153,035**	**-67,826**	**85,210**
Investment grants	50,471	-13,038	37,433	46,598	-11,790	34,809
TOTAL	**109,213**	**-57,539**	**51,674**	**106,437**	**-56,036**	**50,401**

(*) including transportation equipment in the course of construction for €965 million (€745 million in 2018).

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

In € millions	Investment property	Land and buildings	Tracks, earthworks, engineering works and level crossings	Technical, electrical, telecom. and signalling facilities, industrial and technical plant (ITP) and other assets	Transportation equipment (*)	Property, plant and equipment in the course of construction	Investment grants	Total net of grant
Net carrying amount as at 01/01/2018	**309**	**14,016**	**29,575**	**15,876**	**9,249**	**13,254**	**-34,031**	**48,247**
Acquisitions	0	43	0	114	1,314	6,163	-2,455	5,179
Disposals	-10	-43	0	-9	-46	-3	1	-110
Net depreciation	-1	-559	-1,082	-1,068	-1,269	0	1,371	-2,608
Impairment	0	-621	-2,099	-336	2,980	5	0	-70
Change in Group structure	0	2,600	-2,594	19	13	0	-5	33
Unrealised foreign exchange gains and losses	0	-1	0	1	-14	0	0	-14
Other changes	0	-2,232	7,422	948	38	-6,741	310	-256
Net carrying amount as at 31/12/2018	**298**	**13,203**	**31,222**	**15,545**	**12,265**	**12,678**	**-34,809**	**50,401**
Of which assets under finance lease	*0*	*51*	*0*	*5*	*893*	*0*	*0*	*949*
Acquisitions	0	34	0	176	1,220	6,627	-3,133	4,924
Disposals	-9	-47	0	-7	-40	-1	2	-101
Net depreciation	-1	-599	-1,075	-1,092	-1,280	0	1,302	-2,744
Impairment	0	-43	0	-7	-18	14	0	-55
Change in Group structure	0	36	0	6	199	-6	26	261
Unrealised foreign exchange gains and losses	0	3	0	4	52	0	-1	59
Other changes	0	995	2,512	801	-101	-4,456	-821	-1,071
Net carrying amount as at 31/12/2019	**288**	**13,581**	**32,659**	**15,426**	**12,296**	**14,857**	**-37,433**	**51,674**

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

A breakdown of the year's main acquisitions, depreciation charges and impairment losses recorded in the income statement is presented in Notes 4.1.4, 4.1.5 and 4.3.

Other changes primarily relate to the movements in cash flows arising from the commissioning of PP&E in the course of construction towards
other PP&E categories. The total net grant
was subject to the following movements during the year:
——a -€272 million decrease relating to the reclassification of finance-leased property, plant and equipment to "Rights-of-use assets" following the first-time adoption of IFRS 16 Leases (see Note 4.1.3.) ;
——a -€440 million decrease relating to the calculation of investment grants under financing agreements with SNCF Réseau.

4.1.2.1 Assets made available by the French State

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

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

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

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

As at 31 December 2019, assets made available by the French State, without transfer of title, which are recorded in the SNCF Group balance sheet, amounted to €612 million for land and €216 million for buildings and upgrades. As at 31 December 2018, they amounted to €658 million and €252 million, respectively.

4.1.3. Leases

The existence of a lease in a contract is mainly based on the control exercised by the lessee over the right to use 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 leased asset over the term of the lease;
- 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 initial amount of the lease liability plus any lease payments made to the lessor, less any lease incentives received;
— any initial direct costs incurred by the lessee for the conclusion of the lease;
— an estimate of costs 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 provides for a purchase option that the lessee is reasonably certain to exercise.
Measurement of the lease liability (see Note 6 Capital and financing)
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 lease liabilities:
— 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 that the lessee would exercise such option.

Certain events may result in the values recorded on the balance sheet being re-estimated. This mainly involves the following situations:
— revised lease term, lease payment or scope of the leased assets;
— remeasurement of whether it is reasonably certain (or not) to exercise an option;
— re-estimate relating to residual value guarantees;
— revised rates or index on which lease payments are based.

The discount rate used to measure the lease liability is the interest rate implicit in the lease, if that rate can be readily determined, or otherwise the lessee's incremental borrowing rate on 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 incremental borrowing rate is obtained by adding together the government bond rate and the credit spread. The government bond rate is a rate at maturity, 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 negotiated contractual term. Termination and extension options are only taken into account if a specific context enables the Group to be reasonably certain to:
— exercise an extension option, for instance, if the leased asset is considered as "strategic" or is subject to "major" investments whereas the residual lease term is significantly low.
— exercise a contractually agreed termination option.

In decision of 26/11/2019, IFRIC set forth the principle whereby an "economic" lease term measured beyond the contractual term is taken into account when the unamortised value of leasehold the improvements at the end of the contractual term is significant. Analyses are being conducted to assess the number of leases potentially impacted by this decision, the effects of which the Group cannot accurately measure at this stage.

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 the equipment or has a predominant role in the purchase process with builders;
- the option must be exercised at the lease term in accordance with contractual terms and conditions.
As these financial arrangements are in-substance purchases and not leases, the corresponding liability is considered as a financial liability under IFRS 9 and as an item of property, plant and equipment in assets under IAS 16.
Practical expedients
Pursuant to the practical expedients set forth in the standard, the Group does not capitalise short-term leases (term of 12 months or less) and low value assets lease (indicative threshold of €5,000).

Rights of use break down as follows by category:

	31/12/2019			01/01/2019		
In € millions	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net
Land and buildings	2,969	-717	2,252	2,632	-195	2,436
Transportation equipment	2,226	-667	1,559	1,890	-285	1,605
Other	219	-81	138	163	-35	127
TOTAL	**5,413**	**-1,465**	**3,948**	**4,684**	**-516**	**4,169**

The following main leases were capitalised:

– "Land and buildings" leases

Amounting to €2,252 million as at 31/12/2019, they mainly comprised building leases (warehouses, stores, offices, etc.).

– "Transportation equipment" leases

Amounting to €1,559 million as at 31/12/2019, they mainly comprised rail and road transportation equipment (buses, trains, locomotives, cars, etc.)

– "Other" leases

Amounting to €138 million as at 31/12/2019, 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	2,436	1,605	127	4,169
Inception of new leases	366	338	66	769
Impact of early lease terminations and cancellations	-17	-1	0	-18
Depreciation	-495	-419	-51	-966
Change in scope	-12	30	-5	12
Other changes (lease amendments, remeasured assumptions, etc.)	-26	6	1	-19
Net carrying amount as at 31/12/2019	**2,252**	**1,559**	**138**	**3,948**

A breakdown of depreciation charges recorded in the income statement is presented in Note 4.1.5.

The Group did not capitalise the following lease payments:

In € millions	31/12/2019
Short-term leases	-165
Low-value asset leases	-48
Variable leases	-7
Leases that are not eligible	**-220**

Short-term leases have a term of twelve months or less (including extension options).

Low-value asset leases cover leases whose value, when new, is considered as immaterial (in relation to an indicative threshold of €5,000). This mainly involves leased printers, tablets, portable computers, telephones, etc..

Uncapitalised variable leases mainly correspond to variable leases based on the performance of the leased assets (kilometres covered, revenue, etc.).

4.1.4. Investments

Capital expenditure flows break down as follows:

In € millions	31/12/2019	31/12/2018
Intangible assets	-462	-371
Property, plant and equipment	-8,057	-7,634
Total acquisitions	**-8,519**	**-8,005**
incl. non-current assets under finance lease	*0*	*-46*
Acquisitions excluding finance-leasing	**-8,519**	**-7,959**
Investment working capital	148	165
Intangible assets and PP&E capital expenditure flows	**-8,371**	**-7,794**

Capital expenditure for 2019 primarily comprised:

– software developed in-house, either already brought into service or still under development, of which €150 million for the EPIC SNCF Mobilités and €74 million for EPIC SNCF Réseau,

– capital expenditure at SNCF Réseau, including:

- €4,928 million in direct production;
- €90 million in maintenance activities;
- €153 million in direct acquisitions;

– acquisitions and upgrades to stations and buildings totalling €988 million (including the construction of new industrial facilities in the Hellemmes technicentre, 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 €1,215 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 €3,133 million, including €123 million for rail equipment and €3,010 million for fixed installations.

Capital expenditure for 2018 primarily comprised:

– software developed in-house, either already brought into service or still under development, of which €110 million for the EPIC SNCF Mobilités and €46 million for EPIC SNCF Réseau,

– capital expenditure at SNCF Réseau, including:

- €4,316 million in direct production;
- €131 million in maintenance activities;
- €258 million in direct acquisitions;

– acquisitions and upgrades to stations and buildings totalling €874 million (including upgrades to the Rennes and Nantes multimodal hubs, the extension or adaptation of maintenance workshops for Régiolis or Régio2N, upgrades to Paris Montparnasse station and refurbishment of the main passenger area at Paris Austerlitz station),

– acquisition and renovation of rail and road equipment totalling €1,306 million (including the acquisition of TGV Duplex, TGV du futur and Eurostar trains, new Transilien trains (NAT), Océane trains, new generation Tram-Trains, wagons, transcontainers, containers and renovation of TGVs and electrical railcars).

Asset-financing grants received totalled €2,455 million, including €106 million for rail equipment and €2,349 million for fixed installations.

4.1.5. Depreciation and amortisation

Amortisation of intangible assets

An intangible asset:

- is amortised on a straight-line basis over its useful life, which is generally less than five years.

Concession intangible assets are amortised over the term of the arrangement.

Where an intangible asset has an indefinite life, it is not amortised but is subject to impairment tests at least once a year, according to the methods described in Note 4.3.

Depreciation of property, plant and equipment

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

Property, plant and equipment are depreciated over the following periods:

- Fixed installations broken down by component:

	Complex constructions (stations, administrative buildings, etc.)	Simple constructions (workshops, warehouses, etc.)
Building shell	50 years	30 years
Enclosure	25 years	30 years
Light work	25 years	30 years
Fixtures and fittings	10 to 15 years	10 to 15 years
Technical work	15 years	15 years

- Rolling stock broken down by component:

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

- Other property, plant and equipment not broken down by component:	
Land development	20 to 30 years
Plant and equipment	5 to 20 years
Earthworks	10 years
Tracks	20 to 100 years
Electrical energy facilities	10 to 75 years
Signalling	15 to 50 years
Telecommunications	5 to 30 years
Level crossings	15 years
Engineering works	30 to 70 years
Improvements to buildings owned by third parties	10 to 15 years
Cars	5 years
Freight cars	30 years ± 20%
Ships	20 years
IT equipment	Declining over 4 years
Other property, plant and equipment	3 to 7 years

Amortisation of lease rights-of-use
The right-of-use is amortised over the lease term or the useful life of the underlying asset when the contract provides for a purchase option that the lessee is reasonably certain to exercise.

Reversals of investment grants
Grants relating to investments are recorded in operating profit (decrease in depreciation and amortisation) based on the estimated useful life of the related assets.
For non-depreciable land, grants are reversed to profit or loss according to the average depreciation period of the assets associated with the land.

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

Depreciation and amortisation break down as follows:

In € millions	31/12/2019	31/12/2018	Change
Amortisation of intangible assets	-395	-387	-7
Depreciation of property, plant and equipment	-4,050	-3,979	-71
Depreciation of right-of-use assets	-966	0	-966
Investment grants transferred to the income statement - rolling stock	1,305	1,372	-68
Reversal of liabilities relating to concession assets excluded from the scope of IFRIC 12	159	163	-4
Depreciation and amortisation	**-3,946**	**-2,830**	**-1,116**

4.1.6. Net proceeds from asset disposals

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

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

With respect to leases:

Net disposal proceeds represent the impact of lease cancellations and transfers. They are calculated as the difference between the net carrying amount of the rights-of-use and the amount of lease liabilities at the lease term.

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 transferred to the buyer (for example, the lease does not provide for 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).

Asset disposals had the following impacts on profit or loss:

In € millions	31/12/2019	31/12/2018	Change
Disposals of intangible assets	-9	-4	-6
Disposals of property, plant and equipment	180	196	-17
Disposals of rights-of-use	1	0	1
Disposals of financial assets	8	619	-610
Net proceeds from asset disposals	**179**	**811**	**-632**

As at 31 December 2019, net proceeds from the disposal of PP&E primarily concerned the sales of various complexes and properties by EPIC Mobilités for €84 million, EPIC SNCF Réseau for €69 million and by ICF-NOVEDIS for €19 million.

As at 31 December 2018, they amounted to €97 million for EPIC Mobilités, €62 million for EPIC SNCF Réseau and €38 million for ICF-NOVEDIS.

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

4.2.1. Business combinations and goodwill

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

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

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

Goodwill is not amortised but is subject to impairment tests when there is an indication of impairment and at least once a year, according to the methods described in Note 1.3. Negative goodwill is recognised immediately in operating profit.

In the event of a loss of control of a subsidiary, the disposal capital gain or loss takes into account the net carrying amount of the allocated goodwill.
Purchases and disposals of non-controlling interests (minority interests) without a change in the level of control are allocated to equity.

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

Business combinations	Prior to 01/01/2010 (Former IFRS 3)	Subsequent to 01/01/2010 (IFRS 3 revised)
Non-controlling interests	Valued based on their proportion of the net fair value of the assets and liabilities recognised.	For each combination, choice between two methods: Partial goodwill: Same as the former IFRS 3. Full goodwill: Goodwill recognised in full for the Group portion and the portion of non-controlling interests
Directly attributable costs	Included in the acquisition cost.	Excluded from the acquisition cost and expensed
Step acquisition	Fair value remeasurement through equity of the previously held interest.	Fair value remeasurement through operating profit of the previously held interest
Additional considerations	Recognised according to management's best estimate at the acquisition date once they are probable and can be reliably measured.	Recognised at fair value at the acquisition date
Adjustments to additional considerations offset in goodwill	Over an indefinite period.	If and only if they occur during the allocation period and relate to new information on the existing situation on the date of control. In other cases, recognition in profit or loss in other comprehensive income in accordance with IFRS 9.

Movements in goodwill in 2018 and 2019 break down as follows:

In € millions	Gross value	Impairment	Net value
As at 1 January 2018	2,689	-350	2,339
Acquisitions	21	0	21
Impairment	0	-51	-51
Disposals	0	0	0
Foreign exchange	21	0	21
Other changes	0	0	0
As at 31 December 2018	2,731	-402	2,330
As at 1 January 2019	2,731	-402	2,330
Acquisitions	174	0	174
Impairment	0	-1	-1
Disposals	-14	2	-12
Foreign exchange	34	-1	33
Other changes	-10	0	-10
As at 31 December 2019	2,914	-402	2,513

2019 acquisitions mainly involved STEMI (€82 million), Parking Cathédrale SA (€63 million) and Parking de l'Esplanade SA (€12 million) acquired by Keolis, as well as Railtraxx (€12 million) by SNCF Logistics. Disposals involved Euromatic. The line item "Other changes" was impacted by the allocation of goodwill to intangible assets (concessions, patents and rights) for Keolis Santé.

Acquisitions in 2018 mainly involved Captrain Espana and Open Tours – Les voyages Belges NV.

Impairment in 2018 involved RE4A.

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

In € millions	31/12/2019	31/12/2018	Change
Keolis	729	576	153
Voyages SNCF (*)	418	401	17
SNCF Logistics	1,354	1,341	13
of which Geodis CGU	*1,125*	*1,124*	*1*
of which Rail Freight Fleet Management CGU	*197*	*197*	*0*
of which other rail companies	*32*	*19*	*12*
Corporate / Performance	11	11	0
Total	2,513	2,330	183

(*) of which Eurostar for €373 million (see Note 4.3.1)

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

4.2.2. Equity investments

The Group holds several investments in joint ventures and associates, consolidated under the equity method. The recognition principles are described in Note 1.4.1.

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

In € millions	31/12/2019	31/12/2018
As at 1 January	970	782
Group share in net profit/(loss)	35	28
Impairment	0	0
Share of net profit/(loss) of companies consolidated under the equity method	*35*	*28*
Change in Group structure	39	182
Reclassification to assets classified as held for sale	0	0
Share in other comprehensive income	-2	-4
Distribution	-31	-30
Translation differences	15	12
As at 31 December	1,026	970
Of which: Significant joint ventures	*209*	*208*
Significant associates	*625*	*580*
Other companies consolidated under the equity method	*191*	*181*

In 2019, the heading "Change in scope" mainly involved the Systra share capital increase for €35 million.

In 2018, the heading "Change in scope" included the loss of control of Vesta for €165 million with a decline in the percentage control from 100% to 20% and Orient Express for €16 million, with a decrease in the percentage control from 100% to 49.9%.

4.2.2.1 Significant joint ventures

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

Akiem operates a locomotive and locotractor leasing business and comprises 10 subsidiaries (including the 2018 acquisition of MGW Service SAS and ALPS2) and a holding company. Since 30 June 2016, Akiem has been 50% jointly controlled.

In € millions	31/12/2019		31/12/2018	
STATEMENT OF FINANCIAL POSITION	Govia	Akiem	Govia	Akiem
Cash and cash equivalents	683	65	618	87
Other current assets	280	81	291	100
Total current assets	**962**	**146**	**909**	**186**
Non-current assets	**694**	**1,093**	**47**	**1,763**
Current financial liabilities (excluding trade payables, other creditors and provisions)	429	2	60	34
Other current liabilities	882	80	811	92
Total current liabilities	**1,311**	**82**	**870**	**126**
Non-current financial liabilities (excluding trade payables, other creditors and provisions)	0	856	0	1,516
Other non-current liabilities	256	21	5	17
Total non-current liabilities	**256**	**877**	**5**	**1,532**
Net assets	**90**	**280**	**80**	**291**
Reconciliation of financial data with value of investments in companies consolidated under the equity method:				
Group share in net assets	**31**	**177**	**28**	**180**
Goodwill	0	**0**	0	0
Other	0	**0**	0	0
Net carrying amount of investments in companies consolidated under the equity method	**31**	**177**	**28**	**180**

The operating companies of the Govia activity in the UK are contractually required to have a certain level of cash and cash equivalents and comply with a Liquidity Maintenance Ratio in order to sustain the public service offering should one of the operators fail. The required amount corresponds to the activity's direct costs for a certain number of weeks until the term of the franchise. Because of this restriction, this liquidity held by the operating companies is qualified as cash and cash equivalents that cannot be transferred to the Go Ahead group, Govia's majority shareholder. These cash and cash equivalents were estimated at around €577 million as at 31 December 2019 (around €527 million as at 31 December 2018). However, these restrictions had no impact on the assets held by Keolis in the UK, whose value of €31 million as at 31 December 2019 (€28 million as at 31 December 2018) is fully available.

In € millions	31/12/2019		31/12/2018	
INCOME STATEMENT	Govia	Akiem	Govia	Akiem
Revenue	3,253	149	3,037	236
Operating profit/(loss)	**88**	**28**	**70**	**34**
Of which depreciation and amortisation	*-202*	*-65*	*-17*	*-51*
Finance cost	**-5**	**-33**	**2**	**-19**
Of which interest expense on debt	*-2*	*0*	*-2*	*-22*
Of which revenue from financial assets	*5*	*0*	*4*	*0*
Income tax expense	**-15**	**2**	**-12**	**-6**
Net profit from ordinary activities	**69**	**-3**	**59**	**8**
Net profit/(loss) from discontinued operations, net of tax	0	0	0	0
Net profit/(loss) for the year	**69**	**-3**	**59**	**8**
Group share in net profit/(loss)	**24**	**-1**	**21**	**4**

In € millions	31/12/2019		31/12/2018	
OTHER INFORMATION	Govia	Akiem	Govia	Akiem
Net profit/(loss) for the year	69	-3	59	8
Other comprehensive income/(loss) (net of tax)	8	-3	-1	-7
Total comprehensive income/(loss)	**76**	**-6**	**59**	**1**
Dividends paid to the Group	**22**	**0**	**21**	**0**

4.2.2.2 Significant associates

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

Vesta builds, manages and operates real estate portfolios. Since 31 December 2018, Vesta has been 20% held under significant influence.

Systra is a grouping of around thirty companies (percentage interest of between 17% and 43%) specialising in rail engineering and operating worldwide

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

In € millions			31/12/2019			31/12/2018
STATEMENT OF FINANCIAL POSITION	Eurofima	Vesta	Systra	Eurofima	Vesta	Systra
Current assets	5,722	25	465	4,534	27	475
Non-current assets	10,392	1,267	273	11,279	1,276	147
Current liabilities	2,056	14	403	1,580	12	421
Non-current liabilities	12,530	533	176	12,771	529	108
Net assets	**1,528**	**746**	**160**	**1,461**	**762**	**93**
Reconciliation of financial data with value of investments in companies consolidated under the equity method:	0	0	0	0	0	**0**
Group share in net assets	**345**	**149**	**69**	**330**	**152**	**39**
Goodwill	0	12	49	0	12	46
Other	0	0	0	0	0	0
Net carrying amount of investments in companies consolidated under the equity method	**345**	**162**	**118**	**330**	**165**	**85**

In € millions			31/12/2019			31/12/2018
INCOME STATEMENT	Eurofima	Vesta	Systra	Eurofima	Vesta	Systra
Revenue	0	46	631	0	0	568
Operating profit/(loss)	**-9**	**12**	**13**	**-9**	**0**	**-1**
Net profit from ordinary activities	**20**	**-4**	**-1**	**14**	**-1**	**-12**
Net profit/(loss) from discontinued operations, net of tax	0	0	0	**0**	**0**	**0**
Net profit/(loss) for the year	**20**	**-4**	**-1**	**14**	**-1**	**-12**
Group share in net profit/(loss)	**4**	**-1**	**0**	**3**	**0**	**-5**

In € millions			31/12/2019			31/12/2018
OTHER INFORMATION	Eurofima	Vesta	Systra	Eurofima	Vesta	Systra
Net profit/(loss) for the year	20	-4	-1	14	-1	-12
Other comprehensive income/(loss) (net of tax)	56	0	-3	53	0	-4
Total comprehensive income/(loss)	**76**	**-4**	**-4**	**67**	**-1**	**-16**
Dividends paid to the Group	**2**	**2**	**0**	**0**	**0**	0

Items of property, plant and equipment financed by EUROFIMA were capitalised in the Group financial statements for a gross value of €204 million as at 31 December 2019 (€273 million as at 31 December 2018). The related financing liability amounted to €217 million as at 31 December 2019, compared to €232 million as at 31 December 2018. Eurofima's share capital was not entirely called up as at 31 December 2019. The callable share capital attributed to SNCF Mobilités amounted to €433 million as at 31 December 2019 (€417 million as at 31 December 2018).

On this same date, the share of loans granted by Eurofima to members of countries whose sovereign debt is rated non-investment grade (i.e. rating granted by rating agencies of less than BBB-/Baa3) stood at €173 million (€174 million as at 31 December 2018). These loans are included in the non-current assets of the company's statement of financial position. In addition, Eurofima shareholders are jointly and severally liable for the undertakings falling under the financing agreements granted by Eurofima to the latter, each shareholder in proportion to its shareholding interest and the maximum amount thereof. This guarantee can only be called following a payment default by the borrower and the related State, which issued the guarantee and when the Eurofima guarantee reserve (€673 million) is insufficient to cover the loss arising from the payment default. The maximum commitment of SNCF Mobilités amounts to €541 million as at 31 December 2019 (€521 million as at 31 December 2018). The French State guarantees all SNCF Mobilités obligations towards Eurofima (the portion of share capital to be paid up, the fulfilment of financing agreements granted by Eurofima to SNCF Mobilités and the guarantee granted by SNCF Mobilités with respect to these financing agreements).

4.2.2.3 Other companies consolidated under the equity method

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

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

In € millions	31/12/2019		31/12/2018	
Group share	Immaterial joint ventures	Immaterial associates	Immaterial joint ventures	Immaterial associates
Net profit from ordinary activities	2	6	6	-2
Net profit/(loss) from discontinued operations, net of tax	0	0	0	0
Net profit/(loss) for the year	**2**	**6**	**7**	**-2**
Other comprehensive income/(loss) (net of tax)	0	3	0	2
Total comprehensive income/(loss)	**2**	**9**	**7**	**-1**
Net carrying amount of investments in companies consolidated under the equity method	**96**	**95**	**93**	**88**

4.2.2.4 Transactions with companies accounted for under the equity method

Transactions with associates, excluding Eurofima are not material.

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

In € millions	31/12/2019	31/12/2018
Revenue	48	43
Purchases and external charges	-42	-84
Other income and expenses	7	7
Gross profit with joint ventures	**13**	**-34**

In € millions	31/12/2019	31/12/2018
Current financial assets	16	17
Non-current financial assets	52	65
Current financial liabilities	0	0
Non-current financial liabilities	0	0

4.2.3. Assets and liabilities classified as held for sale

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

- Non-current assets held for sale are presented on a separate line of the balance sheet at the lower of their net carrying amount and fair value less costs to sell. A non-current asset can only considered as held for sale when a certain number of criteria listed in the standard are met: asset available in its present condition for immediate sale, sale initiated, decided and planned and highly probable within twelve months. In the case of a Group of assets held for sale, any related liabilities are also presented on a separate line under a liability heading.

- Pursuant to the terms used by IFRS 5, a "discontinued operation" is a component from which the Group is separated or which it has transferred to a third party or which is classified as held for sale, and which represents a separate major line of business or geographical area of operations for the Group or which is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. In addition to the reclassification of assets and liabilities under a separate balance sheet heading, the impact on profit or loss of the period of all discontinued operations, including any expected capital losses, is presented on a separate line of the income statement, after ordinary activities. The impacts of discontinued operations on cash flows are presented in the notes to the financial statements.

As at 31 December 2019, no assets or liabilities were classified as being held for sale.

4.2.3.1 Loss of control in Ouibus

To boost the development of shared mobility and facilitate door-to-door travel for passengers, the Group sold its investment in Ouibus to Blablacar in June 2019 to set up a strategic partnership between the two mobility players.

The Groupe invested in Blablacar bonds redeemable in shares, and also undertook certain commitments under this partnership (see Note 9.1.2.8).

The transaction did not generate any significant divestment gains.

4.3. IMPAIRMENT TESTS FOR NON-CURRENT ASSETS

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

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

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

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

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

The value in use corresponds to the value of the future economic benefits expected from the asset's use or removal. It is assessed based on discounted future cash flows determined according to economic assumptions and projected operating conditions adopted by SNCF management:
- cash flows are determined in business plans, drawn up for periods of 5 to 11 years and validated by the management bodies;
- beyond this timeframe, the flows are extrapolated by applying a long-term growth rate that is close to the long-term inflation rate expected by the Group, within the limit of the contractual period, if applicable, or otherwise indefinitely;
- flows are discounted at a rate appropriate to the activity segment.

For investment property, the SNCF Group calculates a fair value less costs to sell for land comprising bare and build-on land based on:
- its location in a geographical area.
- a m² market value, taking into account the general use of the land after its sale.

The impacts on the income statement are as follows:

In € millions	31/12/2019	31/12/2018	Change
Intangible assets and property, plant and equipment	-85	-98	13
Goodwill	-1	-51	50
Provisions for liabilities and charges	0	0	0
Impairment	**-86**	**-150**	**64**

Goodwill impairment recorded in 2018 mainly relates to the RE4A and Loco2 entities.

CGU without significant goodwill but with an indication	Note	Segment	P&L impact as at 31/12/2019	P&L impact as at 31/12/2018
TGV France and Europe (excluding Eurostar and Thalys)	4.3.2.2	Voyages SNCF	€0 million	€3,160 million
Corporate assets allocated to TGV France and Europe (excluding Eurostar and Thalys)		Corporate	€0 million	€33 million
Gares & Connexions	4.3.2.3	Gares & Connexions	-€3 million	€107 million
Intercités, Direction Affrétement Voyageurs	4.3.2.4	Intercités	€0 million	-€9 million
Infrastructure	4.3.2.5	SNCF Réseau	€0 million	-€3,400 million

The CGUs with significant goodwill amounts are Geodis (see Note 4.3.1.1), Keolis (see Note 4.3.1.2), SNCF Logistics (see Note 4.3.1.3) and Eurostar (see Note 4.3.1.4).

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

4.3.1. CGUs with significant goodwill in relation to total goodwill

4.3.1.1 Geodis CGU

Of the total goodwill net of impairment, €1,125 million (€1,124 million as at 31 December 2018) was allocated to the Geodis Cash-Generating Unit, which comprises the logistics and freight transport activities of the SNCF Logistics segment. A test is performed at least once a year for this CGU. The main assumptions used to determine the recoverable amount were as follows:

	2019	2018
Segment	SNCF Logistics	SNCF Logistics
CGU	Geodis	Geodis
Assets tested	€1,555 million	€1,506 million
Base used for the recoverable amount	Value in use	Value in use
Source used	5-year plan and indefinite projection of a normative year	5-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	6.8% - 7.8%	7.0% -8.0%
Long-term growth rate	1.90%	1.90%

As at 31 December 2019, the annual impairment test corroborated the carrying amount of the CGU assets. Sensitivity tests conducted on the discount (± 50 bp), long-term growth (± 10 bp), and gross profit (± 50 bp) rates will likely support the analysis.

4.3.1.2 Keolis CGU

Of the total goodwill, €729 million (€576 million as at 31 December 2018) was allocated to the Keolis Cash-Generating Unit, which comprises all activities included in the passenger multimodal transport solutions of the Keolis segment. Furthermore, the indefinite life intangible assets allocated to this CGU amounted to €53 million (€86 million as at 31 December 2018), primarily comprising trade names and authorisations. A test is performed at least once a year for this CGU. The main assumptions used to determine the recoverable amount were as follows:

	2019	2018
Segment	Keolis	Keolis
CGU	Keolis	Keolis
Assets tested	€1,813 million	€1,865 million
Base used for the recoverable amount	Value in use	Value in use
Source used	5-year plan and indefinite projection of a normative year	5-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	5.5% - 6.5%	5.8% - 6.8%
Long-term growth rate	1.90%	1.90%

No impairment was recognised as at 31 December 2019. Sensitivity tests conducted on the discount (± 50 bp) and long-term growth (± 50 bp) rates show a variation of ± €437 million on the recoverable amount (± €271 million in 2018). The sensitivity test conducted on the gross profit rate (± 50 bp) shows a variation of ± €402 million on the recoverable amount (± €409 million in 2018).

4.3.1.3 Rail Freight Fleet Management CGU

Of the total goodwill, €197 million (€197 million as at 31 December 2018) was allocated to the Rail Freight Fleet Management cash-generating unit.

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

	2019	2018
Segment	SNCF Logistics	SNCF Logistics
CGU	Rail Freight Fleet Management	Rail Freight Fleet Management
Assets tested	€1,812 million	€1,555 million
Base used for the recoverable amount	Value in use	Value in use
Source used	5-year plan and indefinite projection of a normative year	5-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	3.9% - 4.5%	4.7% - 5.3%
Long-term growth rate	2.00%	2.00%

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

4.3.1.4 Eurostar CGU

Of the total goodwill, €373 million (€355 million as at 31 December 2018) was allocated to the Eurostar cash-generating unit, which comprises all the cross channel passenger transport activities of the Voyages SNCF segment. Furthermore, the indefinite life intangible assets allocated to this CGU amounted to €273 million (€260 million as at 31 December 2018), primarily comprising trade names. A test is performed at least once a year for this CGU. The main assumptions used to determine the recoverable amount were as follows:

	2019	2018
Segment	Voyages SNCF	Voyages SNCF
CGU	Eurostar	Eurostar
Assets tested	€2,031 million	€2,063 million
Base used for the recoverable amount	Value in use	Value in use
Source used	10-year plan and indefinite projection of a normative year	10-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	6.2 % - 7.1 %	7.2 % - 8.1%
Long-term growth rate	1.90%	1.90%

The activity's cash flow forecasts used to assess the recoverable amount of assets, taken from the strategic plan approved by the Eurostar Board of Directors on 28 November 2019, rely on defining assumptions, including:

– the change in traffic revenue including a catch-up effect following the slowdown due to the customs strike in 2019;

– expenses (employees, purchases, etc.), some of which are subject to performance plans;

– infrastructure fee trajectory;

– positioning of the arrival of rail competition;

– the investment level for fleet renewal taking into account performance plans relating to the optimisation and utilisation of trains and the arrival of new equipment as well as the arrival of competition;

The terminal value was calculated by extrapolating the target gross profit rate on revenue taken from the November 2019 strategic plan and takes into account the assumption adopted as to the positioning of the arrival of rail competition.

These estimates and assumptions were made in a context in which it is difficult to assess the impacts of multimodal competition (especially low cost air transport), the arrival of railway competition and Brexit (UK's departure from the EU) which took place on 31 January 2020 with a 1-year transition period.

No impairment was recognised, as the recoverable amount exceeded the value of the tested assets. Furthermore, the sensitivity tests support the value of the economic asset as at 31 December 2019:

– a ± 100 bp change in the activity's gross profit rate in a normative year would have an impact of around ± €130 million on the recoverable amount (± €97 million in 2018);

– a change of £10 million in investments in a normative year would have an impact of ± €132 million on the recoverable amount (± €95 million in 2018);

– a 1-year setback in the date for the entry of competition into the market would result in a change in the recoverable amount for approximately -€151 million (+€90 million in 2018);

– a ± 25 bp change in the discount rate would result in a change in the recoverable amount by ± €122 million (± €84 million in 2018);

– a ± 10 bp change in the growth rate in a normative year would have an impact of ± €32 million on the recoverable amount (± €20 million in 2018 for a ± 10 bp change).

A further decrease in gross profit by around 7% over 10 years would result in a value in use equal to the net carrying amount. Nevertheless, other measures would be undertaken by management to minimise the impacts of such a decrease.

Conversely, this decline in gross profit would have a positive impact on the financial liability relating to the purchase commitment granted by SNCF Mobilités.

The financial liability relating to the purchase commitments irrevocably granted by SNCF Mobilités regarding the investments of the CDPQ/Hermès consortium and SNCB in Eurostar was valued using the same bases (see Note 6.1.2.4).

4.3.2. CGUs with indications of impairment or impairment reversal in 2019 and/or 2018

4.3.2.1 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 (see 2.1.1) enacted on 27 June 2018 by the French President, the terms and conditions of which will be 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.

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 TGV strategic plan 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. The TGV 2019-2028 strategic plan was approved by the Board of Directors on 26 July 2018. The new aforementioned items, and more specifically the new infrastructure fee indexation, had a significant impact on TGV gross profit and represented indications of impairment reversal for the TGV France and Europe (excluding Eurostar and Thalys) CGU.

The Document de Référence des Gares (DRG) 2018-2019, as well as the DRG 2020 for information purposes, was submitted for review on 16 March 2018 to ARAFER, which issued a favourable opinion on this DRG 2018-2019, thereby approving the rates for this period and the main principles of the new SNCF Gares & Connexions economic and pricing model. SNCF Gares & Connexions also referred to ARAFAR regarding the prices applicable to the 2020 service timetable.

Furthermore, Law 2018-515 for a New Railway Pact confirmed 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 (Articles 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 as of 2018 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.

This new trajectory included indications of impairment reversal for the Gares & Connexions CGU, particularly in terms of revenue and gross profit, compared to the 2016 strategic plan.

Following the ARAFER 2017-101 decision relating to separate financial statements that resulted in a zero margin invoicing, Equipment assets were qualified as corporate assets as of 2018 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.

For the preparation of the 2018 consolidated financial statements, SNCF Réseau had taken into account the impacts of the authorisation law for a new railway pact adopted on 14 June 2018 and the various announcements by the French government, particularly regarding the change in fee indexations that had represented indications of impairment, resulting in the recognition of asset impairment for €3.4 billion, in addition to the impairment of €9.6 billion recognised as at 31 December 2015.

As at 31 December 2019, new indications of impairment were identified and a new test was carried out. This test did not modify the net value of the assets. Details of this test are presented in Note 4.3.2.5.

4.3.2.2 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, had a significant impact on TGV gross profit and represented 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.

Since 30 June 2018, no indications of impairment have been identified.

	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%

4.3.2.3 Gares & 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 30 June 2018, no indications of impairment have been identified.

	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%

4.3.2.4 Intercités CGU and Affrètement Voyageurs Department (DAV)

A new operating agreement for the period 2016-2020, with retroactive effect to 2016, was signed on 27 February 2017. This new agreement and its appended financial trajectory, which provide for two reviews in May 2017 and May 2019 to examine trends in the agreement's financial equilibrium, incorporate the changes to the offering and the assumptions regarding regional line takeovers.

Conversely, it no longer includes a value guarantee clause for rolling stock investments prior to 2011 should the agreement be terminated. However, the French State guarantee and compensation principle remains intact for rolling stock investments carried out as of 2011 should the agreement be terminated. The outcome for other assets is not specified.

As at 31 December 2019, the new trajectory negotiated in connection with the second review, exclusion of Maintenance Service Facility assets, and the update of the discount rate gave rise to an impairment test which supported the net carrying amount of the assets.

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

	2019	2018
Segment	Intercités	Intercités
CGU	Intercités, DAV	Intercités, DAV
Assets tested	Immaterial	Immaterial
Base used for the recoverable amount	Value in use	Value in use
Source used	2016-2020 agreement	2016-2020 agreement
Discount rate (minimum - maximum)	5.2% - 6.0%	6.0% - 6.9%
Long-term growth rate	Not applicable	Not applicable

The sensitivity tests carried out on the various assumptions (investments, gross profit rate, discount rate and growth rate) do not call into question the test results, mainly due to the absence of a terminal value.

4.3.2.5 Infrastructure CGU

In 2019, the following regulatory changes represented indications of impairment:

– publication in September 2019 of the terms and conditions for the implementation of the Didier Law promulgated on 7 July 2014 on the sharing of responsibilities and financial expenses regarding the maintenance of engineering works;

– scheduled ban on the use of glyphosate announced by the government, and illustrated by the Egalim law of 30 October 2018, regarding agriculture, and the set-up in 2019 of a parliamentary mission in charge of the strategy for the complete removal of glyphosate. The implementation of this regulatory change was confirmed by the SNCF Chairman to terminate the use of glyphosate in 2021.

The measures relating to the new pension scheme, and more generally, the new labour agreement resulting from the division agreements for rail activity were still being negotiated at the accounts closing date and therefore could not be modelled.

Similarly, the discussions initiated with the French State on the new performance contract for 2020-2029 have not sufficiently progressed to be taken into account in the 31/12/2019 closing test, as decisive decision have yet to be made, particularly concerning network consistency.

The ART should issue in early 2020 an unfavourable opinion on the indexation of regulated service pricing for the 2021 service timetable, published on 13 December 2019. As of such date, SNCF Réseau will have three months to put forward a new pricing to the ART which will have one month to issue its new opinion.

An impairment test was therefore carried out on 31 December 2019 without taking into account these three issues.

The scope of the Infrastructure CGU test was adapted to the asset transfers carried out on 1 January 2020 under the rail reform. The Infrastructure CGU impairment test did not take into account the station assets transferred on 1 January 2020 representing a net carrying amount of €0.9 billion. The recoverable amount of the transferred assets was documented in line with the value adopted as agreed between the parties in the transfer agreement and referred to in the statutory auditors' report, bearing in mind that the combination of the SNCF Mobilités' and SNCF Réseau's station assets was considered not to have generated any synergy or "dis-synergy," or in any case, these impacts could not be measured as at 31 December 2019.

Taking into account the previously recognised impairment, the impairment tests confirmed the net carrying amounts of the Infrastructure CGU's assets and the transferred station assets.

It should however be noted that the recoverable amount also depends on the French State's implementation of all the resources and commitments necessary for its support and the company's ability to meet its productivity plans. Actual results and certain future assumptions could differ significantly from the estimates adopted.

The net carrying amount of the Infrastructure CGU assets, excluding the station assets, totalled €31.6 billion as at 31/12/2019, compared to €31 billion as at 31/12/2018.

These assets cover the service lines and the ongoing renewal work.

Other assets under construction (€1.9 billion as at 31 December 2019, compared to €1.8 billion as at 31 December 2018) involve capacity investments under development, whose value is analysed separately as part of a specific review.

The methodological items used to determine the recoverable amount as at 31 December 2019 as well as the various key assumptions are shown below:

– The methodology adopted is identical to that applied during the previous impairment test completed in 2018.

– The discounted forecast cash flows are calculated over the remaining seven years of the business trajectory from the 2017-2026 performance contract with the French State updated for new available information and extended until 2030, which continues to represent a normative year, as the network will therefore be considered as stabilised at that date with a sufficient level of performance or renewal to optimise the amount of maintenance.

– With respect to the SEA concession, the cash flow forecasts took into account the line's renewed operation following the concession grantor's operating phase, that is to say by 2061.

– the terminal value is calculated using the indefinite projection at a rate of 1.7% of cash flows generated by 2030 and represent 88% of the value in use.

– the projected cash flows are post-tax, the tax rate used being a theoretical tax at rates known on the different dates and applied to forecast current operating profit or loss.

– future cash flows were discounted at a rate of 5.15%, compared to 5.3% in 2018.

– The key test assumptions involved the levels of infrastructure fees, investments, productivity as well as government loans.

These assumptions take into account the agreements between the company and the French State, resulting from the latest economic and financial trajectory presented to the Board of Directors regarding:

– changes in infrastructure indexation: limitation on the increase in TGV and freight infrastructure fees at the IPC index (1.75%) replacing the indexation set out in the previous performance contract and at the same time maintenance of the indexed pricing for regulated infrastructure fees, i.e. TER and TET access fees, pursuant to the ongoing performance contract and applicable regulations,

– with regard to freight pricing, maintenance by the French State of the offsetting mechanism, whose amount was raised to take into account the changes in indexation and the transition to the directly attributable cost model as of the 2019 pricing,

– additional investments, compared to the performance contract, scheduled as from 2020 for around €200 million per year (at constant 2016 euros in the July 2018 trajectory). These investments will confirm the quality of the renewed network in 2030,

– a gradual increase in financing for safety and accessibility expenses (outside the Greater Paris region) to achieve full financing as from 2024,

– additional future productivity work compared to the performance contract for current €300 million until 2026 as well as the current €1.2 billion for productivity already recorded in the performance contract,

– The payment of investment grants by the French State on behalf of SNCF Réseau allocated to the financing of renewal investments for amounts revised upwards compared to the performance contract to achieve annual amounts of €988 million. These grants result from the French State's allocation of all or part of the dividends collected by SNCF from its subsidiaries' P&L, in addition to the transfer of a share of the Public Rail Group's tax consolidation income where necessary. The renewal investment grant amounts taken into account are based on the SNCF Group's economic and financial trajectory.

The 10-year traffic forecasts for passenger and freight activities were drawn up in connection with the SNCF Group ensuring reciprocity with the relevant entities.

The net value of the assets tested and the main assumptions used to determine the recoverable amount are summarised in the table below:

	2019	2018
Segment	SNCF Réseau	SNCF Réseau
CGU	Infrastructure	Infrastructure
Assets tested	€31.6 billion	€31 billion
Base used for the recoverable amount	Value in use	Value in use
Source used	Performance contract extended to 2030 + indefinite projection of a normative year	Performance contract extended to 2030 + indefinite projection of a normative year
Discount rate	5.05% - 5.15 %	5.2 % - 5.3 %
Long-term growth rate	1.70 %	1.70 %

The results of the sensitivity analyses carried out for the 31/12/2019 test are as follows:

– a change of +/- 10 basis points in the discount rate represents a change of -/+ €1.2 billion in the recoverable amount;

– a change of +/- 10 basis points in the perpetual growth rate results in a change of +€0.9 billion.

– a change of +/- €100 million in net annual renewal expenses represents a change of -/+ €2.1 billion in the recoverable amount. This amount is indicative only since, beyond a certain threshold, the impact of the change in renewal expenses on the recoverable amount of assets is not linear and the impacts may be material for maintenance, traffic and therefore infrastructure fees.

– an annual change of +/- €100 million in the infrastructure fees or the backing of the French State represents a change of +/- €1.9 billion in the recoverable amount.

4.4. WORKING CAPITAL REQUIREMENT

In € millions	31/12/2019	31/12/2018
Change in inventories and work-in-progress	94	25
Change in operating receivables (excluding share disposals and capital expenditure flows)	331	611
Change in operating payables (excluding capital expenditure flows and liabilities relating to assets excluded from IFRIC 12)	256	749
Impact of the change in the WCR in the consolidated cash flow statement	-170	113

4.4.1. Inventories and work-in-progress

Inventories are valued at the lower of cost price and net realisable value. Cost price is equal to acquisition or production cost. Production cost includes both direct and indirect production expenses.
Cost price is calculated using the weighted average cost method.
Inventories are written down based on the turnover, nature, age and useful life of items.

As at 31 December 2019, inventories and work-in-progress break down as follows:

	31/12/2019			31/12/2018	
In € millions	Gross	Impairment	Net	Net	Change
Raw materials	1,122	-143	979	862	117
Finished goods	340	0	340	310	30
Work-in-progress	52	-10	42	28	14
Inventories and work-in-progress	**1,514**	**-153**	**1,361**	**1,200**	**161**

Movements in inventory write-down break down as follows.

In € millions	31/12/2018	Charges	Reversals	Reclassifications	Change in scope	31/12/2019
Raw materials and supplies - impairment	-212	-28	97	0	0	-143
Finished goods - impairment	0	0	0	0	0	0
Work-in-progress - impairment	-9	-4	3	0	0	-10
Impairment of inventories	**-221**	**-31**	**100**	**0**	**0**	**-153**

4.4.2. Operating receivables

Receivables are recorded at nominal value on issue, except for receivables with a maturity of more than one year, which are discounted to present value where the impact of discounting is material.

Operating receivables are subject to the impairment model for expected losses within the meaning of IFRS 9, measured by the Group using the simplified approach that consists in estimating such losses over the life of the relevant receivables. The estimate is based on the ratio between losses on irrecoverable receivables and revenue recognised over a five-year period, reflecting a normal operating cycle for the Group's activities. This impairment is recognised once it is considered to be significant.

Furthermore, impairment is recognised when there is a potential risk of non-recovery (substantial payment delays, bankruptcy proceedings, litigation, etc.). This impairment is determined based on an individual or statistical appraisal of non-recovery risk using historical data.

Operating receivables break down as follows:

			31/12/2019	31/12/2018	
In € millions	Gross	Impairment	Net	Net	Change
Trade receivables and related accounts	3,834	-167	3,667	3,805	-138
Amounts payable to the French State and local authorities	2,484	0	2,484	2,315	169
Other operating receivables	4,310	-26	4,283	3,450	834
Capital expenditure flow receivables and share disposals	61	0	60	112	-52
Asset derivative instruments for raw materials and foreign exchange on business transactions	1	0	1	0	1
Net operating receivables	**10,689**	**-194**	**10,496**	**9,681**	**814**

Movements in the impairment of trade receivables and other operating receivables were as follows in 2019 and 2018:

In € millions	31/12/2018	Charges	Reversals	Reclassifications	Change in Group structure	Change and other	31/12/2019
Trade receivables and related accounts - impairment	-143	-82	59	-1	0	0	-167
Other operating receivables - impairment	-22	-6	2	0	0	0	-26
Total	**-165**	**-88**	**61**	**-1**	**0**	**0**	**-194**

In € millions	31/12/2017	Charges	Reversals	Reclassifications	Change in Group structure	Change and other	31/12/2018
Trade receivables and related accounts - impairment	-163	-129	149	0	0	0	-143
Other operating receivables - impairment	-25	-1	3	1	0	0	-22
Total	**-188**	**-130**	**152**	**1**	**0**	**0**	**-165**

Due to its business, Group exposure to credit risk is limited. Tickets are sold to passengers on a cash basis. In addition, the Group has significant relations with a number of public-sector customers (regional authorities, RATP, Île de France Mobilités (formerly STIF), armed forces, etc.). In the SNCF Logistics activity, dependence on customers is reduced by their low number. In carrying out its transport and/or freight forwarding activities, the Group also has the right to hold the merchandise with which it is entrusted, which reduces the risk of non-payment for services. Finally, based on an assessment of customer credit risk, payment terms and conditions before transport may be determined to limit the risk of non-payment.

While receivables from these customers may be past due, the Group considers that there are no grounds for impairment if no other items highlight a risk of non-recovery. Receivables are impaired when the Group is in dispute with a customer or when the ability to recover the receivable in full is modified.

Trade receivables past due break down as follows (gross value):

31/12/2019			Past due but not impaired				
In € millions	Not past due	Impaired	< 3 months	4 to 6 months	7 to 12 months	> 12 months	Total
Trade receivables and related accounts	2,708	544	166	125	58	233	3,834
Total	**2,708**	**544**	**166**	**125**	**58**	**233**	**3,834**

31/12/2018			Past due but not impaired				
In € millions	Not past due	Impaired	< 3 months	4 to 6 months	7 to 12 months	> 12 months	Total
Trade receivables and related accounts	2,680	278	721	24	115	129	3,948
Total	**2,680**	**278**	**721**	**24**	**115**	**129**	**3,948**

4.4.3. Operating payables and other accounts in credit

Operating payables include payments to third parties with respect to operating activities (trade payables, employee-related payables, taxes and duties other than income tax, etc.), and asset acquisitions.
Payables are recorded at nominal value on issue, except for payables with a maturity of more than one year, which are discounted to present value where the impact of discount is material.

Operating payables break down as follows:

In € millions	31/12/2019	31/12/2018	Change
Trade payables and related accounts	6,770	6,410	360
o/w amounts payable on purchases of PP&E	*987*	*913*	*74*
Payments received on account for orders	520	515	5
o/w advances received on sales of PP&E	*295*	*328*	*-33*
Employee-related liabilities	2,499	2,526	-27
Amounts payable to the French State and local authorities	1,707	1,639	68
Other operating payables	744	714	30
Deferred income	2,186	2,420	-234
Liability derivative instruments for raw materials and foreign exchange on business transactions	2	9	-7
Total operating payables	**14,429**	**14,234**	**195**

For the liabilities relating to concession assets excluded from the scope of IFRIC 12, see Note 4.1.4

4.4.4. Customer contract assets and liabilities

Contract assets represent a conditional right to consideration in exchange for goods or services that have already been transferred to a customer. They are reclassified to trade receivables once the right to payment becomes unconditional, i.e. it is no longer subject to any conditions other than the passage of time. They are recognised in operating receivables.

Contract liabilities correspond to cash received from a customer, or a right to payment already obtained, for services that have yet to be performed and recognised in revenue. They are recognised in operating payables.

The main contract assets identified at the Group level involve:

– Sales invoice accruals arising from customer contracts representing the difference between revenue invoiced and revenue to be recognised depending on the completion of costs or the service provided;

– Other contract assets, mainly corresponding to variable consideration for the Group promised in a customer contract.

Contract liabilities include:

– Payments received on account for customer orders;

– Customer loyalty programmes, measured and recognised at the fair value of the unused point's consideration in deferred income, with an offsetting decrease in revenue. These contract liabilities are transferred through profit or loss under the revenue heading as and when the loyalty points are used by customers;

– Deferred income relating to issued tickets that have been paid for during the period but which are used for a transport service expected in future periods;

– Deferred income relating to customer contracts recognised in revenue over time according to the percentage of completion method as well as any other deferred income arising from customer contracts;

– Other contract liabilities, including travel vouchers issued to compensate for disruptions and any other variable consideration for customers.

The reconciliation of contract asset and liability balances for the period is as follows:

In € millions	31/12/2018	Increase	Decrease	Change in Group structure	Foreign exchange and other	31/12/2019
Sales invoice accruals	437	956	-748	-3	2	644
Other customer contract assets	18	5	-2	0	0	20
Contract assets	**455**	**961**	**-750**	**-3**	**2**	**665**
Payments received on account for customer contracts	187	146	-109	0	0	224
Deferred income from customer contracts	1,968	1,482	-1,850	-3	44	1,641
Other customer contract liabilities	423	286	-162	-2	0	545
Contract liabilities	**2,579**	**1,913**	**-2,121**	**-5**	**45**	**2,410**

The reconciliation of contract asset and liability balances for the comparative period is as follows:

In € millions	01/01/2018	Increase	Decrease	Change in Group structure	Foreign exchange and other	31/12/2018
Sales invoice accruals	908	2,101	-2,574	1	1	437
Other customer contract assets	7	11	0	0	0	18
Contract assets	**914**	**2,112**	**-2,574**	**1**	**1**	**455**
Payments received on account for customer contracts	158	157	-128	0	0	187
Deferred income from customer contracts	1,715	1,885	-1,631	0	-1	1,968
Other customer contract liabilities	303	249	-129	0	0	423
Contract liabilities	**2,177**	**2,290**	**-1,888**	**0**	**0**	**2,579**

4.5. PROVISIONS FOR RISKS AND LITIGATION

Provisions are recorded when, at the balance sheet date, the Group has a present obligation to a third party as a result of a past event and the settlement of this obligation will require an outflow of company resources with no consideration.

This obligation may be legal, regulatory or contractual. It may also result from Group practice or external commitments that create valid expectations in third parties that the Group will assume certain responsibilities.

The estimated amount of the provision reflects the outflow of resources that is likely to be necessary to settle the Group's obligation. If a reliable estimate of this amount cannot be made, no provision is recorded. Disclosure is provided in the notes to the financial statements.

Provisions are discounted when the impact of the time value of money is deemed material. The discount rate is determined with reference to a closing market rate based on leading corporate bonds with a maturity comparable to the estimated maturity of the provision. The reference used is Bloomberg AA for the Eurozone.

A contingent liability is a possible obligation that arises from past events whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Group, or a probable obligation where it is not probable that an outflow of resources will be required. Except for contingent liabilities recognised as part of a business combination, contingent liabilities are not recorded. Disclosure is provided in the notes to the financial statements.

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

In € millions	01/01/2019	Charges	Reversals used	Reversals not used	Other changes	31/12/2019	of which current	of which non-current
Contractual litigation and risks	268	96	-46	-89	1	230	47	183
Tax, employee and customs risks	98	95	-22	-21	0	151	26	124
Environmental risks	811	32	-37	-28	2	781	2	779
Restructuring costs	22	8	-11	-6	-3	10	6	4
Other	226	98	-15	-42	-15	252	82	170
Total provisions	**1,426**	**329**	**-132**	**-186**	**-14**	**1,423**	**164**	**1,260**

The impact of the passage of time (reverse discounting) gave rise to a €7 million increase in provisions, offset against financial profit.

4.5.1. Provisions for environmental risks

This provision covers the costs of environmental protection and site restoration and clean-up. It specifically includes a contingency provision for asbestos lawsuits filed against the Group.

The SNCF Group set up an environmental management team in response to the enactment in French law of Directive 2004/35 of 21 April 2004 regarding so-called "polluter-payer" environmental liability. One of the team's objectives was to shed light on the impacts with respect to the Group's activities, primarily in terms of storage and distribution installations for fuel, water disposal, waste, etc. The related assessments were recorded on their completion. Directive 2004/35 has since been transposed in France by Decree 2009-468 of 23 April 2009.

Furthermore, the French government decree of 3 June 2011 relating to the protection of the public against health risks resulting from exposure to asbestos in buildings that came into effect on 1 February 2012 was to be accompanied by implementation decrees. These decrees were published at the end of December 2012 for an implementation date of 1 January 2013. They define the criteria for assessing the state of the materials to be investigated, the content of the report on the identification of asbestos-containing materials as well as the content of the asbestos technical file summary sheet. An action plan has been implemented covering the compliance of the asbestos technical analyses within the deadline stipulated by the new decree, i.e. by 2021. At this stage, the additional work performed has not generated a material change in the provision for environmental risks. The analyses are still in progress.

With regard to its rolling stock, the Group has a dismantlement and restoration obligation. With respect to rolling stock containing asbestos, there is a present obligation from the time the asbestos is detected. Any increase in the dismantlement provision is offset by an increase in the value of the equipment on the balance sheet for equipment not fully depreciated and in profit or loss for equipment at the end of its useful life. An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount. The cost of dismantlement is amortised over the asset's remaining useful life. Should there be a decrease in the estimated probable outflow of resources, the provision is reversed against the corresponding asset in the balance sheet and in profit or loss for the portion exceeding the net carrying amount of this asset. The provision is gradually extinguished in profit or loss as the dismantlement is completed.

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

– site decontamination: €152 million (€156 million in 2018).

– asbestos-related costs €622 million (€649 million in 2018).

The decrease in asbestos costs primarily concerns the reassessment of costs of dismantling rolling stock containing asbestos based on newly signed contracts. It is recognised in the amount of €38 million (in “Other changes”) against the dismantling component of the capitalised rolling stock (see Note 4.1) and in the amount of €24 million against “Net movement in provisions” under current operating profit.

Furthermore, the decline in the discount rate, which mainly covers provisions for asbestos costs, gave rise in 2019 to a €48 million provision increase, of which €8 million offset against “Net movement in provisions” under current operating profit and €40 million (in the “Other changes” column) offset against the dismantling component relating to capitalised rolling stock (see Note 4.1).

4.5.2. Provisions for contractual litigation and risks

The provision for contractual litigation and risks mainly includes risks associated with legal disputes and contract settlements in addition to contractual risks.

4.5.2.1 Litigation

The Group is involved in several unresolved legal disputes arising in the normal course of its activities. Such disputes are provided based on an assessment of the related risk and the probability of realisation. Unused reversals were mainly attributable to the elimination of risks related to current litigation or the adjustment to their measurement.

Resolved litigation

– 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 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 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.”

In 2019, compensation was paid out for 68 cases following the signature of settlement agreements. A provision reversal for the paid compensation was therefore recorded in the Group’s consolidated financial statements for the year ended 31 December 2019.

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 has decided to appeal. The appeal was filed on 21 May 2019. ECR and the Competition Authority filed observations in defence on 19 and 22 July 2019. Neither the Competition Authority nor ECR lodged a cross-appeal within the 60-day deadline.

– Investigation of the Competition Authority regarding the Distribution and Express segment

The Competition Authority investigated the Distribution and Express segment with regard to an alleged agreement on pricing adjustments for the 2005/2010 period. A notice of grievances was sent to Geodis and SNCF Mobilités in July 2014. After observations of the parties, the Competition Authority's investigation department issued a report on 22 April 2015, largely dismissing the arguments presented by the various stakeholders. Geodis and SNCF Mobilités put forward their observations in reply.

The Competition Authority 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. In its ruling of 19 July 2018, the Paris Appeal Court reduced the fine of €196 million, paid in April 2016 by Geodis 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 31 December 2019 accounts, corresponding to the partial repayment of the fine paid in April 2016 (see Note 2.1.2).

The reporting judge was appointed on 1 October. The Competition Authority filed a brief in defence on 28 November 2019. A hearing could take place in the first half of 2020.

– 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 indicted 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 of the accident.

In January 2019, the establishment director, who was the last to inspect the track before the accident, was investigated. The investigating judges notified the parties of the end of the legal investigation. In its closing argument notified to SNCF Mobilités on 25 November 2019, the public prosecutor requested the referral of SNCF Mobilités, SNCF Réseau and DPX.

– Action for damages relating to work contracts arrangements

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. In October 2016, the team of drivers was investigated.

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 should be questioned again in the first half of 2020.

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."

In terms of accounting, a provision for "civil liability" excess was recorded in the SNCF Réseau accounts for the year ended 31 December 2019.

– Appeal to the Conseil d'État for the repeal of 1(e of Article 2, section 5 of the by-laws ("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 by-laws, 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 consolidated financial statements for the year ended 31 December 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.

A provision was recorded for the risk incurred in the consolidated financial statements for the year ended 31 December 2019.

– 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 set for 9 January 2020 was postponed until April 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.

Since the risk cannot be estimated at this stage of the proceedings, no accounting impact was recorded in the consolidated financial statements for the year ended 31 December 2019.

– Derailment in Culoz

On 24 July 2006, a work train comprising several components and partly belonging to SNCF and ETF derailed on the Rhône bridge between Culoz and Vions. The roles and responsibilities in the work train authorisation should be shared between SNCF, the train designer and manufacturer and the owner. SNCF may be considered as partly responsible. The proceedings are still ongoing.

– Tunnel des Montets

On 20 February 2012, SNCF Réseau (formerly RFF) entrusted the grouping comprising SPIE Batignolles TPCI, Sotrabas, Cegelec Centre Est, SPIE Batignolles Energie Fontelec and BG Ingenieurs Conseils with a design and build contract for the renovation of the Tunnel des Montets. During the performance of this contract, the designer filed claims regarding the work statement of account following the work carried out in connection with the tunnel's renovation. Despite the exchanges aimed at settling the contract through an agreement, the grouping filed suit and on 23 October 2015 filed an application to institute proceedings to approve the contract balance. The proceedings are still ongoing.

4.5.2.2 Provisions for onerous contracts

Provisions are recognised for long-term contracts when they become onerous, that is to say when the inevitable costs required to satisfy the contractual obligations exceed the future economic benefits expected from these contracts. Provisions are valued based on inevitable costs, which reflect the net contract exit cost, that is to say the lower of the contract performance cost or any other compensation or penalty arising from failure of performance.

There were no onerous contracts as at 31 December 2019.

4.5.3. Provisions for tax, employee-related and customs risks

Provisions for tax risks primarily cover risks relating to taxes and duties other than income tax and uncertainties surrounding tax positions in respect of income tax which are recognised in operating liabilities under IAS12 Income taxes (see Note 7).

In fiscal 2019, EPIC SNCF, SNCF Mobilités and SNCF Réseau were subject to a URSSAF social security audit regarding fiscal 2016, 2017 and 2018. A provision for employee-related liabilities was therefore recognised in the 31 December 2019 financial statements.

4.5.4. Provisions for restructuring costs

The cost of restructuring measures is provided in full in the year when such measures are decided and announced in sufficient detail prior to the period-end closing in order to create a valid expectation that they will be implemented. Restructuring costs primarily consist of the cost of writing off non-current assets, inventory and other assets that will no longer be used. Employee departure costs are classified under employee benefits.

5. EMPLOYEE BENEFITS

5.1. DESCRIPTION OF EMPLOYEE BENEFITS

5.1.1. Pension and similar plans

Through its subsidiaries, the Group participates in pension plans and other employee benefits in accordance with the laws and customs of each country where it is established and outside of the statutory pension plans governed by law. These benefits comprise end-of-career or retirement benefits and bonuses with respect to long-service awards (France), defined benefit pension plans (United Kingdom, Italy (TFR), Germany, the Netherlands, Sweden, Norway, Australia and Canada) and retiree health costs (Canada).

In France, pension benefits paid to an employee at the retirement date are determined in accordance with the national collective agreement or the company agreement in force in the entity. The two main collective agreements in force within the Group are as follows:

– urban public transport collective agreement (CCN_3099) within the Keolis subsidiaries;

– non-rail transport collective agreement (CCN_3085).

These plans can be partially funded.

In Italy, employees receive the Trattamento di Fine Rapporto di lavoro subordinato (TFR). This employment termination benefit, payable by the employer regardless of the reason for the contract's termination, takes the form of a single payment representing approximately 1/14th of the annual compensation per year of service. This plan is recorded as a post-employment benefit since the benefits are granted in respect of the service rendered during the working period.

5.1.2. Provident plan

The provident plan concerns supplementary benefits EPIC top executives not otherwise covered.

5.1.3. Social welfare initiatives

A number of social welfare initiatives have been implemented for EPIC personnel: access to infrastructures, consultation of social workers, etc. Both active (short-term benefits) and retired employees with qualifying status (post-employment benefits) may benefit from these initiatives.

A provision in the amount of benefit granted to retired employees was recognised.

5.1.4. Compensation for work-related injuries

Compensation for work-related injuries is self-financed for active and retired EPIC employees, independently of the current general regime.

Life annuities are provided in full at the date of grant to injured employees without any seniority conditions. They represent long-term (active employees) and post-employment benefits (retired employees).

5.1.5. Gradual cessation of activity

The gradual cessation of activity is a procedure used to adjust the work time of employees who have reached the end of their careers. A work-time formula is thus arranged to provide a transition period between professional activity and retirement. The agreement effective since July 2008 offers the possibility of a gradual or complete cessation for EPIC personnel. The granting of benefits is based on a combination of criteria: years of service, hardship and employee category. The agreement is treated as a long-term benefit in the consolidated financial statements pursuant to IAS 19.

The calculation is mainly based on the assumption related to the expected proportion of employees to be covered by the procedure.

5.1.6. Long-service awards and other benefits

This heading combines the other long-term employee benefits granted by the Group through its subsidiaries, particularly bonuses with respect to long-service awards (France) as well as employee termination benefits under the EPIC voluntary retirement scheme.

5.1.7. Circulation privileges

EPIC personnel (active employees, retired employees and their beneficiaries) receive circulation privileges (CP) which enable them to travel under certain circumstances at prices that differ from the market. The Group considers that these travel privileges do not have a material impact on its production resources.

With respect to active personnel (over the period of activity), no liability is recognised since the CP are granted in consideration for services rendered by the beneficiaries over this period. They thus meet the definition of a short-term benefit.

For active employees over the post-employment period, current retirees and their beneficiaries, considering that the marginal average cost of this programme is lower than the average price paid on reservation, no liability is recorded in the financial statements regarding this post-employment benefit.

5.2. CHANGE IN THE NET POSITION OF THE PLANS

5.2.1. Breakdown of net liabilities (assets)

In € millions	31/12/2019	31/12/2018
Present value of the obligations	3,338	3,047
Fair value of plan assets	-391	-341
Net position of the plans	**2,946**	**2,706**
Effect of the asset ceiling	0	1
Total net liabilities (assets) at closing date	**2,946**	**2,707**
Of which net liabilities recorded	*2,946*	*2,706*
Of which net assets recorded	*0*	*0*

The Group's main employee benefit plans gave rise to the recognition of the following liabilities:

In € millions	31/12/2019	31/12/2018
Pensions and other similar benefits	450	439
Provident obligations	68	58
Social welfare initiatives	341	297
Compensation for work-related injuries	1,224	1,071
Liabilities relating to post-employment benefits	**2,083**	**1,865**
Compensation for work-related injuries	51	46
Long-service awards and other benefits	217	196
Gradual cessation of activity	364	411
Time savings account	231	189
Liabilities relating to other long-term benefits	**863**	**842**
Total liabilities	**2,946**	**2,707**
- of which non-current	*2,767*	*2,540*
- of which current	*179*	*167*

5.2.2. Change in net liabilities (assets)

The items explaining the change in net liabilities over the period are as follows:

In € millions	31/12/2019	31/12/2018
Total net liabilities (assets) at opening date	**2,706**	**2,717**
Current service cost	263	223
Past service cost	1	4
Effect of plan settlements	0	0
Net financial interest	42	33
Actuarial gains and losses generated during the period	152	-78
Benefits paid to employees by the company	-219	-187
Employer's fund contribution	-12	-9
Effect of changes in Group structure	6	0
Foreign exchange impact	6	-1
Other	3	2
Total net liabilities (assets) at closing date	**2,946**	**2,706**

A net actuarial loss of €152 million was recorded in 2019. It was essentially due to the drop in the discount rate observed for all the monetary zones, the adjustment of demographic and financial assumptions (contribution rate, employee turnover rate, membership rate for the cessation of activity plan) and experience adjustments.

The negative amount recognised in "Non-recyclable reserves with respect to post-employment benefits" totalled -€193 million while the net gain recognised in finance costs under other long-term benefits amounted to €41 million.

In 2018, the net actuarial gain of €78 million was essentially due to the higher discount and inflation rates observed for all the monetary zones: the profit recognised in "Non-recyclable reserves with respect to post-employment benefits" totalled €32 million while the net gain recognised in finance costs under other long-term benefits amounted to €46 million.

The foreign exchange impacts mainly involved the pension plans of UK subsidiaries and stemmed from the decrease in the pound sterling / Euro parity observed since Brexit.

Changes in the present value of obligations, the fair value of plan assets and the net liabilities (assets) for 2019 are as follows:

31/12/2019 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL
Present value of the obligation at opening date	**779**	**58**	**297**	**1,117**	**600**	**196**	**3,047**
Current service cost	37	1	5	38	69	113	**263**
Employee contribution	0						**0**
Past service cost arising from a plan amendment	2	0	0	0	0	0	**3**
Past service cost arising from a plan curtailment	-2	0	0	0	0	0	**-2**
Effect of settlements	-16	0	0	0	0	0	**-16**
Finance cost	18	1	5	17	9	1	**51**
Actuarial gains and losses generated during the period	17	10	42	164	-47	3	**190**
Benefits paid to employees by the company	-17	-2	-8	-60	-36	-96	**-219**
Benefits paid by the fund	-10						**-10**
Effect of changes in Group structure	6	0	0	0	0	-1	**5**
Foreign exchange impact	23					0	**23**
Other	1	0	0	0	0	0	**2**
Present value of the obligation at closing date	**841**	**68**	**341**	**1,276**	**595**	**217**	**3,338**
Of which present value of unfunded obligations	*270*	*68*	*341*	*1,276*	*595*	*217*	***2,766***
Of which present value of fully or partially funded obligations	*571*						***571***

31/12/2019 In € millions	Pensions and other similar benefits
Fair value of plan assets at opening date	**341**
Implicit return on plan assets	10
Actuarial gains and losses generated during the period	37
Effect of curtailments and settlements	-16
Employer's fund contribution	12
Employee fund contribution	0
Benefits paid by the fund	-10
Effect of changes in Group structure	-1
Foreign exchange impact	18
Other	-1
Fair value of plan assets at closing date	**391**
Effect of the asset ceiling at opening date	**1**
Change in effect of the asset ceiling	-1
Interest expense on effect of the asset ceiling	0
Effect of the asset ceiling at closing date	**0**

31/12/2019 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL
(+) Present value of the obligation at closing date	841	68	341	1,276	595	217	**3,338**
(-) Fair value of plan assets at closing date	-391	0	0	0	0	0	**-391**
(-) Effect of the asset ceiling at closing date	0	0	0	0	0	0	**0**
Total net liabilities (assets) at closing date	**450**	**68**	**341**	**1,276**	**595**	**217**	**2,946**
Assets available after effect of the asset ceiling	0						**0**
Total liabilities at closing date	**450**	**68**	**341**	**1,276**	**595**	**217**	**2,947**

Changes in the present value of obligations, the fair value of plan assets and the net liabilities (assets) for 2018 are as follows:

31/12/2018 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL
Present value of the obligation at opening date	**786**	**58**	**296**	**1,150**	**601**	**183**	**3,074**
Current service cost	38	1	5	40	79	60	**223**
Employee contribution	0						**0**
Past service cost arising from a plan amendment	1	0	0	0	0	3	**4**
Past service cost arising from a plan curtailment	0	0	0	0	0	1	**0**
Effect of settlements	0	0	0	0	0	0	**0**
Finance cost	16	1	4	14	7	1	**42**
Actuarial gains and losses generated during the period	-26	1	4	-26	-40	-5	**-92**
Benefits paid to employees by the company	-17	-2	-12	-61	-47	-47	**-187**
Benefits paid by the fund	-11	0	0	0	0	0	**-11**
Effect of changes in Group structure	-4	0	0	0	0	0	**-4**
Foreign exchange impact	-3					1	**-3**
Other	0	0	0	0	0	0	**0**
Present value of the obligation at closing date	**779**	**58**	**297**	**1,117**	**600**	**196**	**3,047**
Of which present value of unfunded obligations	*301*	*58*	*297*	*1,117*	*600*	*196*	***2,569***
Of which present value of fully or partially funded obligations	*478*						***478***

31/12/2018 In € millions	Pensions and other similar benefits
Fair value of plan assets at opening date	**356**
Implicit return on plan assets	9
Actuarial gains and losses generated during the period	-14
Effect of curtailments and settlements	0
Employer's fund contribution	9
Employee fund contribution	0
Benefits paid by the fund	-11
Effect of changes in Group structure	-4
Foreign exchange impact	-2
Other	-1
Fair value of plan assets at closing date	**341**

Effect of the asset ceiling at opening date	**1**
Change in effect of the asset ceiling	0
Interest expense on effect of the asset ceiling	0
Effect of the asset ceiling at closing date	**1**

31/12/2018 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL
(+) Present value of the obligation at closing date	779	58	297	1,117	600	196	**3,047**
(-) Fair value of plan assets at closing date	-341	0	0	0	0	0	**-341**
(-) Effect of the asset ceiling at closing date	1	0	0	0	0	0	**1**
Total net liabilities (assets) at closing date	**439**	**58**	**297**	**1,117**	**600**	**196**	**2,707**
Assets available after effect of the asset ceiling	0						**0**
Total liabilities at closing date	**439**	**58**	**297**	**1,117**	**600**	**196**	**2,707**

5.2.3. Breakdown of plan assets

In € millions	31/12/2019	31/12/2018
Bonds	81	84
Shares	289	238
Real estate	1	1
Cash and cash equivalents	2	2
Other	18	16
Total fair value of plan assets	**391**	**341**
Of which active market	*391*	*336*
Of which Euro zone	*14*	*14*

Assets mainly concern the pension plans for the Group's UK subsidiaries.

5.2.4. Reimbursement rights

The plans for certain SNCF Logistics subsidiaries, mainly in Germany, have reimbursement rights (€13 million as at 31 December 2019, and €13 million as at 31 December 2018). They are recognised at fair value as a separate asset in the statement of financial position. Actuarial gains and losses generated over the period with respect to these reimbursement rights are recognised immediately in non-recyclable reserves, under the same terms and conditions as the actuarial gains and losses arising from the plan assets.

5.2.5. Analysis of contributions payable to the pension fund in Y+1

Under plans totally or partially funded by plan assets (mainly in Anglo-Saxon countries), the contributions payable in Y+1 by companies and/or beneficiaries break down as follows:

31/12/2019 In € millions	Pensions and other similar benefits
Employer's fund contribution	8
Employee fund contribution	5
Total contributions payable	**14**

31/12/2018 In € millions	Pensions and other similar benefits
Employer's fund contribution	9
Employee fund contribution	5
Total contributions payable	**14**

5.3. EMPLOYEE BENEFIT PLAN EXPENSES

For the basic plans and other defined-contribution plans, the Group expenses contributions payable when they are due. No provisions are recognised as the Group does not have any obligation beyond the contributions paid. This has primarily involved the special retirement plan for employees with EPIC SNCF Mobilités qualifying status since the creation of the SNCF Employee Pension and Provident Fund in 2007.

In the case of defined-benefit plans, when benefits are covered by third parties (insurance contracts, provident organisations unrelated to the Group), and the Group has no legal or implicit obligation to cover any losses relating to past services over the period or prior periods, no obligation is recognised and the insurance/provident premiums paid are recognised as payments to a defined contribution plan, the obligation to provide benefits to employees being the sole responsibility of the third party organisation.

In the other cases, the obligations are subject to actuarial valuations and provisions are recorded on the balance sheet upon vesting of benefit rights by employees. The actuarial liability (or present value of the obligation with respect to defined benefits) is determined according to the projected unit credit actuarial method, which stipulates that each period of service gives rise to an additional unit of benefit and measures each unit separately to determine the final obligation.

These calculations include assumptions concerning the discount rate, mortality, employee turnover and expected future salary levels.

In the case of plans partially or fully funded by plan assets, the net liability (asset) is recognised in the amount of the negative or positive difference between the present value of the obligation and the fair value of the plan assets.

5.3.1. Net expense with respect to defined benefit plans

The income statement expense for 2019 and 2018 breaks down as follows.

31/12/2019 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL
Current service cost	37	1	5	38	69	113	**263**
Past service cost	0	0	0	0	0	0	**1**
Of which effect of plan amendments	*2*	*0*	*0*	*0*	*0*	*0*	***3***
Of which effect of plan curtailments	*-2*	*0*	*0*	*0*	*0*	*0*	***-2***
Effect of settlements on the obligation	-16	0	0	0	0	0	**-16**
Effect of settlements on plan assets	16						**16**
Other	0	0	0	0	0	0	**0**
Gross profit	**38**	**1**	**5**	**38**	**69**	**114**	**264**
Net financial interest	8	1	5	17	9	1	**41**
Of which finance cost	*18*	*1*	*5*	*17*	*9*	*1*	***51***
Of which implicit return on plan assets	*-10*						***-10***
Of which interest on asset ceiling	*0*						***0***
Actuarial gains and losses generated during the year with respect to long-term benefits	0			3	-47	3	**-41**
Other	1	0	0	0	0	0	*1*
Finance cost	10	1	5	21	-38	4	2
Total expense recognised	48	2	10	58	31	118	266

31/12/2018 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL
Current service cost	38	1	5	40	79	60	**223**
Past service cost	1	0	0	0	0	3	**4**
Of which effect of plan amendments	*1*	*0*	*0*	*0*	*0*	*3*	***4***
Of which effect of plan curtailments	*0*	*0*	*0*	*0*	*0*	*1*	***0***
Effect of settlements on the obligation	0	0	0	0	0	0	**0**
Effect of settlements on plan assets	0						**0**
Other	1	0	0	0	0	0	**1**
Gross profit	**40**	**1**	**5**	**40**	**79**	**63**	**228**
Net financial interest	6	1	4	14	7	1	**33**
Of which finance cost	*16*	*1*	*4*	*14*	*7*	*1*	***42***
Of which implicit return on plan assets	*-9*						***-9***
Of which interest on asset ceiling	*0*						***0***
Actuarial gains and losses generated during the year with respect to long-term benefits	0			-1	-40	-5	**-46**
Other	1	0	0	0	0	0	*1*
Finance cost	8	1	4	13	-33	-4	-12
Total expense recognised	48	2	9	53	46	59	216

5.3.2. Net expense with respect to defined contribution plans

The expense recorded for defined contribution plans included in "Employee benefits expense" amounted to €1.7 billion in 2019 (€1.6 billion in 2018). It has primarily involved the special retirement plan for employees with EPIC qualifying status since the creation of the SNCF Employee Pension and Provident Fund in 2007.

5.3.3. Remeasurements of the net defined liability (asset) benefit in non-recyclable reserves

As of 1 January 2013, given the application of IAS 19 revised and the elimination of the corridor method, the actuarial gains and losses generated over the period for post-employment benefits are immediately offset in non-recyclable reserves (equity).

In the event of the partial or total derecognition of the liability, the gains and losses will never be transferred to profit or loss in subsequent periods. Where necessary, they may be transferred to another equity component (mainly Other reserves).

Actuarial gains and losses generated for other long-term benefits (compensation for work-related injuries of active employees over the period of service, long service awards, time-savings account and gradual cessation of activity) continue to be immediately recognised in finance costs over the period.

31/12/2019 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Post-employment compensation for work-related injuries	TOTAL
(losses) and gains					
Remeasurements at opening date	**-168**	**-12**	**50**	**-347**	**-477**
Actuarial gains and losses generated during the year with respect to obligations	-17	-10	-42	-160	**-231**
Actuarial gains and losses generated during the year with respect to plan assets	37				**37**
Actuarial gains and losses generated during the year with respect to reimbursement rights	0				**0**
Net changes in the effect of the asset ceiling	0				**0**
Foreign exchange impact	-5				**-5**
Other	-5				**-5**
Remeasurements at the closing date	**-159**	**-22**	**8**	**-508**	**-680**

31/12/2018 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Post-employment compensation for work-related injuries	TOTAL
(losses) and gains					
Remeasurements at opening date	**-181**	**-11**	**55**	**-372**	**-509**
Actuarial gains and losses generated during the year with respect to obligations	26	-1	-4	25	**45**
Actuarial gains and losses generated during the year with respect to plan assets	-14				**-14**
Actuarial gains and losses generated during the year with respect to reimbursement rights	0				**0**
Net changes in the effect of the asset ceiling	0				**0**
Foreign exchange impact	1				**1**
Other	0				**0**
Remeasurements at the closing date	**-168**	**-12**	**50**	**-347**	**-477**

5.4. ACTUARIAL ASSUMPTIONS AND GAINS AND LOSSES

5.4.1. Main actuarial assumptions used

Provisions for employee obligations are calculated on an actuarial basis, using the projected unit credit method. The parameters used in the modelling of the main employee benefits are as follows:

Discount rate

Obligations relating to the main post-employment benefits were discounted at the closing dates market rate based on leading corporate bonds of comparable maturity. The benchmark used to determine the discount rate is Bloomberg AA for the Eurozone. The last two rates indicated correspond to the plans of the subsidiaries that apply the rail (Geodis) and freight transport collective agreements. The rate for Sweden concerns the plans covering the subsidiaries of the SNCF Logistics business

Gradual cessation of activity plan membership

The amount of the obligation under the gradual cessation of activity agreement was calculated using a membership assumption. In connection with the rail reform and the transfers on 1 July 2015, the breakdown of the commitment between the EPICs was determined using different rates. Now the membership rate is 25.46% for EPIC SNCF Réseau, 21.67% for EPIC SNCF Mobilités and

unit, while that for the UK concerns Eurostar, the subsidiary of the Voyages SNCF business unit.

Mortality table

Since the second half of 2013, EPIC social welfare initiatives and provident obligations have been measured using a prospective mortality table by gender specific to railway employees (special pension plan base). This table prepared by the Caisse de Prévoyance Retraite (provident pension fund) was validated by a certifying actuary.

A table including a degradation coefficient was extrapolated for compensation for work-related injuries/illnesses. Based on the CPR certified table, the mortality tables of the other plans were also modified.

These mortality table changes satisfy the requirement of the revised standard according to which mortality assumptions must reflect that of the plan members both during and after employment.

8.96% for EPIC SNCF. A 100 point increase or decrease in this assumption would have an impact of around €16 million on the obligation amount.

5.4.1.1 Assumptions used for EPIC main plans

As the obligations under the EPIC plans represent more than 82% of the Group total, the actuarial assumptions used for their measurement are described below.

	31/12/2019	31/12/2018
Discount rate	0.60%	*1.58%*
Inflation rate	1.90%	*1.90%*
Benefit remeasurement rate		
Provident plan	*2.40%*	*2.40%*
Social welfare initiatives	*1.90%*	*1.90%*
Compensation for work-related injuries	*1.90%*	*1.90%*
Gradual cessation of activity	*2.37%*	*2.37%*
Retirement benefits and long-service awards	*2.37%*	*2.37%*
Mortality table		
Provident obligations and social welfare initiatives	*CPR H / CPRF*	*CPR H / CPRF*
Active and retired employees with work-related injuries	*CPR AT*	*CPR AT*
Widows of employees with work-related injuries	*CPR F*	*CPR F*
Gradual cessation of activity	*CPR 80%H 20%F*	*CPR 80%H 20%F*
Retirement benefits and long-service awards	*CPR 80%H 20%F*	*CPR 80%H 20%F*
Gradual cessation of activity plan membership - SNCF Mobilités	21.67%	25.94%
Gradual cessation of activity plan membership - SNCF	8.96%	10.74%
Gradual cessation of activity plan membership - SNCF Réseau	25.46%	31.89%

5.4.1.2 Assumptions used for other plans by geographical area

With respect to the plans granted by Group subsidiaries, the assumptions used for the principal monetary zones according to the plan terms are as follows:

	31/12/2019					31/12/2018				
	Eurozone			UK	Sweden	Eurozone			UK	Sweden
	Geodis Logistics Deutschland GmbH	SNCF Logistics	Keolis	Eurostar	Geodis Wilson Holding AB	Geodis Logistics Deutschland GmbH	SNCF Logistics	Keolis	Eurostar	Geodis Wilson Holding AB
Discount rate	0.67%	0.50%	0.38%	2.10%	1.40%	1.68%	1.40%	1.26%	2.90%	2.50%
Salary increase rate	2.00%	2.74%	4.31%	2.70%	2.70%	2.00%	2.63%	4.29%	2.70%	3.00%
Inflation rate	1.90%	1.90%	1.90%	2.90%	1.70%	1.90%	1.90%	1.90%	3.20%	2.00%

5.4.2. Analysis by nature of actuarial gains and losses

Actuarial gains and losses are recognised according to the plan's qualification:
- for defined benefit plans covering post-employment benefits, actuarial gains and losses are recognised in other comprehensive income under non-recyclable reserves. They are never recycled in profit or loss but can be reclassified in undistributed reserves if the entity concerned is removed from the consolidation scope;
- for other long-term defined benefit plans (long-service awards, unemployment, salary maintenance, gradual cessation of activity, etc.), actuarial gains and losses and any past service costs are immediately recognised in finance cost.

5.4.2.1 Change and breakdown of actuarial gains and losses

31/12/2019 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Post-employment compensation for work-related injuries	TOTAL Post-employment benefits	Post-employment compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL Long-term benefits (*)
Opening actuarial gains (losses)	**-168**	**-12**	**50**	**-347**	**-477**				
Experience adjustments relating to liabilities	88	-1	8	21	**117**	-8	26	7	**25**
Effects of changes in demographic assumptions relating to liabilities	6	0	0	0	**6**	0	85	-2	**83**
Effects of changes in financial assumptions relating to liabilities	-112	-9	-51	-181	**-353**	5	-65	-8	**-68**
Actuarial gains and losses on the obligation generated over the year	**-17**	**-10**	**-42**	**-160**	**-231**	**-3**	**47**	**-3**	**41**
Experience adjustments relating to assets	37				**37**				
Effects of changes in financial assumptions relating to assets	0				**0**				
Actuarial gains and losses generated during the year with respect to plan assets	**37**				**37**				
Foreign exchange impact	-5				-5				
Other	-5				-5				
Closing actuarial gains (losses)	**-159**	**-22**	**8**	**-508**	**-680**				
Total experience adjustments	*125*	*-1*	*8*	*21*	***154***	*-8*	*26*	*7*	***25***
Total impacts relating to changes in actuarial assumptions	*-106*	*-9*	*-51*	*-181*	***-347***	*5*	*20*	*-9*	***16***

31/12/2018 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Post-employment compensation for work-related injuries	TOTAL Post-employment benefits	Post-employment compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	TOTAL Long-term benefits (*)
Opening actuarial gains (losses)	-181	-11	55	-372	-509				
Experience adjustments relating to liabilities	-8	-4	-14	-8	**-34**	0	23	3	**27**
Effects of changes in demographic assumptions relating to liabilities	2	0	0	0	**2**	0	-8	0	**-8**
Effects of changes in financial assumptions relating to liabilities	31	3	10	33	**77**	1	25	3	**29**
Actuarial gains and losses on the obligation generated over the year	**26**	**-1**	**-4**	**25**	**45**	**1**	**40**	**5**	**46**
Experience adjustments relating to assets	-14				**-14**				**0**
Effects of changes in financial assumptions relating to assets	0				**0**				**0**
Actuarial gains and losses generated during the year with respect to plan assets	**-14**				**-14**				**0**
Foreign exchange impact	1				**1**				**0**
Other	0				**0**				**0**
Closing actuarial gains (losses)	-168	-12	50	-347	-477				0
Total experience adjustments	*-22*	*-4*	*-14*	*-8*	***-47***	*0*	*23*	*3*	***27***
Total impacts relating to changes in actuarial assumptions	*34*	*3*	*10*	*33*	***79***	*1*	*17*	*3*	***21***

** For other long-term benefits, actuarial gains and losses were not monitored as they have always been recognised immediately in net finance cost for the period.*

5.4.2.2 Analysis of the obligation's sensitivity to the main actuarial assumptions

The amounts below correspond to the decrease (actuarial gain) or increase (actuarial loss) in obligations as recognised as at 31 December 2019.

31/12/2019 In € millions Gains (-) / Losses (+)	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account
Sensitivity to the discount rate					
Change of + 0.25pt	-42	-3	-14	-50	-18
Change of - 0.25pt	39	3	15	53	19
Sensitivity to the inflation rate					
Change of + 0.25pt		3	15	53	
Change of - 0.25pt		-3	-14	-49	
Sensitivity to gradual cessation of activity membership rate					
Change of + 1pt					16
Change of - 1pt					-16

31/12/2018 In € millions Gains (-) / Losses (+)	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account
Sensitivity to the discount rate					
Change of + 0.25pt	-47	-2	-11	-40	-17
Change of - 0.25pt	24	2	12	42	18
Sensitivity to the inflation rate					
Change of + 0.25pt		2	12	42	
Change of - 0.25pt		-2	-11	-40	
Sensitivity to gradual cessation of activity membership rate					
Change of + 1pt					15
Change of - 1pt					-15

5.5. MANAGEMENT COMPENSATION

The Group's key management personnel are the members of the SNCF Mobilités and SNCF Réseau Executive Committees and the SNCF Supervisory Board Chairman. Members of the SNCF Management Board are also included.

Their cumulative taxable compensation indicated below corresponds to short-term benefits.

In € millions	31/12/2019	31/12/2018
Short-term employee benefits	8.1	8.0
Post-employment benefits	0.0	0.0
Termination benefits	0.0	0.0
Total	**8.1**	**8.0**

6. CAPITAL AND FINANCING

6.1. NET INDEBTEDNESS

Net indebtedness is the sum of current and non-current financial liabilities less current and non-current financial assets, when the latter arise from transactions which, in substance, only involve exchanges of cash flow: issue or receipt of cash in consideration for a cash reimbursement or expected cash reimbursement.

Net indebtedness excludes the following items:

- Pension assets and liabilities which are covered by IAS 19 and presented in Note 5.

- Concession financial assets and liabilities, as they compensate for a transportation service or the right to use an infrastructure under a concession agreement.

- Lease financial receivables and lease liabilities which compensate the right-of-use granted to an underlying asset under a lease.

- Non-controlling interest purchase commitments as they are equity transactions and do not involve an exchange of cash flow. Keeping in line with the exclusion of equity from net indebtedness, the financial liabilities arising from these transactions are also excluded.

- Investments in equity instruments, corresponding to non-consolidated investments.

- Financial assets and liabilities relating to public-private partnerships (PPP) during the construction phase. During this phase, payments are suspended at completion and delivery of the construction work. The financial liabilities reflect a customer-supplier relationship rather than a lender-borrower relationship. Once the construction is completed and accepted, the payments become unconditional and follow a schedule similar to that for the amortisation of a loan or borrowing rather than for a trade payable. PPP receivables and payables subsequent to the construction period therefore change in nature to reflect, in substance, cash flow exchanges. They are therefore adopted in the net indebtedness calculation.

6.1.1. Net borrowing costs

Net borrowing costs consist of:

- interest paid on Group borrowings;
- proceeds from the Public Debt Fund receivable (see Note 6.1.2.1);
- and interest received on available cash balances.

These items are presented after hedging transactions and include fair value gains and losses on derivative instruments not qualifying for IFRS hedge accounting. Net changes in fair value and hedges records gains and losses on financial instruments at fair value through profit or loss, the ineffective portion of hedges, and the change in fair value of borrowings using the fair value option.

Net borrowing costs break down as follows:

In € millions	31/12/2019	31/12/2018	Change
Net changes in fair value and hedges	-142	56	-198
Gains and losses on derivative instruments	*40*	*272*	-232
Gains and losses on fair value hedged items	*-273*	*-193*	-80
Gains and losses on equity instruments at fair value through profit or loss	*-4*	*-12*	8
Gains and losses on debt instruments at fair value through profit or loss	*1*	*4*	-3
Gains and losses on financial liabilities at fair value through profit or loss	*3*	*1*	2
Other fair value gains and losses	91	-17	108
Net borrowing costs	*-1,538*	*-1,501*	*-37*
Of which interest income and expense on financial assets at amortised cost	*86*	*77*	*10*
Of which interest income and expense on financial liabilities at amortised cost	*-1,705*	*-1,638*	*-67*
Other interest expense and income	-173	-7	-166
Of which interest expense on lease liabilities (*)	*-145*		
Net borrowing and other costs	-1,853	-1,452	-401

(*) The implementation of IFRS 16 includes additional information in the notes on net borrowing costs. The comparative information was not restated (see Note 1.2)

In € millions	31/12/2019	31/12/2018	Change
Interest expense	-2,301	-2,089	-211
Interest income	448	637	-189
Net borrowing and other costs	-1,853	-1,452	-401

6.1.2. Calculation of net indebtedness

The following tables present the categories and classes of financial assets and liabilities as well as the methods used for their fair value measurement.
The items excluded from the net indebtedness calculation do not appear in the “Net indebtedness” column or the “Group net indebtedness” sub-total.

The classification and measurement of financial assets requires an analysis of the cash flows generated by such assets, and their applied management model.
Cash flow analysis consists in defining whether or not the financial asset generates solely principal repayment flows and related interest payments. These are called SPPI assets (solely payments of principal and interest on the principal amount).
Their management model is analysed to determine whether the financial asset is held by the Group in order to:
- Collect the contractual flows generated by the financial asset;
- Collect the contractual flows generated by the financial asset and following its sale;
- Any other grounds for holding, particularly for short-term trading or optimisation.

This double analysis is carried out to determine the measurement method applicable to each financial asset:
- Measurement at amortised cost;
- Measurement at fair value through other comprehensive income;
- Measurement at fair value through the income statement.

Furthermore, debt instruments in assets (loans, receivables, bonds and other securities) measured at amortised cost are subject to the impairment model for expected losses. This impairment, representing the counterparty’s credit risk, is recognised against the income statement as soon as loans and receivables have been granted or securities acquired, without the identification of any objective indication of impairment. It is estimated for the credit losses that the Group expects to incur over a one-year period, based on the historical data or financial rating of the counterparty. In the event of significant credit risk deterioration, it is remeasured to represent the loss expected over the life of the financial asset.
The Group does not recognise impairment for losses expected on the following financial assets:
- Assets held with a government counterparty presenting a negligible credit risk;
- Assets held with an entity included within the Group’s scope of consolidation;
- Assets whose expected losses are estimated to be immaterial.

In the event of an objective indication of impairment, which is to say a long-term and material decline in an asset's value, an impairment loss is recognised through profit or loss for the loss in value. An objective indication arises from the Group's knowledge of the debtor's financial difficulties (payment default, liquidation, etc.).

Financial assets or liabilities maturing in less than 12 months at the balance sheet date are recorded in current financial assets or current financial liabilities. The fair value of asset or liability derivative instruments is classified as current or non-current based on the final maturity of the derivative.
The loans, borrowings and fair value of derivative instrument line items include accrued interest.
"Regular way" purchases are recorded at the settlement date.
The level of hierarchy used to calculate the fair value of financial instruments, whether recognised at fair value or amortised cost, is shown by category and comprises the following three levels under IFRS 13:
- Level 1: fair value measured using quoted prices by reference to the closing stock market price for listed financial instruments.
- Level 2: fair value measured using inputs other than quoted prices that are observable directly or indirectly on the market. It is used for unlisted financial instruments, for which there exists listed instruments of a similar nature and maturity and by reference to the stock market price of such instruments.
- Level 3: fair value determined using valuation techniques not based on observable market data. It is used for other unlisted instruments. The fair value is determined using valuation techniques such as the revalued net asset method, discounted cash flows or option valuation models.

31/12/2019					Financial instruments				Total	Fair value			
Balance sheet heading and classes of financial instruments **In € millions**	**Note**	**Non-current**	**Current**	**Net indebtedness**	At fair value through equity	At amortised cost	At fair value through profit or loss	Derivatives qualified for hedging	Net carrying amount of the class on the balance sheet	Fair value of the class	Level 1	Level 2	Level 3
Public Private Partnership (PPP) receivables	*6.1.2.1*	2,250	268	2,518	-	2,518	-	-	2,518	2,518	-	2,518	-
Public Debt Fund receivable	*6.1.2.1*	965	542	1,507	-	1,507	-	-	1,507	1,756	-	1,756	-
Cash collateral (assets)		-	1,623	1,623	-	1,623	-	-	1,623	1,623	1,142	480	-
Other loans and receivables	*6.1.2.1*	1,029	84	1,112	-	1,112	0	-	1,112	1,123	1	1,121	2
Concession financial assets	*3.3*	966	53	-	-	1,019	-	-	1,019	1,038	-	1,038	-
Lease financial receivables		9	1	-	-	11	-	-	11	-	-	-	-
Debt securities	*6.1.2.3*	161	-	161	-	-	161	-	161	161	-	77	84
Sub-total debt instruments		**5,380**	**2,571**	**6,921**	**-**	**7,789**	**161**	**-**	**7,950**	**8,219**	**1,143**	**6,989**	**87**
Pension assets	*5*	13	-	-	-	-	-	-	-	-	-	-	-
Investments in equity instruments	*6.1.2.2*	194	0	-	173	-	20	-	194	194	4	22	168
Trading instruments	*6.1.2.3*	-	6	6	-	-	6	-	6	6	6	-	-
Positive fair value of hedging derivatives	*6.3*	1,349	148	1,498	-	-	-	1,498	1,498	1,498	-	1,498	-
Positive fair value of trading derivatives	*6.3*	626	152	778	-	-	778	-	778	778	-	778	-
Cash and cash equivalents	*6.1.2.5*	-	7,754	7,754	-	-	7,754	-	7,754	7,754	6,749	1,005	0
Total current and non-current financial assets		**7,562**	**10,630**	**16,956**	**173**	**7,789**	**8,719**	**1,498**	**18,179**	**18,448**	**7,902**	**10,291**	**255**
Bonds		58,826	5,633	64,459	-	64,312	147	-	64,459	75,673	-	75,673	-
Bank borrowings		3,461	250	3,711	-	3,711	-	-	3,711	3,771	0	3,771	-
Asset financing liabilities		117	105	223	-	223	-	-	223	223	-	223	**-**
Sub-total borrowings	*6.1.2.4*	**62,404**	**5,989**	**68,393**	**-**	**68,246**	**147**	**-**	**68,393**	**79,667**	**0**	**79,667**	**-**
of which:		-	-	-	-	-	-	-	-	-	-	-	-
- not subject to hedging		*46,787*	*4,181*	*50,968*	-	*50,968*	-	-	*50,968*	*61,913*	*0*	*61,912*	-
- recognised using cash flow accounting		*11,337*	*1,771*	*13,108*	-	*13,108*	-	-	*13,108*	*13,370*	-	*13,370*	-
- recognised using fair value hedge accounting		*4,136*	*34*	*4,170*	-	*4,170*	-	-	*4,170*	*4,236*	-	*4,236*	-
- designated at fair value (*)		*145*	*2*	*147*	-	-	*147*	-	*147*	*147*	*0*	*147*	-
Negative fair value of hedging derivatives	*6.3*	2,860	66	2,925	-	-	-	2,925	2,925	2,925	-	2,925	-
Negative fair value of trading derivatives	*6.3*	539	125	663	-	-	663	-	663	663	-	663	-
Loans and borrowings		**65,803**	**6,180**	**71,982**	**-**	**68,246**	**810**	**2,925**	**71,982**	**83,256**	**0**	**83,256**	**-**
Cash borrowings and overdrafts	*6.1.2.5*	-	2,673	2,673	-	2,673	-	-	2,673	2,673	481	2,192	-
Amounts payable on non-controlling interest purchase commitments	*6.1.2.4*	1,839	-	-	1,839	-	-	-	1,839	1,839	-	-	1,839
Lease liabilities		3,137	913	-	-	4,050	-	-	4,050	-	-	-	-
Public Private Partnership (PPP) payables	*6.1.2.1*	2,353	279	2,582	-	2,631	-	-	2,631	2,631	-	2,631	-
Total current and non-current financial liabilities (**)		**73,131**	**10,045**	**77,237**	**1,839**	**77,601**	**810**	**2,925**	**83,176**	**90,399**	**481**	**88,079**	**1,839**
Group net indebtedness		**61,726**	**-1,446**	**60,281**	**-**	**66,732**	**-7,888**	**1,428**	**60,271**	**71,294**	**-7,417**	**78,797**	**-87**

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 €124 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					Financial instruments				Total	Fair value			
Balance sheet heading and classes of financial instruments In € millions	Note	Non-current	Current	Net indebtedness	At fair value through equity	At amortised cost	At fair value through profit or loss	Derivatives qualified for hedging	Net carrying amount of the class on the balance sheet	Fair value of the class	Level 1	Level 2	Level 3
Public Private Partnership (PPP) receivables	*6.1.2.1*	2,384	266	2,650	-	2,650	-	-	2,650	2,650	-	2,650	-
Public Debt Fund receivable	*6.1.2.1*	1,478	42	1,520	-	1,520	-	-	1,520	1,841	-	1,841	-
Cash collateral (assets)		-	1,527	1,527	-	1,527	-	-	1,527	1,527	1,120	408	-
Other loans and receivables	*6.1.2.1*	863	245	1,108	-	1,104	4	-	1,108	1,122	0	1,120	2
Concession financial assets	*3.3*	923	137	-	-	1,060	-	-	1,060	1,114	-	1,114	-
Debt securities	*6.1.2.3*	72	-	72	-	-	72	-	72	72	-	72	0
Sub-total loans and receivables		**5,720**	**2,217**	**6,878**	**-**	**7,861**	**76**	**-**	**7,937**	**8,325**	**1,120**	**7,203**	**2**
Pension assets	5	13	-	-	-	-	-	-	-	-	-	-	-
Investments in equity instruments	*6.1.2.2*	198	0	-	171	-	26	-	197	197	8	22	168
Trading instruments	*6.1.2.3*	-	2	2	-	-	2	-	2	2	2	0	-
Positive fair value of hedging derivatives	*6.3*	1,071	393	1,464	-	-	-	1,464	1,464	1,464	-	1,464	-
Positive fair value of trading derivatives	*6.3*	689	216	906	-	-	906	-	906	906	-	906	-
Cash and cash equivalents	*6.1.2.5*	-	8,197	8,197	-	-	8,197	-	8,197	8,197	7,148	1,048	0
Total current and non-current financial assets		**7,692**	**11,025**	**17,446**	**171**	**7,861**	**9,208**	**1,464**	**18,703**	**19,091**	**8,278**	**10,643**	**171**
Bonds		56,676	3,563	60,239	-	60,091	148	-	60,239	68,723	-	68,723	-
Bank borrowings		2,475	355	2,830	-	2,830	-	-	2,830	2,839	0	2,839	-
Finance-lease borrowings		404	90	493	-	493	-	-	493	494	-0	494	-
Sub-total borrowings	6.1.2.4	**59,555**	**4,008**	**63,563**	**-**	**63,415**	**148**	**-**	**63,563**	**72,056**	**0**	**72,056**	**-**
of which:		-	-	-	-	-	-	-		-	-	-	-
- not subject to hedging		*44,044*	*1,937*	*45,982*	-	*45,982*	-	-	*45,982*	*54,105*	*0*	*54,105*	-
- recognised using cash flow accounting		*10,921*	*1,574*	*12,495*	-	*12,495*	-	-	*12,495*	*12,769*	-	*12,769*	-
- recognised using fair value hedge accounting		*4,444*	*495*	*4,939*	-	*4,939*	-	-	*4,939*	*5,034*	*0*	*5,034*	-
- designated at fair value (*)		*146*	*2*	*148*	-	-	*148*	-	*148*	*148*	*0*	*148*	-
Negative fair value of hedging derivatives	*6.3*	2,680	93	2,773	-	-	-	2,773	2,773	2,773	-	2,773	-
Negative fair value of trading derivatives	*6.3*	540	121	661	-	-	661	-	661	661	-	661	-
Loans and borrowings		**62,774**	**4,221**	**66,996**	**-**	**63,415**	**808**	**2,773**	**66,996**	**75,490**	**0**	**75,489**	**-**
Cash borrowings and overdrafts	*6.1.2.5*	-	4,380	4,380	-	4,380	-	-	4,380	4,380	468	3,912	-
Amounts payable on non-controlling interest purchase commitments	*6.1.2.4*	1,558	-	-	1,558	-	-	-	1,558	1,558	-	-	1,558
Public Private Partnership (PPP) payables	*6.1.2.1*	2,438	279	2,717	-	2,717	-	-	2,717	2,717	-	2,717	-
Total current and non-current liabilities		**66,770**	**8,881**	**74,093**	**1,558**	**70,512**	**808**	**2,773**	**75,651**	**84,145**	**468**	**82,118**	**1,558**
Group net indebtedness		**58,654**	**-2,008**	**56,647**	**-**	**63,711**	**-8,373**	**1,309**	**56,647**	**64,807**	**-7,802**	**72,611**	**-2**

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.

6.1.2.1 Financial assets at amortised cost

Loans, receivables and debt securities are recognised at amortised cost in the balance sheet when they generate solely payments of principal and interest on the principal amount (SPPI) and are held for the sole purpose of collecting these same cash flows.

Public private partnership (PPP) receivables and payables

As part of its infrastructure activity, the group has entered into public-private partnerships (PPP) via EPIC SNCF Réseau for projects relating to:

– the Bretagne-Pays-de-Loire (BPL) high-speed line with the manufacturer Eiffage.

– the high-speed line for the Nîmes Montpellier Bypass with the manufacturer Oc'Via.

– the Global System for Mobile communication for Railways (GSM-R) with the manufacturer Synerail.

A portion of the projects is pre-financed by the manufacturers, which are subsidised by the French State and regional authorities. Therefore, according to the percentage completion of work, the Group records:

– The amount of grants to be claimed from the French State and regional authorities under "Public-Private Partnership receivables" in current and non-current financial assets, of which €1,114 million for BPL, €1,083 million for CNM and €320 million for GSM-R (€1,155 million, €1,119 million and €375 million as at 31 December 2018, respectively).

– The amounts payable to manufacturers under "Public-Private Partnership payables" in current and non-current financial liabilities.

Regarding BPL and CNM, SNCF Réseau has received grants and repaid the related borrowings (same amounts as the grants) since 2017, the year of project completion. As for GSM-R, the grant receivable is lower than the related borrowing as the project is not 100% financed. The payment schedules are identical for both receivables and payables.

The information on investments and investment grants recorded in the annual consolidated financial statements is disclosed in Notes 4.1.2 and 4.3.

Claims were received by the company for 2015 and 2016 for the CNM and BPL PPPs for €634 million. These claims were mostly challenged by the company and only those accepted amounts were recognised.

Public debt fund receivable

In accordance with the corporate plan (contrat de plan) signed by the French State and SNCF Mobilités (formerly SNCF) in 1990, a Special Debt Account was set up on 1 January 1991 in order to isolate a portion of SNCF Mobilités' debt.

On the preparation of SNCF Mobilités opening IFRS balance sheet as at 1 January 2006, the debt from the Special Debt Account was transferred to the EPIC Mobilités balance sheet. At the same time, confirmation of the French State's commitment to contribute to the amortisation and servicing of the debt led to the recognition of a receivable in respect of expected payments from the French State.

In December 2007, in order to find a long-term and definitive solution to the future of these commitments and the financing of Special Debt Account debts, a series of transactions were carried out in order to replace the French State receivable with a Public Debt Fund receivable, the terms and conditions of which reflect commitments to third-parties ring-fenced in the Special Debt Account.

Following these transactions, SNCF Mobilités:

– remains indebted towards holders of securities with the banking counterparties of forward financial instruments (foreign currency and interest rate swaps) it has contracted;

– holds a receivable on the Public Debt Fund exactly reflecting the amount of the Special Debt Account debt and its terms and conditions and also covering the related derivatives.

The method of accounting for the receivable is unchanged in relation to the method that had been adopted for the recognition of a receivable in respect of expected payments from the French State in the opening IFRS balance sheet as at 1 January 2006, namely:

– the receivable is initially recorded, at the transfer date, at the fair value of debts transferred and subsequently at amortised cost;

– derivative instruments relating to the receivable are recorded at fair value, with gains and losses on remeasurement recognised in profit or loss.

The net carrying amounts do not include derivative instruments.

Other loans and receivables

Other loans and receivables include the employee-profit sharing receivables, "construction assistance" loans and other loans and guarantee deposits (excluding cash collateral assets) as well the EOLE porting. For the most part, these financial instruments are initially valued at fair value and then subsequently at amortised cost based on the effective interest rate (EIR). When they do not satisfy SPPI criteria, these assets are measured at fair value (see Note 6.1.2.3).

These instruments are presented in non-current assets, except for assets maturing in less than 12 months at the balance sheet date, which are recorded in current assets.

6.1.2.2 Financial assets at fair value through equity

Debt instruments in assets (other loans and receivables, debt securities) that generate solely payments of principal and interest on the principal amount (SPPI) and are held for the sole purpose of collecting these same cash flows and the proceeds from their subsequent disposal are recognised at fair value through recyclable equity.

Equity instruments (shares and non-consolidated investments) may be measured at fair value through non-recyclable equity if irrevocably chosen by the Group. A method is chosen for each security.

As at 31 December 2019, the Group did not hold any debt instruments measured at fair value through equity.

Investments in equity instruments include Group investments in non-consolidated companies for €173 million (€170 million as at 31 December 2018) that the Group does not hold for short-term profit (particularly the low-rental housing companies (LRHC) described in Note 10.2) and are not held for sale.

These equity investments are measured at fair value at each balance sheet date and any changes in fair value are recorded directly in equity in a specific account under other comprehensive income. Fair value is determined based on the financial criteria most appropriate to the specific situation of each company. It is measured according to Level 1 when quoted prices are available, according to Level 2 when similar transaction prices are observable on the market, and, otherwise, according to Level 3, based on profitability outlooks or the share of equity when it provides a good indication of the investment's market value. In the event of disposal, amounts recorded in equity are not transferred to profit or loss. The capital gain or loss is therefore maintained in equity.

These instruments are not subject to impairment.

6.1.2.3 Assets at fair value through profit or loss

Financial assets that do not generate solely principal repayment flows and related interest payments (non-SPPI) and those held for a short-term profit (trading assets) are recognised at fair value through profit and loss.

Non-SPPI assets include bonds redeemable in shares, Group shares in venture capital funds and any shares and equity investments that the Group has not elected to measure at fair value through equity (see Note 6.1.2.2).

Trading assets consist of assets that the Group intends to sell in the near term in order to realise a capital gain and assets recorded in this category by designation when the required criteria are satisfied.

In particular, SNCF Group cash flow is globally managed pursuant to a general market risk management framework approved by the Board of Directors and combining investments in negotiable debt instruments and French money market mutual funds (UCITS). Its performance is measured, in the same way as that of UCITS, by reference to EONIA (Euro Overnight Index Average). As UCITS are measured at net asset value taking into account portfolio fair value, and in order to achieve overall consistency, investments with an initial maturity of more than three months are recorded in this category by designation.

6.1.2.4 Current and non-current financial liabilities

Financial liabilities are measured according to one of the following methods:
- At fair value through the income statement for liabilities held for trading and those that the Group elects to measure under the fair value option when the required criteria are satisfied;
- At amortised cost using the effective interest rate (EIR) method for other financial liabilities.

Financial liabilities include guarantee deposits received in respect of derivative instruments. The outstanding amounts of these deposits are included in the aggregate "Cash collateral liabilities."

Borrowings and other financial liabilities are initially measured at fair value less transaction costs and subsequently at amortised cost determined using the effective interest rate.

Certain borrowings are subject to fair value or cash flow hedge accounting. In addition, certain borrowings with detachable embedded derivatives recorded using hedge accounting are recorded at fair value ("fair value" option). This option is used when the corresponding liabilities comprise an embedded derivative significantly modifying the cash flows which would otherwise result in the contract or where the Group is unable to value the embedded derivative separately. Any change in this fair value is recorded in net finance cost, apart from the specific credit risk component which is to be recognised directly in equity. This option only concerns liabilities of EPIC Mobilités. The Group considers that exposure to own credit risk does not give rise to any change in value.

The fair value of financial liabilities is determined using measurement techniques such as option valuation models or the discounted cash flow method. The models take into account assumptions based on market data at the balance sheet date.

IFRS 10, "Consolidated financial statements", and IAS 32, "Financial instruments: presentation", as they currently stand, lead the Group to record firm and conditional non-controlling interest purchase commitments as a financial liability with an offsetting reduction in non-controlling interests. Where the commitment value exceeds the amount of non-controlling interests, the residual balance is deducted from Group equity. The fair value of non-controlling interest purchase commitments is reviewed at each balance sheet date. It is measured according to Level 1 when quoted prices are available, Level 2 when the commitment stems from a recent transaction and, otherwise, Level 3. The corresponding financial liability is offset in equity.

6.1.2.5 Cash and cash equivalents

Cash and cash equivalents consist of immediately available liquid assets (cash) and short-term investments, easily converted into a known amount of cash with an initial maturity of less than or equal to three months and which are exposed to a negligible risk of change in value. In particular, investments in French mutual funds (SICAV) and monetary funds with marginal sensitivity are classified in this category. This primarily involves French mutual funds and monetary funds classified by the French Financial Markets Authority (AMF) in the Euro monetary category or which have a sensitivity of less than 0.25 basis points

For these securities, the fair value adopted is the UCITS net asset value. The fair value falls under Level 1 of the fair value hierarchy set forth in paragraph 72 of IFRS 13. However, considering their residual life at closing, other investments, particularly, negotiable debt securities, are recognised at nominal value, as the Group considers this to be a reasonable estimate of their market value.

Current bank facilities classified as current financial liabilities are included in cash and cash equivalents in the cash flow statement.

In € millions	31/12/2019	31/12/2018	Change
Monetary mutual funds equivalent to cash and negotiable debt securities maturing in less than three months (*)	4,499	4,291	209
Cash at bank and in hand	3,254	3,906	-651
Cash and cash equivalents in the statement of financial position	**7,754**	**8,197**	**-443**
Accrued interest payable	-1	-1	0
Current bank facilities	-480	-467	-12
Cash and cash equivalents in the cash flow statement	**7,273**	**7,728**	**-455**

(*) Including deposits and commercial paper

The Group considers the nominal value of negotiable debt securities recorded in cash and cash equivalents to be a reasonable estimate of their market value. The risk of changes in value is immaterial for these instruments. Monetary mutual funds equivalent to cash are stated at fair value and amounted to €3,173 million as at 31 December 2019 (€3,389 million as at 31 December 2018).

For its internal financing and cash management, SNCF Réseau also uses both national and international short-term financing instruments such as "Treasury bills" and "Commercial Paper", granting diversified access to liquid financial resources. Foreign-currency denominated negotiable debt securities are hedged using currency swaps.

Net cash from operating activities posted a net inflow of €5,172 million in 2019 (€3,652 million in 2018), primarily generated from operations for €3,551 million (€2,217 million in 2018).

Net cash used in investing activities totalled €5,403 million in 2019 (net cash of €3,652 million was used in investing activities in 2018).

– The cash outflows were primarily attributable to:

- capital expenditure on intangible assets and property, plant and equipment in the amount of €8,371 million in 2019 (€7,794 million in 2018); it is described in Note 4.1.3;
- new concession financial assets for €1,494 million in 2019 (€1,028 million in 2018).
- a change in cash assets for €98 million in 2019 (€178 million in 2018).
- Group structure impacts of €281 million in 2019 (mainly relating to the acquisition of the EFFIA Belgium entity), €0 million in 2018,

– They were offset by:

- Group structure impacts for €0 million in 2019 (€614 million in 2018, mainly relating to the sale of VESTA);
- disposals of intangible assets and property, plant and equipment for €350 million in 2019, compared to €366 million in 2018;
- investment grants received for €3,120 million in 2019, compared to €2,413 million in 2018;
- amounts received from concession financial assets for €1,508 million in 2019, compared to €1,379 million in 2018.

Net cash used in financing activities totalled €238 million in 2019 (net cash of €1,991 million was used in financing activities in 2018): The item essentially stems from:

– net financial interest payment for €1,648 million (€1,590 million in 2018);

– cash liability repayments for €1,682 million (compared to an increase of €266 million in 2018);

– borrowing repayments, net of amounts received on the PDF receivable, for €3,039 million (€2,441 million in 2018). Amounts received on the PDF receivable totalled €0 million (€0 million in 2018);

– new borrowings, net of issue costs and premiums, for €7,780 million (€2,593 million in 2018), including €5,943 million in bonds raised by SNCF Réseau (€2,277 million in 2018), €1,262 million in bank borrowings contracted by Ermewa (€159 million in 2018) and €10 million in bonds raised by SNCF Mobilités (€8 million in 2018).

6.1.2.6 Changes in liabilities arising from financing activities

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:

	31/12/2018	Cash flow from financing activities							Non-monetary changes					31/12/2019
In € millions	Total	Issue of debt instruments	Repayments of borrowings	Cash in flows (outflows) for PPP receivables and payables	Net borrowing costs paid	Repayments of lease liabilities	Interest paid on lease liabilities	Increase/(decrease) in cash borrowings	Changes in fair value	Exchange rate fluctuations	Change in scope	Non-monetary change in leases	Other	Total
Liabilities (A)	**75,183**	**7,781**	**-3,047**	**-282**	**117**	**-918**	**18**	**-1,682**	**673**	**64**	**132**	**769**	**3,89**	**82,697**
Bonds	60,239	5,953	-1,895	0	-32	0	0	0	184	0	0	0	11	64,459
Bank borrowings	2,83	1,806	-1,081	0	-1	0	0	0	-46	34	177	0	-8	3,711
Assets financing liabilities	493	22	-71	0	0	0	0	0	0	0	0	0	-222	223
Cash borrowings (excluding overdrafts)	3,912	0	0	0	0	0	0	-1,682	-40	0	0	0	2	2,192
Lease liabilities	0	0	0	0	0	-918	18	0	-3	26	-45	769	4,202	4,05
Amounts payable on non-controlling interest purchase commitments	1,558	0	0	0	0	0	0	0	283	0	0	0	0	1,84
Negative fair value of hedging and trading derivatives	2,717	0	0	-282	0	0	0	0	147	0	0	0	50	2,631
Public Private Partnership (PPP) payables	3,433	0	0	0	150	0	0	0	148	3	0	0	-145	3,589
Assets (B)	**6,586**	**0**	**-8**	**-275**	**175**	**0**	**0**	**0**	**13**	**0**	**0**	**0**	**-155**	**6,337**
Public Debt Fund receivable	1,52	0	0	0	0	0	0	0	-14	0	0	0	0	1,507
Public Private Partnership (PPP) receivables	2,65	0	0	-275	0	0	0	0	143	0	0	0	0	2,518
Other loans and receivables - Accrued interest	5	0	0	0	-1	0	0	0	0	0	0	0	0	3
Deposits and securities	43	0	-8	0	0	0	0	0	0	0	0	0	0	34
Positive fair value of hedging and trading derivatives	2,369	0	0	0	176	0	0	0	-116	0	0	0	-154	2,276
Financial income and expenses (C)		**0**	**0**	**0**	**-1,591**	**0**	**-145**	**0**	**0**	**0**	**0**	**0**	**0**	
Expenses		0	0	0	-1,926	0	-145	0	0	0	0	0	0	
Income		0	0	0	336	0	0	0	0	0	0	0	0	
Financing cash flows in the CFS (A - B + C)	**68,596**	**7,781**	**-3,039**	**-8**	**-1,649**	**-918**	**-127**	**-1,682**	**660**	**64**	**132**	**769**	**4,044**	**76,359**

	31/12/2017	Cash flow from financing activities					Non-monetary changes					31/12/2018
In € millions	Total	Issue of debt instru-ments	Repay-ments of borrowings	Cash inflows (outflows) for PPP receivables and payables	Net borrowing costs paid	Increase/ (decrease) in cash borrowings	Changes in fair-value	Exchange rate fluctuations	Change in scope	Non-monetary change in leases	Other	Total
Liabilities (A)	**74,755**	**2,593**	**-2,439**	**-275**	**-218**	**-266**	**539**	**-3**	**23**	**46**	**428**	**75,183**
Bonds	59,727	2,285	-1,952	0	-70	0	87	0	0	0	162	60,239
Bank borrowings	2,563	294	-60	0	1	0	17	-2	19	0	-2	2,830
Assets financing liabilities	858	15	-427	0	0	0	0	-1	5	46	-1	493
Cash borrowings (excluding overdrafts)	4,055	0	0	0	0	-266	123	0	0	0	0	3,912
Amounts payable on non-controlling interest purchase commitments	1,275	0	0	0	0	0	283	0	0	0	0	1,558
Negative fair value of hedging and trading derivatives	3,542	0	0	0	-150	0	-124	0	0	0	166	3,433
Public Private Partnership (PPP) payables	2,736	0	0	-275	0	0	153	0	0	0	103	2,717
Assets (B)	**6,665**	**0**	**1**	**-271**	**-129**	**0**	**95**	**0**	**0**	**0**	**224**	**6,586**
Public Debt Fund receivable	1,533	0	0	0	0	0	-13	0	0	0	0	1,520
Other loans and receivables - Accrued interest	5	0	0	0	0	0	0	0	0	0	0	5
Deposits and securities	39	0	1	0	0	0	0	0	0	0	2	43
Positive fair value of hedging and trading derivatives	2,370	0	0	0	-129	0	-41	0	0	0	169	2,369
Public Private Partnership (PPP) receivables	2,719	0	0	-271	0	0	149	0	0	0	53	2,650
Financial income and expenses (C)		**0**	**0**	**0**	**-1,501**	**0**	**0**	**0**	**0**	**0**	**0**	
Expenses		0	0	0	-1,818	0	0	0	0	0	0	
Income		0	0	0	317	0	0	0	0	0	0	
Financing cash flows in the CFS (A - B + C)	**68,090**	**2,593**	**-2,441**	**-4**	**-1,590**	**-266**	**444**	**-4**	**23**	**46**	**204**	**68,596**

6.1.2.7 Debt classified as French State debt

Pursuant to Article 2111-17-1 of the rail reform, SNCF Réseau publishes every year the amount of reclassified debt in the French State debt as well as the related forecast changes.

As part of the reorganisation of government debt as defined by the Maastricht Treaty, a portion of SNCF Réseau's debt has been recorded by INSEE as government debt in the amount of €10.9 billion since 2014. This reclassification did not lead to a change in the SNCF Réseau financial statements. SNCF Réseau also remains responsible for the operating management of the debt, without any change in former practices.

6.2. MANAGEMENT OF MARKET RISKS AND HEDGING

The management of market risks and hedging covers the groups comprising SNCF Mobilités and its subsidiaries and SNCF Réseau.

SNCF Mobilités

Regarding SNCF Mobilités, the management of market risks is governed by a general framework, approved by its Board of Directors, setting out the management principles for the company's 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).

SNCF Réseau

In SNCF Réseau, the management of transactions and financial risks is strictly governed by the "Principles and limits for trading on capital markets" issued by the Board of Directors.

This document notably sets out the key policy focus in the areas of financing, treasury and overall debt management, the management principles and limits authorised in respect of interest rate, currency and counterparty risks, optimisation transactions, authorised instruments, the ceilings applicable to financing programmes, investment products and delegations of authority granted by the Board of Directors together with delegations of signature granted.

SNCF Réseau also has a manual procedure which specifies the controls to be performed and the manner in which they are to be carried out in order to ensure that, on a day-to-day basis, transactions entered into comply with the defined limits and principles and the target debt structure.

SNCF Réseau also prepares different types of reports on a daily, weekly or monthly basis which describe the transactions performed and control results.

6.2.1. Interest rate risk management

The cost of long-term net indebtedness is optimised, with regard to interest rates, by managing the mix of fixed and floating rate borrowings. The Group uses firm and optional interest rate swap instruments within the limits defined, for SNCF Mobilités, by the aforementioned general framework.

From an economic standpoint, fixed-rate net borrowings of the parent company represented 99.60% of total borrowings as at 31 December 2019, compared to 99.40% as at 31 December 2018. On the same basis, the cost of long-term net indebtedness was 2.94% for fiscal year 2019, compared to 3.41% for fiscal year 2018.

The current historically low interest rates and the desire to maintain long-term economic equilibrium led the SNCF Réseau Board of Directors to opt for a breakdown of the net debt repayment amount that was 90% fixed-rate, 6% floating-rate and 4% inflation-indexed. A limited margin around each of these thresholds is authorised by the Board of Directors. Compliance with this allocation is checked on a daily basis. To achieve this breakdown, SNCF Réseau may use option-based derivatives or interest rate swaps for hedging purposes.

Sensitivity analysis

The sensitivity of profit or loss to the risk of interest rate fluctuations is related to:

– floating-rate net debt after taking into account hedges;

– fair value option debt;

– derivative instruments not qualified as hedges within the meaning of IFRS 9.

The sensitivity of recyclable reserves (equity) to the risk of interest rate fluctuations is related to derivatives qualified as cash flow hedges.

The sensitivity analysis was determined based on a 50 basis point (bp) increase and decrease in the interest rate curve at the year-end, and breaks down as follows:

	31/12/2019				31/12/2018			
	+50 bp		- 50 bp		+50 bp		- 50 bp	
In € millions	Net profit	Recyclable reserves	Net profit	Recyclable reserves	Net profit	Recyclable reserves	Net profit	Recyclable reserves
Floating-rate financial instruments (after taking into account fair value hedges)	2	0	-3	0	12	0	-9	0
Fair value option debt	3	0	-3	0	4	0	-4	0
Derivatives not qualified as hedges	8	0	-9	0	17	0	-32	0
Derivatives qualified as cash flow hedges	25	775	-29	-862	24	695	-28	-775
Total	39	775	-44	-862	56	695	-72	-775

The breakdown by interest rate of loans and borrowings, before and after adjustment for derivatives (hedging and trading), is as follows:

	Initial debt structure		Structure after IFRS hedging	
In € millions	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Fixed rate	60,073	55,635	60,220	54,670
Floating rate	4,566	4,197	6,056	6,785
Inflation rate	3,754	3,731	2,117	2,108
Total loans and borrowings	**68,393**	**63,563**	**68,393**	**63,563**

6.2.2. Foreign currency risk management

Foreign currency-denominated transactions are translated by the subsidiary into its functional currency at the exchange rate prevailing on the transaction date.

Monetary items in the balance sheet are retranslated at the closing exchange rate at each balance sheet date. The resulting translation differences are recorded in profit or loss or as a separate equity component if they relate to hedging transactions qualifying as net investments or cash flows under IFRS.

The commercial activities of the Group do not expose it to material foreign currency risk.

Excluding subsidiaries operating in their own country, Group net indebtedness denominated in currencies other than the euro is managed in line with the acceptable risk limit defined, for SNCF Mobilités and SNCF Réseau, in the same general framework. The Group uses currency swaps for this purpose, generally set up when the borrowing is issued.

As at 31 December 2019, the portion of foreign currency denominated net debt for EPIC Mobilités, after hedging by currency swaps, increased to 0.08% (0.18% as at 31 December 2018).

As part of its financial strategy which aims to diversify access to sources of finance and optimise finance costs, SNCF Réseau issues bonds in foreign currencies that are covered by currency hedges. The foreign currency denominated cash flows (principal payments and interest) are hedged by currency derivatives which convert this debt into euro debt.

Given the small percentage of unhedged foreign currency denominated borrowings, net profit or loss is not, in the Group’s opinion, sensitive to foreign currency risk.

The breakdown by currency of loans and borrowings, before and after adjustment for derivatives (hedging and trading), is as follows:

	Initial debt structure		Structure after currency hedging	
In € millions	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Euro	55,964	50,899	67,865	62,669
Swiss franc	1,655	2,671	0	0
US dollar	3,355	2,786	65	364
Canadian dollar	226	245	0	32
Pound sterling	5,785	5,534	362	391
Yen	711	727	0	0
Australian dollar	116	118	59	62
Hong Kong dollar	256	249	0	0
Norwegian krone	61	61	0	0
Swedish krona	222	226	0	0
Singapore dollar	0	0	0	0
Other	42	45	42	45
Total loans and borrowings	**68,393**	**63,563**	**68,393**	**63,563**

Regarding SNCF Mobilités, the pound sterling denominated debt is fully hedged by pound sterling assets and dollar denominated debt is partially hedged by dollar assets.

Regarding SNCF Réseau, the foreign currency risk relating to resources raised in foreign currencies is hedged by currency hedges that convert such resources into euros.

6.2.3. Commodity risk management

The Group's production requirements expose it to the risk of fluctuations in the price of petroleum products. This risk is managed using firm and optional derivatives (swaps, options, caps, floors).

– For 2019 and in a context of intense economic pressure, a cash flow hedge was set up by implementing derivatives for a volume of 9,600 tonnes, thus generating a liability fair value of €0.51 million at the end of 2018. This hedge expired as at 31 December 2019.

For 2020, no new hedging agreement had yet been concluded as at 31 December 2019.

– At Keolis, nine zero premium diesel hedging collars for a volume of 8,614 tonnes of diesel as at 31 December 2019 were set up by Keolis SA and designated as cash flow hedges. These collars are accounted for as operating receivables and present a fair value of +€0.2 million as at the end of December. These collars expire between 30 June 2020 and 31 December 2020.

To recap, Keolis had set up and designated as cash flow hedges thirteen diesel hedges involving zero-premium collars for a volume of 7,961 tonnes of diesel as at 31 December 2018. These collars presented a fair value of -€0.6 million as at 31 December.

– SNCF Énergie, in its capacity as electricity supplier to the Group's subsidiaries for their energy needs on the French traction network, enters into forward contracts with the market or regulatory bodies. When the volumes contracted are exclusively intended to cover the Group's physical needs, they are not qualified as derivatives, under the "own use" exemption stipulated in IFRS 9. Conversely, when the volumes can be settled on the market for financial optimisation purposes, they are qualified as trading derivatives.

As at 31 December 2019, a negative change in the fair value of these derivatives amounting to €92 million was recognised in the Group's finance costs.

6.2.4. Counterparty risk management

SNCF Réseau is exposed to counterparty risk in connection with its cash investments and the subscription of derivatives from its financial partners, insofar as the debtor refuses to honour all or part of its commitment or does not have the means to respect it. To manage and limit this risk, investment instruments and derivatives are only entered into with financial institutions corresponding to the credit rating and equity criteria validated by the SNCF Réseau Board of Directors. A limited commitment amount by institution is determined according to these criteria. Compliance with the authorised limit by counterparty is monitored daily. To hedge counterparty risk regarding its derivative financial instruments, SNCF Réseau performs margin calls with its financial counterparties whose rating is lower than the threshold defined by the Board of Directors. Collateral (in cash only) is called up in the amount of the market value of the financial instrument portfolios for each counterparty with whom SNCF Réseau is at risk.

Regarding SNCF Mobilités, the transactions which could generate counterparty risk are mainly financial investments and financial instruments as described below. Customer credit risk is limited and presented in Note 4.4.2.

6.2.4.1 Financial investments

The aforementioned general framework defines the counterparty approval procedure, which is based on a quantitative and qualitative analysis of counterparties.

Volume limits according to investment terms are defined for each counterparty, taking into account its equity, rating and nationality. The extent to which authorised limits are used, based on the nominal amount of the transactions, is measured daily and reported.

Cash and cash equivalents

Financial investments are diversified. They primarily consist of negotiable debt instruments (certificates of deposit, commercial paper), treasury note repos and subscriptions to French money market mutual funds (UCITS). Given their short residual term and breakdown, no major credit risk exposure is generated.

Portfolio of investments in equity instruments

Investments in equity instruments solely comprise non-consolidated investments. The fair value of these instruments is determined at each balance sheet date.

6.2.4.2 Derivative financial instruments

The purpose of derivative transactions is to manage interest rate, foreign currency and commodity risk.

The aforementioned general framework defines the counterparty approval procedure, which is based on a quantitative and qualitative analysis of counterparties. Investment volume and term limits are also defined for each counterparty. The extent to which authorised limits are used, based on future payments or replacement costs, is measured daily and reported.

The counterparty approval procedure for derivative products also involves the signature of a framework agreement. A collateral agreement defining the methods of payment/receipt of collateral is signed with all bank counterparties working with EPIC SNCF Mobilités or EPIC SNCF Réseau in order to limit credit risk. All the medium and long-term derivative financial instruments (interest rate swaps, currency swaps) negotiated with bank counterparties are hedged by these collateral agreements.

The extent to which the allocated limit is used is measured based on the collateral limit plus a lump-sum amount, taking into account the absolute value of the most significant changes in market value for all collaterised financial agreements with the counterparty.

The table below presents the information required by IFRS 7 "Disclosures: offsetting financial assets and financial liabilities." For financial assets and liabilities subscribed as part of agreements with a legally enforceable netting clause, this involves a presentation of amounts before and after offsetting as at 31 December. It includes commodity derivatives. These derivatives are recorded in operating payables and receivables when they qualify as hedging instruments within the meaning of IFRS 9. As at 31 December 2019, they were classified as assets for €1 million (€0 million as at 31 December 2018) and liabilities for €2 million (€9 million as at 31 December 2018). The "Cash collateral" column corresponds to the outstanding on collateralisation agreements for derivative financial instruments that do not meet the offsetting criteria established by IAS 32 "Financial instruments: Presentation."

31/12/2019 *In € millions*	Gross	Amounts offset in the balance sheet	Net amounts presented in the balance sheet	Amounts not offset in the balance sheet: Cash collateral	Amounts not offset in the balance sheet: Derivatives with netting agreement	Net amounts
Asset derivatives	2,277	0	2,277	691	1,446	140
Liability derivatives	3,591	0	3,591	1,555	1,446	590
Net derivative position	-1,314	0	-1,314	-864	0	-450

31/12/2018 *In € millions*	Gross	Amounts offset in the balance sheet	Net amounts presented in the balance sheet	Amounts not offset in the balance sheet: Cash collateral	Amounts not offset in the balance sheet: Derivatives with netting agreement	Net amounts
Asset derivatives	2,370	0	2,370	536	1,500	334
Liability derivatives	3,442	0	3,442	1,487	1,496	459
Net derivative position	-1,073	0	-1,073	-951	4	-126

As at 31 December 2019:

– Three counterparties represented 96.2% of the credit risk for SNCF Mobilités' active position. The remaining exposure is explained by trigger thresholds in the collateralisation agreements and monthly margin calls.

– Six counterparties represented 100% of the credit risk for SNCF Réseau's active position, before taking into account the collateralisation agreements.

As at 31 December 2018:

– Three counterparties represented 99.5% of the credit risk for SNCF Mobilités' active position. The remaining exposure is explained by trigger thresholds in the collateralisation agreements and monthly margin calls.

– Two counterparties represented 100% of the credit risk for SNCF Réseau's active position, before taking into account the collateralisation agreements.

6.2.5. Liquidity risk management

Due to the proactive management of its liquidity, the quality of its signature and its frequent presence on international capital markets, SNCF Réseau enjoys diversified access to both short-term (treasury bills, commercial paper) and long-term (public and private bond issues) financing sources.

SNCF Mobilités assures its daily liquidity through a Neu-CP programme (formerly a commercial paper programme) capped at €3,050 million, used in the amount of €407 million as at 31 December 2019 (€208 million as at 31 December 2018) and in the amount of €363 million on average in 2019, compared to €147 million in 2018.

SNCF Mobilités also set up a Euro Commercial Paper program in early 2009 for a maximum amount of €2,000 million, used in the amount of €698 million as at 31 December 2019 (€299 million as at 31 December 2018) and in the amount of €632 million on average in 2019 (€530 million in 2018).

Furthermore, SNCF Réseau has an unused syndicated credit facility in the amount of €1,500 million in 2019 (€1,500 million not used in 2018). This facility expires on 28 June 2022. SNCF Mobilités has bilateral credit lines of €815 million (€815 million in 2018). Total confirmed credit lines of the Group break down as follows:

		Maturity schedule		
In € millions	Total	< 1 year	1 to 5 years	> 5 years
Confirmed credit lines as at 31/12/2019	**3,489**	705	2,188	597
Confirmed credit lines as at 31/12/2018	**3,117**	504	2,560	53

The maturity schedule for the carrying amounts of loans and borrowings is as follows:

In € millions	31/12/2019	31/12/2018
Less than 1 year	5,919	3,751
1 to 5 years	19,087	16,279
5 to 10 years	16,076	18,608
10 to 20 years	15,794	14,905
20 years and thereafter	11,429	9,915
Changes in fair value (designated at "fair value")	21	24
Changes in fair value (hedge accounting)	68	80
Total	68,394	63,563
Fair value of non-current derivatives	3,398	3,219
Fair value of current derivatives	190	214
Total loans and borrowings	71,983	66,996

The maturity schedule of financial assets and liabilities included into the definition of indebtedness based on year-end exchange and interest rates (outflows in negative and inflows in positive) is as follows:

Maturity schedule 31/12/2019

In € millions	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	-84,634	-8,135	-24,320	-18,684	-18,661	-14,835
Principal	*-61,852*	*-4,639*	*-17,813*	*-14,172*	*-14,100*	*-11,127*
Interest cash flow	*-22,783*	*-3,496*	*-6,506*	*-4,512*	*-4,561*	*-3,708*
Bank borrowings	-4,193	-285	-1,604	-1,227	-1,076	-1
Principal	*-3,751*	*-245*	*-1,408*	*-1,114*	*-983*	*-1*
Interest cash flow	*-442*	*-40*	*-196*	*-113*	*-93*	*0*
Asset financing liabilities	-217	-105	2	2	-116	0
Principal	*-223*	*-105*	*0*	*0*	*-118*	*0*
Interest cash flow	*6*	*0*	*2*	*2*	*1*	*0*
Borrowings sub-total	-89,045	-8,525	-25,921	-19,908	-19,854	-14,837
Principal	*-65,826*	*-4,989*	*-19,221*	*-15,286*	*-15,201*	*-11,129*
Interest cash flow	*-23,219*	*-3,536*	*-6,700*	*-4,622*	*-4,653*	*-3,708*
Cash borrowings and overdrafts	-2,673	-2,673	0	0	0	0
Public Private Partnership (PPP) payables	-3,883	-289	-1,203	-998	-1,393	0
Principal	*-2,631*	*-279*	*-1,014*	*-664*	*-674*	*0*
Interest cash flow	*-1,251*	*-10*	*-189*	*-334*	*-719*	*0*
I - Total borrowings	-95,601	-11,487	-27,125	-20,906	-21,247	-14,837
Public Private Partnership (PPP) receivables	3,743	277	1,083	990	1,393	0
Principal	*2,518*	*268*	*915*	*660*	*674*	*0*
Interest cash flow	*1,225*	*9*	*167*	*330*	*719*	*0*
Public Debt Fund receivable	1,747	599	1,149	0	0	0
Principal	*1,407*	*500*	*907*	*0*	*0*	*0*
Interest cash flow	*340*	*99*	*242*	*0*	*0*	*0*
Other loans and receivables and cash collateral	2,864	1,708	433	655	68	1
Principal	*2,857*	*1,702*	*433*	*654*	*67*	*1*
Interest cash flow	*7*	*6*	*0*	*1*	*0*	*0*
Cash and cash equivalents	7,754	7,754	0	0	0	0
II - Financial assets	16,108	10,337	2,664	1,645	1,461	1
Interest cash flow on hedging derivatives with a negative fair value	*-1,222*	*-66*	*-296*	*-338*	*-360*	*-161*
Interest cash flow on trading derivatives with a negative fair value	*-690*	*-116*	*-431*	*-123*	*-13*	*-8*
Interest cash flow on hedging derivatives with a positive fair value	*1,388*	*157*	*385*	*346*	*308*	*192*
Interest cash flow on trading derivatives with a positive fair value	*736*	*157*	*496*	*81*	*3*	*1*
III - Derivative financial instruments	213	133	153	-34	-62	24
Net indebtedness (I + II + III)	-79,279	-1,017	-24,307	-19,295	-19,848	-14,812

Maturity schedule						31/12/2018
In € millions	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	-80,267	-4,557	-21,767	-21,886	-18,316	-13,741
Principal	*-58,281*	*-2,611*	*-14,972*	*-16,957*	*-13,696*	*-10,046*
Interest cash flow	*-21,986*	*-1,946*	*-6,795*	*-4,929*	*-4,620*	*-3,696*
Bank borrowings	-2,940	-365	-1,412	-678	-486	0
Principal	*-2,825*	*-349*	*-1,383*	*-655*	*-439*	*0*
Interest cash flow	*-115*	*-16*	*-29*	*-23*	*-47*	*0*
Finance-lease liabilities	-510	-103	-262	-28	-116	0
Principal	*-493*	*-90*	*-258*	*-29*	*-118*	*0*
Interest cash flow	*-16*	*-14*	*-5*	*1*	*1*	*0*
Borrowings sub-total	-83,716	-5,025	-23,441	-22,592	-18,917	-13,741
Principal	*-61,599*	*-3,049*	*-16,612*	*-17,640*	*-14,252*	*-10,046*
Interest cash flow	*-22,117*	*-1,976*	*-6,829*	*-4,951*	*-4,666*	*-3,696*
Cash borrowings and overdrafts	-4,380	-4,380	0	0	0	0
Public Private Partnership (PPP) payables	-4,115	-289	-1,133	-1,102	-1,592	0
Principal	*-2,717*	*-279*	*-950*	*-736*	*-752*	*0*
Interest cash flow	*-1,399*	*-10*	*-183*	*-365*	*-840*	*0*
I - Total borrowings	-92,212	-9,694	-24,574	-23,693	-20,510	-13,741
Public Private Partnership (PPP) receivables	4,018	275	1,116	1,036	1,591	0
Principal	*2,650*	*266*	*940*	*692*	*751*	*0*
Interest cash flow	*1,368*	*9*	*176*	*343*	*840*	*0*
Public Debt Fund receivable	1,846	99	1,747	0	0	0
Principal	*1,407*	*0*	*1,407*	*0*	*0*	*0*
Interest cash flow	*439*	*99*	*340*	*0*	*0*	*0*
Other loans and receivables and cash collateral	2,798	1,796	212	700	83	6
Principal	*2,762*	*1,766*	*208*	*699*	*82*	*6*
Interest cash flow	*35*	*30*	*3*	*2*	*0*	*0*
Cash and cash equivalents	8,197	8,197	0	0	0	0
II - Financial assets	16,858	10,367	3,075	1,736	1,674	6
Interest cash flow on hedging derivatives with a negative fair value	*-1,292*	*-77*	*-294*	*-365*	*-370*	*-187*
Interest cash flow on trading derivatives with a negative fair value	*-713*	*-112*	*-418*	*-170*	*-5*	*-9*
Interest cash flow on hedging derivatives with a positive fair value	*1,176*	*106*	*197*	*354*	*349*	*170*
Interest cash flow on trading derivatives with a positive fair value	*873*	*154*	*538*	*173*	*6*	*2*
III - Derivative financial instruments	43	70	24	-7	-20	-24
Net indebtedness (I + II + III)	-75,312	743	-21,475	-21,964	-18,856	-13,759

The maturity schedule of financial assets and liabilities not included in the definition of indebtedness based on year-end exchange and interest rates is as follows:

Maturity schedule	31/12/2019					
In € million	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Lease liabilities	-4,535	-1,023	-2,437	-832	-235	-9
Principal	*-4,032*	*-895*	*-2,171*	*-741*	*-217*	*-8*
Interest cash flow	*-502*	*-127*	*-266*	*-90*	*-18*	*0*
Concession financial liabilities	0	0	0	0	0	0
Principal	*0*	*0*	*0*	*0*	*0*	*0*
Interest cash flow	*0*	*0*	*0*	*0*	*0*	*0*
Public Private Partnership (PPP) payables	-50	0	-50	0	0	0
Principal	*-50*	*0*	*-50*	*0*	*0*	*0*
Interest cash flow	*0*	*0*	*0*	*0*	*0*	*0*
I - Financial liabilities not included in the definition of indebtedness	-4,585	-1,023	-2,487	-832	-235	-9
Public Private Partnership (PPP) receivables	0	0	0	0	0	0
Principal	*0*	*0*	*0*	*0*	*0*	*0*
Interest cash flow	*0*	*0*	*0*	*0*	*0*	*0*
Concession financial assets	1,036	56	973	7	0	0
Principal	*1,031*	*53*	*971*	*7*	*0*	*0*
Interest cash flow	*5*	*3*	*2*	*0*	*0*	*0*
Lease financial receivables	15	1	3	3	7	1
Principal	*11*	*1*	*1*	*2*	*5*	*1*
Interest cash flow	*5*	*0*	*1*	*1*	*1*	*0*
II - Financial assets not included in the definition of indebtedness	1,051	58	976	10	7	1

Maturity schedule	31/12/2018					
In € million	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Concession financial assets	1,165	174	974	17	0	0
Principal	*1,124*	*137*	*971*	*17*	*0*	*0*
Interest cash flow	*40*	*36*	*4*	*0*	*0*	*0*
II - Financial assets not included in the definition of indebtedness	1,165	174	974	17	0	0

6.3. HEDGING AND DERIVATIVE INSTRUMENTS

Under IFRS 9, derivative instruments are financial instruments that require no or little initial investment, whose value fluctuates in response to changes in an underlying item (interest rate, exchange rate, commodity prices, etc.) and are settled at future date.
The derivative instruments used by the Group to manage currency, interest rate and commodity risks are initially recognised at fair value and remeasured in the balance sheet to their fair value at closing.
Fair value is determined using measurement techniques such as option valuation models or the discounted cash flows method. The models fall under Level 2 of the fair value hierarchy set forth in paragraph 81 of IFRS 13.
Derivative instruments are by default recognised as trading derivatives, unless a hedging relationship has been documented at their inception.

Cash flow hedges

The Group trades on the derivatives market to hedge floating-rate receivables and payables and receipts and payments related to its commercial activities.
When IFRS 9 criteria are met, the derivative instruments are designated as cash flow hedges and fair value gains and losses are recorded directly in a specific account in other comprehensive income, except for the ineffective portion of the hedge, which is recorded in profit or loss.
When the hedged item impacts profit or loss, the amounts deferred in other comprehensive income are released to profit or loss to match the flows of the hedged item.

Fair value hedges

The Group also uses derivative instruments to hedge the fair value of fixed-rate receivables and payables denominated in euro and foreign currencies.
When IFRS 9 criteria are met, the derivative instruments are designated as fair value hedges and:
- fair value gains and losses arising on the derivative are recorded in profit or loss for the period,
- the hedged item is initially recognised at amortised cost and remeasured to its fair value at the balance sheet date, for the hedged portion of the risk, through profit or

loss.
As such, fair value gains and losses on the derivative and the hedged item cancel out in profit or loss, except for the ineffective portion of the hedge.

Hedging costs
Pursuant to IFRS 9, hedging costs, including foreign currency basis spread impacts and the time value of options, are excluded from hedging relationships. Changes in their fair value are recognised in recyclable equity and their actual cost is recognised in profit or loss consistently over the term of the hedging relationship (time period related approach).

Trading
When the conditions for hedge accounting are not satisfied within the meaning of IFRS 9, the instrument is classified as a trading derivative. Any changes in its fair value are recorded in profit or loss for the period within net finance cost, even when the derivative is associated to commodities.

The fair value of current and non-current asset and liability derivative instruments (excluding commodity derivatives qualified for hedging) breaks down as follows:

	31/12/2019			31/12/2018		
In € millions	Non-current	Current	Total	Non-current	Current	Total
Asset derivative instruments						
Cash flow hedging derivatives	746	99	845	591	169	760
Fair value hedging derivatives	603	49	652	479	224	703
Trading derivatives	626	152	778	689	216	906
Total asset derivative instruments	**1,975**	**300**	**2,276**	**1,760**	**609**	**2,369**
Liability derivative instruments						
Cash flow hedging derivatives	2,684	80	2,763	2,462	102	2,564
Fair value hedging derivatives	176	-14	162	218	-9	208
Trading derivatives	539	125	663	540	121	661
Total liability derivative instruments	**3,398**	**190**	**3,589**	**3,219**	**214**	**3,433**

6.3.1. Economic relationship between derivative instruments and hedged items

Hedging relationships are defined by the Group to offset any changes in fair value or cash flow of a hedging instrument with those of a hedged item.

The SNCF Group operates regularly on the foreign currency derivatives market, primarily in order to hedge borrowings issued. The purpose is therefore to hedge against foreign currency risk that corresponds to changes in the value or cash flows of borrowings due to exchange rate fluctuations.

The Group operates in the interest rate swap and swaption market in order to manage its exposure to interest rate risk on borrowings. The hedged risk therefore corresponds to the risk that the value or cash flow of the borrowings changes due to market interest rate fluctuations.

Furthermore, due to the price fluctuations of certain commodities that are essential to production, the Group enters into forward swaps or contracts in order to hedge the price risk.

Derivative instruments which are not classified as hedging instruments within the meaning of IFRS 9 are recognised as trading assets.

The following table presents, by type of risk, the economic relationship between derivative instruments and hedged items:

31/12/2019 *In € millions*	Nominal amount of derivative instruments		Carrying amount of derivative instruments (1)		Change in fair value of the derivative instrument over the period	Carrying amount of the hedged item (2)		Total change in fair value recognised on the hedged item	Change in fair value of the hedged item over the period (3)	Hedging ineffectiveness (4)
	Given	Received	Assets	Liabilities		Assets	Liabilities			
Interest rate risk	**1,874**	**1,875**	**179**	**10**	**90**	**692**	**1,456**	**-138**	**-89**	**1**
Interest rate swaps	1,874	1,875	179	10	90					
Foreign currency risk	**2,832**	**2,707**	**473**	**152**	**-31**	**0**	**3,025**	**-234**	**-3**	**-33**
Cross-currency swaps (*)	2,528	2,395	466	152	-4					
Foreign currency sales or purchases	304	312	7	0	-27					
Fair value hedge	**4,706**	**4,581**	**652**	**162**	**60**	**692**	**4,481**	**-372**	**-92**	**-32**
Interest rate risk	**5,955**	**6,412**	**118**	**1,114**	**-181**				**197**	**-1**
Interest rate swaps	5,955	5,955	118	1,114	-180					
Swaptions	0	457	0	0	-1					
Pre-hedging instruments	0	0	0	0	0					
Foreign currency risk	**9,251**	**8,557**	**728**	**1,649**	**-40**				**44**	**2**
Cross-currency swaps (**)	9,251	8,557	728	1,649	-39					
Foreign currency sales or purchases	0	0	0	0	1					
Pre-hedging instruments	0	0	0	0	-2					
Price risk	(***)	(***)	**1**	**2**	**8**				**-8**	**0**
Firm instruments			1	2	8					
Conditional instruments			0	0	0					
Cash flow hedge	**15,206**	**14,969**	**847**	**2,765**	**-212**				**232**	**1**
Interest rate instruments	**8,489**	**8,489**	**734**	**652**	**-69**					
Interest rate swaps	8,489	8,489	734	652	-78					
Swaptions	0	0	0	0	10					
Foreign currency instruments	**1,391**	**1,419**	**29**	**11**	**-14**					
Currency swaps	1,122	1,151	4	11	-10					
Cross-currency swaps	122	122	25	0	-3					
Foreign currency sales or purchases	147	147	0	0	0					
Pricing instruments	**0**	**0**	**15**	**0**	**-92**					
Firm instruments			15	0	-92					
Conditional instruments			0	0	0					
Trading	9,880	9,908	778	663	-175					

(*) Of which interest rate risk hedging portion amounting to €204 million.

(**) Of which interest rate risk hedging portion amounting to -€291 million.

(1) The carrying amount of foreign currency and interest rate risk hedging instruments is recorded in the statement of financial position within current or non-current financial assets or financial liabilities depending on their type and maturity. The carrying amount of price risk hedging instruments is recorded in the statement of financial position within operating receivables or payables depending on their type.

(2) The carrying amount of net indebtedness items is recorded in the statement of financial position within current and non-current financial liabilities depending on their maturity. The carrying amount of WCR items is recorded within operating receivables and payables. Future transactions are not recorded in summary reports.

(3) The change in fair value shown corresponds to that used to calculate ineffectiveness.

(4) Foreign currency and interest rate risk hedging ineffectiveness is recorded in the consolidated income statement within net borrowing and other costs. The ineffectiveness generated by price risk hedging is recorded within gross profit.
A positive amount corresponds to a gain, a negative amount corresponds to a loss.

The immaterial ineffectiveness shown may result from:

– Different benchmark rates between the hedging instrument and the hedging item;

– Different cash flow settlement dates (maturity date, payment date, etc.) between the hedging instrument and the hedged item;

– Difference in accrued interest between the hedged item and the hedging instrument.

31/12/2018 *In € millions*	Nominal amount of derivative instruments Given	Received	Carrying amount of derivative instruments Assets	Liabilities	Change in fair value of the derivative instrument over the period	Carrying amount of the hedged item Assets	Liabilities	Total change in fair value recognised on the hedged item	Change in fair value of the hedged item over the period	Hedging ineffectiveness
Interest rate risk	**2,374**	**2,374**	**142**	**11**	**6**	**483**	**1,920**	**-96**	**-9**	**-3**
Interest rate swaps	2,374	2,374	142	11	6					
Foreign currency risk	**4,742**	**4,719**	**561**	**198**	**-7**	**0**	**4,824**	**-224**	**-17**	**-23**
Cross-currency swaps (*)	2,984	2,906	509	191	-36					
Foreign currency sales or purchases	1,757	1,813	52	6	29					
Fair value hedge	**7,115**	**7,093**	**703**	**208**	**-1**	**483**	**6,744**	**-320**	**-25**	**-26**
Interest rate risk	**6,267**	**6,761**	**81**	**895**	**88**				**-86**	**2**
Interest rate swaps	6,267	6,267	80	894	86					
Swaptions	0	387	1	0	2					
Pre-hedging instruments	0	106	0	0	0					
Foreign currency risk	**9,497**	**8,697**	**679**	**1,670**	**-202**				**213**	**-1**
Cross-currency swaps (**)	9,319	8,521	678	1,669	-202					
Foreign currency sales or purchases	26	25	0	1	-2					
Pre-hedging instruments	151	151	2	0	2					
Price risk			**0**	**9**	**-8**				**7**	**0**
Firm instruments			0	9	-8					
Conditional instruments			0	0	0					
Cash flow hedge	**15,764**	**15,459**	**761**	**2,573**	**-122**				**134**	**1**
Interest rate instruments	**8,029**	**8,029**	**749**	**644**	**-32**					
Interest rate swaps	7,529	7,529	749	634	-24					
Swaptions	500	500	0	10	-8					
Foreign currency instruments	**666**	**708**	**35**	**2**	**61**					
Currency swaps	371	434	3	2	0					
Cross-currency swaps	122	120	28	0	-3					
Foreign currency sales or purchases	173	154	4	0	63					
Pricing instruments			**122**	**15**	**107**					
Firm instruments			122	15	107					
Conditional instruments			0	0	0					
Trading	**8,694**	**8,736**	**906**	**661**	**136**					

(**) Of which interest rate risk hedging portion amounting to -€59 million.
(**) Of which interest rate risk hedging portion amounting to €343 million.
(***) The nominal amounts of price hedging instruments are measured in volumes, and presented in Note 6.3.2

6.3.2. Maturities of nominal commitments

As at 31 December 2019 and 2018, the nominal commitments and maturities, by type of hedged risk, of the different hedging instruments subscribed were as follows:

Nominal commitments received 31/12/2019 *In € millions*	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Interest rate risk	1,875	1	758	705	410	0
Foreign currency risk	2,707	312	1,200	375	820	0
Fair value hedge	**4,581**	**312**	**1,958**	**1,080**	**1,230**	**0**
Interest rate risk	6,412	826	2,141	1,626	1,170	650
Foreign currency risk	8,557	1,417	2,067	1,966	1,217	1,889
Price risk	0	0	0	0	0	0
Cash flow hedge	**14,969**	**2,243**	**4,208**	**3,591**	**2,388**	**2,539**

Nominal commitments received 31/12/2018 *In € millions*	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Interest rate risk	2,374	0	478	436	1,460	0
Foreign currency risk	4,719	2,426	1,148	271	755	119
Fair value hedge	**7,093**	**2,426**	**1,626**	**707**	**2,215**	**119**
Interest rate risk	6,761	661	3,151	1,138	1,161	650
Foreign currency risk	8,697	1,800	2,092	1,514	1,522	1,770
Price risk	1	1	0	0	0	0
Cash flow hedge	**15,459**	**2,461**	**5,243**	**2,652**	**2,683**	**2,420**

Nominal commitments given 31/12/2019 *In € millions*	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Interest rate risk	1,874	0	758	705	410	0
Foreign currency risk	2,832	304	1,313	425	789	0
Fair value hedge	**4,706**	**304**	**2,072**	**1,131**	**1,199**	**0**
Interest rate risk	5,955	701	1,811	1,623	1,170	650
Foreign currency risk	9,251	1,347	2,016	2,466	1,372	2,051
Price risk	0	0	0	0	0	0
Cash flow hedge	**15,206**	**2,048**	**3,826**	**4,089**	**2,542**	**2,701**

Nominal commitments given 31/12/2018 *In € millions*	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Interest rate risk	2,374	0	478	436	1,460	0
Foreign currency risk	4,742	2,214	1,313	350	755	109
Fair value hedge	**7,115**	**2,214**	**1,791**	**785**	**2,215**	**109**
Interest rate risk	6,267	559	2,760	1,138	1,161	650
Foreign currency risk	9,497	1,635	2,028	2,007	1,831	1,996
Price risk	0	0	0	0	0	0
Cash flow hedge	**15,764**	**2,193**	**4,788**	**3,145**	**2,992**	**2,646**

For diesel volume hedges, the nominal amounts are expressed in volumes, and presented as follows:

Nominal commitments received as at 31/12/2019 *in tonnes*	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Price risk	132,865	69,506	63,359	0	0	0
Cash flow hedge	**132,865**	**69,506**	**63,359**	**0**	**0**	**0**

Nominal commitments received as at 31/12/2018 *in tonnes*	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Price risk	157,679	78,407	79,272	0	0	0
Cash flow hedge	**157,679**	**78,407**	**79,272**	**0**	**0**	**0**

Nominal commitments given as at 31/12/2019 *in tonnes*	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Price risk	132,865	69,506	63,359	0	0	0
Cash flow hedge	**132,865**	**69,506**	**63,359**	**0**	**0**	**0**

Nominal commitments given as at 31/12/2018 *in tonnes*	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Price risk	157,679	78,407	79,272	0	0	0
Cash flow hedge	**157,679**	**78,407**	**79,272**	**0**	**0**	**0**

6.3.3. Discontinuation of hedging relationships

A hedging relationship is discontinued once the conditions for effectiveness are no longer satisfied within the meaning of IFRS 9, or when the derivative instrument matures or is cancelled, exercised or sold, or when the hedged item is cancelled or sold. Furthermore, the Group may at any time decide to discontinue a hedging relationship. In this case, hedge accounting is no longer applicable. The accounting impacts of a discontinued hedging relationship differ depending on whether it involves fair value hedging or cash flow hedging.

Fair value hedge

The hedged borrowing is no longer adjusted for changes in fair value relating to the hedged risk. Prior recognised remeasurements are amortised at the same rate as the hedged item:

	Total change in fair value of the item that is no longer hedged	
In € millions	31/12/2019	31/12/2018
Interest rate risk	-186	-174
Foreign currency risk	64	75
Fair value hedge	**-122**	**-99**

Cash flow hedge

The total gains and losses on the hedging instrument recorded under other comprehensive income within equity are fixed and only reclassified to profit or loss when symmetrically impacted by the hedged item:

31/12/2019 *In € millions*	Hedging reserves for continued hedging relationships	Hedging reserves for discontinued hedging relationships	Hedging reserves recycled as the hedged item has impacted P&L (*)	Hedging reserves recycled as the hedged item no longer exists (*)
Interest rate risk	-1,116	-300	2	-16
Foreign currency risk	-508	-7	79	0
Price risk	-1	0	-2	0
Cash flow hedge	**-1,625**	**-306**	**79**	**-16**

(*) The P&L reclassification of the other comprehensive income relating to foreign currency and interest rate risk hedging instruments is recorded in net borrowing and other costs within the consolidated income statement.
The recycling of other comprehensive income relating to price risk hedging instruments is recorded in gross profit within the consolidated income statement.

31/12/2018 *In € millions*	Hedging reserves for continued hedging relationships	Hedging reserves for discontinued hedging relationships	Hedging reserves recycled as the hedged item has impacted P&L	Hedging reserves recycled as the hedged item no longer exists
Interest rate risk	-847	-205	2	-13
Foreign currency risk	-245	0	31	0
Price risk	-9	0	-5	0
Cash flow hedge	**-1,101**	**-205**	**28**	**-13**

6.3.4. Type of financial instruments subject to cash flow hedging

The fair value of derivatives designated as cash flow hedges (excluding commodity hedges) breaks down by hedged item as follows:

		Maturity schedule				
In € millions	31/12/2019	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	-1,798	58	147	-855	-494	-655
Non-bond borrowings	-116	-16	-48	-8	-44	0
Asset financing liabilities	-4	-4	0	0	0	0
Loans and receivables	0	0	0	0	0	0
Fair value of derivatives designated as cash flow hedges	**-1,918**	**39**	**99**	**-863**	**-539**	**-655**

		Maturity schedule				
In € millions	31/12/2018	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	-1,687	122	59	-812	-577	-479
Non-bond borrowings	-109	-15	-46	-10	-38	0
Finance lease borrowings	-7	0	-7	0	0	0
Loans and receivables	-1	-1	0	0	0	0
Fair value of derivatives designated as cash flow hedges	**-1,804**	**105**	**7**	**-823**	**-614**	**-479**

6.3.5. Impacts of hedging transactions on recyclable equity

The impacts on recyclable equity (other comprehensive income), excluding deferred tax impacts, break down as follows (- debit, + credit):

In € millions	Recyclable equity
Opening balance 01/01/2018	**-1,274**
Recycled in profit or loss	38
Change in the effectiveness of cash flow hedging instruments	-66
Interest rate risk hedge	*20*
Foreign currency risk hedge	*-65*
Of which hedged future transactions	*-2*
Price risk hedge	*-20*
Change in value of hedging costs	-174
Interest rate risk hedge	*0*
Foreign currency risk hedge	*-174*
Price risk hedge	*0*
Closing balance 31/12/2018	**-1,476**
Opening balance 01/01/2019	**-1,476**
Recycled in profit or loss	81
Change in the effectiveness of cash flow hedging instruments	-619
Interest rate risk hedge	*-545*
Foreign currency risk hedge	*-81*
Of which hedged future transactions	*0*
Price risk hedge	*7*
Change in value of hedging costs	85
Interest rate risk hedge	*80*
Foreign currency risk hedge	*4*
Price risk hedge	*0*
Closing balance 31/12/2019	**-1,929**

6.4. EQUITY

6.4.1. Share capital

To prepare the consolidated financial statements, the pooling of interests method was adopted, considering that the Group has always been under the common control of the French State. Until 31 December 2019, it was created by means of capital grants from the French State to EPIC SNCF Réseau and SNCF Mobilités. As at 31 December 2019, the SNCF Group share capital primarily comprised:

– €9.8 billion in capital grants received by SNCF Réseau;

– €3.9 billion in capital grants received by SNCF Mobilités (€1.2 billion in capital grants and €2.8 billion in property grants representing the various contributions in kind received from the French State). These grants, which amounted to €2.2 billion as at 31 December 2015, were reduced by €1 billion by allocation to distributable reserves following a ministerial order of November 2016.

A dividend was approved and paid to the shareholder in June 2019 for €537 million.

A dividend was approved and paid to the shareholder in July 2018 for €274 million.

As of 1 January 2020, following its transformation into a limited liability company, the share capital of the Group parent company, "SNCF SA national company," was €1 billion.

6.4.2. Non-controlling interests (minority interests)

Non-controlling interests break down according to the following sub-groups:

In € millions	31/12/2019	31/12/2018	Change
Geodis	10	11	-2
STVA	0	0	0
Ermewa	9	8	1
CapTrain	20	22	-1
Keolis	89	86	3
Other	-10	12	-22
Total	**118**	**139**	**-21**

The Keolis sub-group, whose main indicators are monitored by Group management (Note 3.1), is 30% owned by minority shareholders.

The condensed financial information for this sub-group, before cancellation of transactions with the rest of the group, is as follows:

In € millions	31/12/2019	31/12/2018
Revenue	6,592	5,936
Net profit/(loss) for the year	-52	34
Total comprehensive income/(loss)	-13	24
Cash flow generated during the period	25	-7
Of which dividends paid to minority shareholders	*-15*	*-13*
Current assets	1,826	1,625
Non-current assets	4,147	2,501
Current liabilities	2,784	2,288
Non-current liabilities	2,807	1,433
Net assets	**383**	**405**

The approval of Keolis minority shareholders is required for divestments, disposals or restructurings exceeding a predefined threshold.

The net loss of the Keolis sub-group attributable to minority shareholders totalled -€8 million for the year ended 31 December 2019 (net profit of €13 million for the year ended 31 December 2018)

7. INCOME TAX EXPENSE

Income tax expense encompasses all taxes calculated on an accounting profit or loss net of income and expenses. The following items are recognised under this line item at the bottom of the income statement:

- Corporate income tax and the various additional contributions associated with it;

- Sponsorship and foreign tax credits;

- Fixed-rate taxes calculated on an item of net profit or loss;

- The tax on rail company profits (Taxe sur le Résultat des Entreprises Ferroviaires - TREF): established by Article 65 of the 2011 Finance Law, it is based on corporate taxable income, before the allocation of tax loss carry-forwards, with respect to the last year closed before the tax due date. The tax was capped at €226 million as from 1 January 2016 (€200 million as from 1 January 2013). Taking into account its base, this tax is recorded under "Income tax expense." Only EPIC SNCF Mobilités was impacted by this tax within the Group;

- The impact of tax reassessments and uncertainties surrounding tax positions in respect of income tax and deferred tax;

- Deferred tax.

Deferred tax

The Group recognises, for each tax entity, deferred tax on all timing differences between the tax and book values of assets and liabilities in the consolidated balance sheet. Deferred tax is calculated using the liability method, applying the most recently voted tax rate at the year-end applicable to the period in which the timing differences are expected to reverse.

Deferred tax assets in respect of timing differences and tax losses or credits carried forward are recognised when recovery is deemed probable. The Group's ability to recover these tax assets is assessed through an analysis of its business plan and the uncertainties presented by the economy and Group markets. The bases used are the same as those used to calculate values in use in impairment tests.

A deferred tax liability is recognised in respect of investments in subsidiaries, joint ventures and associates on all temporary differences between the carrying amount and tax base of shares, unless:

- the Group controls the date at which the temporary difference will reverse (e.g. through a dividend distribution or the sale of an investment); and

- it is probable that this difference will not reverse in the foreseeable future.

Therefore, a deferred tax liability is only recognised in respect of wholly or proportionately consolidated companies in the amount of any withholding tax due on dividend distributions planned by the Group.

A deferred tax asset is only recognised to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and

- taxable profits will exist against which this temporary difference can be offset.

Deferred tax assets and liabilities are not discounted and are offset in a separate line item under non-current assets and liabilities.

Income tax expense

Income tax expense other than deferred tax is offset against operating payables and receivables in the balance sheet.

7.1. INCOME TAX EXPENSE ANALYSIS

7.1.1. Tax in the income statement

In € millions	31/12/2019	31/12/2018	Change
Current tax (expense)/income	-322	-315	-7
Deferred tax (expense)/income	-423	-294	-129
Total	-745	**-609**	-136

In 2018 and 2019, the current tax expense included the tax on rail company profits (TREF) for €226 million. This tax had a negative €148 million tax proof impact on "Differences in tax rates" in 2019 (€148 million in 2018).

As from 1 January 2015, a new tax group within the meaning of Article 223 A bis of the French General Tax Code was set up. EPIC SNCF Mobilités, the parent of the former tax group until 31 December 2014, its consolidated subsidiaries and EPIC SNCF Réseau joined this new group, whose parent is EPIC SNCF. The new scope comprises 226 companies as at 31 December 2019 (229 as at 31 December 2018) and has the following specificities:

– The loss carryforwards generated by SNCF Réseau until 31 December 2014 date back prior to the tax consolidation and can only be allocated to its results. Considering its lifecycle, EPIC SNCF Réseau can make longer-term loss recovery forecasts than the rest of the Group. A 20-year timeframe is therefore considered as a reasonable period for the utilisation of the tax asset to recognise its deferred tax asset receivable.

– The 31 December 2014 losses of the former integrated group SNCF Mobilités may be allocated to the results generated by a selection of entities from the former scope and members of the new tax consolidation group, the group having opted for the wider tax base according to the tax measures applicable in France.

SNCF deferred tax asset recovery forecasts are determined by taking into account these specificities. They were updated using the contextual items shown in Note 4.3.2.1.

The Group's deferred taxes had a total impact of -€423 million on 2019 net profit primarily due to the decrease in the projected group taxable income over the period attributable to the 2020 Finance Law which made SNCF's payment to the support fund tax deductible.

SNCF Réseau did not modify its deferred tax amount in the balance sheet in 2019.

These impacts are recorded in "Impairment of deferred taxes previously capitalised" under the tax proof.

7.1.2. Tax in comprehensive income

As at 31 December 2019, the deferred tax expense recognised in other comprehensive income amounted to €16 million.

In 2018, the deferred tax income recognised in other comprehensive income amounted to €31 million.

7.2. TAX PROOF

For its tax proof, the Group adopted the corporate income tax rate (33.33%) applicable in France, plus the 3.3% social security contribution for the tax share exceeding € 763,000.

In € millions	31/12/2019	31/12/2018
Net profit/(loss) for the year	**-773**	**213**
Share of net profit/(loss) of companies consolidated under the equity method	35	28
Income tax expense	-745	-609
Net profit/(loss) before tax from ordinary activities and before the share of net profit of companies consolidated under the equity method	**-63**	**794**
Income tax rate applicable in France	34.43%	34.43%
THEORETICAL INCOME TAX (EXPENSE)/INCOME	22	-273
Permanent differences	12	-180
Capitalisation of prior year losses	0	1,714
Tax losses and temporary differences of the period not capitalised	-168	-309
Impairment of deferred taxes previously capitalised	-434	-1,518
Utilisation of tax losses and temporary differences not previously capitalised	-4	1
Differences in tax rates	-174	-157
Tax credits	1	114
Prior year adjustments	0	-3
Impacts of exchange rate fluctuations	3	0
INCOME TAX (EXPENSE)/INCOME RECORDED	-745	-609
EFFECTIVE TAX RATE	1177.66%	76.73%

– The heading “Tax losses and temporary differences of the period not capitalised” mainly involves SNCF Réseau which did not capitalise any new losses in 2019.

– The “Impairment of deferred taxes previously capitalised” in 2018 primarily involves the SNCF tax consolidation group, whose loss reduction forecasts were reviewed following the application of Article 34 of Law 2018-1317 of 28 December 2018 on 2019 finances transposing the ATD directive on the group’s profit trajectory. Until the end of 2018, only 75% of the net financial expenses obtained according to a calculation defined by the Amending Finance Law were deductible from taxable income. The non-deductible portion represents a permanent difference in the tax proof. as from 2019, following the adoption of new limitations for the deduction of financial expenses at SNCF tax group level, the Group limited the add-back to €55 million for the calculation of 2019 group profit. The 2019 non-deductible portion of net financial expenses can be carried forward indefinitely and therefore represents a timing difference.

– The “Tax credits” heading mainly comprises the Competitiveness and Employment Tax Credit (CICE) in 2018 for €107 million as at 31 December 2018. In 2019, the CICE was replaced by a reduction in social security contributions and therefore no longer constitutes a tax credit in the corresponding tax proof heading.

– The income tax rate was 34.43% in 2019, and gradually decreases to 32.02% in 2020, 28.41% in 2021 and 25.83% as from 1 January 2022. The rate reductions already voted under the 2018 French Finance Law were delayed as of 2020, resulting in a €3 million impact on the “Impacts of exchange rate fluctuations” heading.

7.3. DEFERRED TAX SOURCES

Group tax losses carried forward as at 31 December 2019 amounted to €22.1 billion, compared to €19.9 billion as at 31 December 2018. Out of this amount, €19.8 billion involve French entities for which the losses can be carried forward indefinitely (€17.8 billion as at 31 December 2018). Tax assets not recognised at this date totalled €5.8 billion (€4.4 billion as at 31 December 2018).

In € millions	31/12/2018	Net profit	Equity	Reclassification	Change in Group structure and foreign exchange	31/12/2019
Tax losses carried forward	5,115	384	388	1	-33	5,853
Employee benefits	*46*	*-72*	*62*	*0*	*2*	*38*
Differences in asset values	*-433*	*-88*	*-6*	*0*	*-2*	*-530*
Finance leases	*-16*	*18*	*14*	*1*	*0*	*17*
Tax-driven provisions	*-139*	*-2*	*0*	*0*	*0*	*-140*
Financial instruments	*413*	*26*	*114*	*7*	*1*	*560*
Remeasurement of identifiable assets and liabilities acquired in business combinations	*-231*	*20*	*0*	*0*	*-6*	*-217*
Internal profits and losses	*150*	*-3*	*0*	*0*	*0*	*147*
Total consolidation restatements	-210	-100	184	7	-4	-125
Non-deductible provisions and other tax differences	4,291	52	-5	1	-1	4,338
Deferred taxes not recognised	-4,445	-759	-580	-8	41	-5,751
Net deferred taxes recognised	4,751	-423	-14	0	2	4,316
Deferred tax assets	4,936	0	0	0	0	4,473
Deferred tax liabilities	184	0	0	0	0	157
Net deferred taxes on balance sheet	4,751	0	0	0	0	4,316

8. RELATED PARTY TRANSACTIONS

SNCF, as an industrial and commercial public institution wholly owned by the French State (via the French Government Shareholding Agency), is related, in the meaning of IAS 24, "Related Party Disclosures", to all companies and entities controlled by the French State. Disclosures on individually or collectively material transactions with these entities concern the following related parties:
- The French State, as shareholder, and the transport organising authorities (Régions and Île de France Mobilités (formerly STIF)); conversely, taxes paid pursuant to ordinary law are excluded from the scope of related party transactions.
- ICF Group LRHC low-rental housing companies.

SNCF transactions with other state-owned companies (EDF, Orange, La Poste, etc.) are all carried out on an arm's length basis.

No Group companies other than the EPIC carry out material transactions with these related parties.

8.1. TRANSACTIONS WITH THE FRENCH STATE AND LOCAL COMMUNITIES

The information presented below concerns transactions entered into with the French State via its ministries, central authorities and transport Organising Authorities (OA), not governed by ordinary law.

The operating grants transferred to SNCF Group by the State and local communities are presented in the following table:

In € millions	31/12/2019	31/12/2018
Operating grants received	149	141

Furthermore, the Group invoices the French State via EPIC SNCF Réseau for the access fees related to regional passenger trains (TER) and Trains d'Équilibre de Territoire (TET, Intercités). These fees also include rate compensation paid by the French State to cover the marginal cost of freight traffic, in addition to fees paid by freight companies. The following amounts are recognised in revenue.

In € millions	31/12/2019	31/12/2018
Access fees (*)	1,860	1,832
Freight compensation	81	54

(*) Of which TER fees of €1,450 million (€1,392 million in 2018) and TET fees of €410 million (€440 million in 2018)

The amounts received from the French State and the OA in connection with transport services are described in Note 3.2.

8.2. TRANSACTIONS WITH ICF GROUP LOW-RENTAL HOUSING COMPANIES (LRHC)

8.2.1. Balance sheet headings

In € millions	31/12/2019	31/12/2018
Current financial assets	10	11
Non-current financial assets	254	259
Current financial liabilities	0	0
Non-current financial liabilities	0	0

Non-current financial assets primarily comprise building loans granted by SNCF Mobilités and ICF to LRHC subsidiaries and equity investments of the LRHC subsidiaries. The latter amounted to €145 million (€145 million as at 31 December 2018) and were included in financial assets at fair value through equity (see Note 6.1.2.2). Given the low rental housing regulations and the SNCF Mobilités structure, these assets cannot be transferred to other Group entities.

8.2.2. Income and expenses

Transactions with low-rental housing companies recorded in the income statement are not material.

9. OFF-BALANCE SHEET COMMITMENTS

9.1. COMMITMENTS RECEIVED AND GIVEN

Commitments received and given are detailed in the following tables and the percentage of commitments with joint ventures included in the total amounted to:

– €0 million for commitments received as at 31 December 2019 (€1 million for 2018).

– €0 million for commitments given as at 31 December 2019 (€216 million for 2018).

		31/12/2019				31/12/2018
			Amount of commitments per period			
Commitments received (in M€)	Notes	Total commitment	Less than one year	From one to five years	More than five years	Total commitment
Commitments relating to financing		**3,630**	**786**	**2,225**	**618**	**3,186**
Personal collateral	9.1.1.1	136	77	37	22	65
Security interests		4	4	0	0	4
Unused confirmed credit lines	6.2.5	3,489	705	2,188	597	3,117
Commitments relating to operations		**12,451**	**3,736**	**6,775**	**1,939**	**10,959**
Investment commitments for operation of rail equipment	9.1.2.1	6,219	1,854	4,262	103	5,933
Purchase commitments for non-current assets other than rail equipment	9.1.2.2	1,182	434	734	14	1,372
Property sale undertakings	9.1.2.3	38	12	15	11	73
Operational and financial guarantees	9.1.2.4	1,910	961	900	49	1,582
Operating leases: equipment	9.1.2.5	517	214	268	35	437
Operating leases: property	9.1.2.5	2,536	216	597	1,723	1,552
Commitments relating to operating and fixed asset purchase agreements		10	4	0	6	10
Firm commodity purchase commitments (electricity, diesel, etc.)		39	39	0	0	0
Commitments relating to the Group consolidation scope		**17**	**0**	**0**	**17**	**17**
Security commitments (option contracts)		17	0	0	17	17
Other commitments received		**5**	**5**	**0**	**0**	**20**
Total commitments received		**16,102**	**4,527**	**9,000**	**2,575**	**14,182**

		31/12/2019				31/12/2018
			Amount of commitments per period			
Commitments given (in M€)	Notes	Total commitment	Less than one year	From one to five years	More than five years	Total commitment
Commitments relating to financing		**2,286**	**785**	**210**	**1,291**	**1,778**
Personal collateral		218	106	74	38	185
Personal collateral: guarantees given for employee loans	9.1.1.1	530	33	132	365	661
Security interests	9.1.1.2	1,538	646	5	888	933
Commitments relating to operations		**16,463**	**4,349**	**7,651**	**4,463**	**20,037**
Investment commitments for operation of rail equipment	9.1.2.1	9,596	2,148	4,680	2,768	9,674
Purchase commitments for non-current assets other than rail equipment	9.1.2.2	3,149	1,168	1,953	28	3,087
Property sale undertakings	9.1.2.3	36	12	15	9	71
Operational and financial guarantees	9.1.2.4	1,969	273	633	1,063	1,917
Customs guarantees (Geodis)		247	216	9	23	178
Operating leases: equipment	9.1.2.5	-	-	-	-	2,215
Operating leases: property	9.1.2.5	-	-	-	-	2,083
Commitments relating to operating and fixed asset purchase agreements	9.1.2.6	872	248	238	386	278
Firm commodity purchase commitments (electricity, diesel, etc.)	9.1.2.7	593	283	123	187	533
Commitments relating to the Group consolidation scope		**108**	**5**	**101**	**2**	**11**
Other commitments relating to the Group consolidation scope	9.1.2.8	108	5	101	2	11
Other commitments given		**41**	**20**	**20**	**1**	**56**
Total commitments given		**18,898**	**5,159**	**7,982**	**5,757**	**21,883**

9.1.1. Commitments relating to financing

9.1.1.1 Personal collateral

The €71 million increase in personal collateral received primarily involved the guarantees given by the Partner Amey joint venture on behalf of the Wales & Borders franchise.

The guarantees given for loans taken out by employees correspond to the total loans outstanding granted by SNCF with regard to employee housing loans. Statistically, the amount of guarantee claims was very low.

9.1.1.2 Security interests

Commitments given increased by €606 million in fiscal 2019, primarily due to the trust set up for Ermewa Ferroviaire France, Ermewa Intermodal France, Ermewa Opérations Holding and Ermewa Interservices securities to guarantee a bank loan.

9.1.2. Commitments relating to operations

9.1.2.1 Investment commitments for operation of rail equipment

Commitments given concern investments concluded with rolling stock manufacturers, some of whom work in cooperation with the transport Organising Authorities (OA) for the future commissioning of rail equipment. The net decrease was due to the fact that investments carried out during the period were higher than the new commitments undertaken.

Commitments received correspond to investment funding receivable from the OA for ordered rolling stock. They decrease by the amount of the investments ordered by the Organising Authorities that have been carried out. Conversely, they increase in the amount of new investment orders.

The €78 million decrease in commitments given is explained by:

– the contractualisation of new investment programmes, the main programmes totalling €1,646 million:

- order by Voyages SNCF of 12 TGV 2N3 trains from Alstom for €233 million;
- order by Transilien of 8 Regio2N trains from Bombardier for €97 million;
- order by TER of 88 Régiolis trains from Alstom for €687 million;
- order by Intercités of 28 AMLD high-speed trains from CAF for €629 million.

– a decline of €1,613 million for residual rolling stock investments due to down payments and deliveries made, primarily involving:

- Regio2N trains for €133 million, NAT trains for €283 million and RER NG trains for €176 million at Transilien;
- TGV trains for €363 million at Voyages SNCF;
- Omneo Normandie trains for €250 million and Régiolis trains for €122 million at Intercités;
- Régiolis trains for €195 million and Regio2N trains for €91 million at TER.

The €286 million rise in commitments received in 2019 was attributable to:

– the €374 million increase in investment grants receivable from the OAs, mainly:

- at Intercités for €298 million in line with the order of 28 AMLD Grande Vitesse trains (€641 million), whose impacts were partly offset by the cash received for Régiolis (€103 million) and Omneo Normandie (€240 million) trains;

- at Transilien for €88 million, primarily for NAT and RER NG trains.

– a €87 million decrease in compensation guarantees received against planned investments, which breaks down as follows:

- a €510 million decline at Transilien mainly involving NAT (€278 million), RER NG (€138 million), Regio2N (€62 million) and Tram Train (€28 million) rolling stock;
- a €422 million increase at TER combining a €527 million rise for Régiolis trains and €105 million decrease for Regio2N trains.

9.1.2.2 Purchase and financing commitments for non-current assets other than rail equipment

The €189 decrease in commitments received to finance purchase commitments for non-current assets other than rail equipment was mainly explained by the decrease in grants receivable by Transilien from Île-de-France Mobilités under its four-year investment plan.

The €62 million increase in asset purchase commitments given was attributable to:

– a €212 increase in the four-year investment programme for fixed installations not relating to the Contrat de Plan État-Région (CPER) State-Region Contractual Plan) at Transilien;

– partly offset by a decrease in commitments at SNCF Réseau and for the real estate scope in line with the progress in several investment projects.

Furthermore, commitments given relating to SNCF Réseau asset purchases and rail projects break down as follows:

– EOLE Project

An interprefectoral decree of 31 March 2016 authorised the work and operation for the westerly extension of the RER E from Haussmann St Lazare station to Nanterre – La Folie.

The agreement approves the project’s overall financing plan totalling €3.4 billion, of which €256 million in SNCF Réseau equity. The work carried out under SNCF Réseau project ownership amounts to €3 billion. Commissioning will take place between 2022 and 2024.

As decided by the French State, SNCF Réseau guarantees a cash advance (repayable) capped at 40% of all the expenditure incurred at each stage, i.e. a maximum amount of €805 million. This advance, granted over a period of 10 years, bears interest at 1.5%. The piggy-backing costs are paid by the French State and Société du Grand Paris (SGP).

– Charles de Gaulle Express Project

The Law of 28 December 2016 that approved the CDG Express link allocated the project to a company equally held by SNCF Réseau, the ADP Group and CDC. The company is responsible for the design, financing, production or development, operation and maintenance, including upkeep and renewal, of the railway infrastructure. The law also enabled the French State to designate, via a call for tenders, the rail operator in charge of passenger transport.

The French State passed an amendment in order to specify that the golden rule does not apply to SNCF Réseau’s contribution to the financing of CDG Express given its specific status. CDG Express was created on 5 October 2018. Its business became effective when the main contracts were signed, mainly the concession contract and the building design contract with SNCF Réseau on 11 February 2019. The construction costs under SNCF Réseau's responsibility are estimated at €1.6 billion with the CDG Express being approximately 84% funded.

9.1.2.3 Property sale undertakings

The decrease in commitments relating to property sale undertakings was primarily attributable to the sales completed over the period partially offset by new sale undertakings.

9.1.2.4 Operational and financial guarantees

Operating and financial guarantees given increased by €51 million mainly due to the set-up of new operating guarantees at Kéolis in the amount of €148 million for contracts in the UK and the Netherlands. This was partly offset by the decline in operating guarantees for EPIC SNCF Mobilités (-€46 million) and Geodis (-€23 million) and the financial guarantees of SNCF Réseau (-€24 million).

Operating and financial guarantees received in the SNCF financial statements primarily concern bank guarantees received from rail equipment suppliers Bombardier and Alstom.

The net increase for €328 million mainly corresponds to guarantees for:

– Transilien in the amount of €98 million for NAT and RER NG trains;

– Voyages SNCF in the amount of €83 million for TGV trains;

– Intercités in the amount of €156 million for Regio2N trains.

Third-party guarantees given and received as at 31 December 2019 in the SNCF Réseau financial statements break down as follows:

– Financial guarantees given to third parties primarily comprised the guarantee issued in 2011 for the Caisse des Dépôts-Savings Account fund management for €687 million (€757 million in 2018) and the financial guarantee granted to CDG Express for €47 million.

– Financial guarantees received mainly comprise financial guarantees obtained from Eiffage Rail Express for €140 million, OCVIA for €122 million, VINCI Construction for €72 million and Bouygues Travaux Public for €38 million.

9.1.2.5 Commitments relating to equipment and property operating leases

Equipment and property operating leases received rose by €1,062 million mainly in line with the new Temporary Occupation Authorisation for the Gare du Nord 2024 project undertaken by SNCF Gares & Connexions.

Following the adoption of IFRS 16 as at 1 January 2019, lessee operating leases are capitalised and not longer recorded as an off-balance sheet item. At the 2018 year-end, commitments relating to equipment and property operating leases given totalled €2,215 million and €2,083 million, respectively.

A reconciliation of off-balance sheet commitments as at 31 December 2018 and the opening IFRS 16 liability is presented in Note 1.2.3.

As at 31 December 2019, the payment schedule of lease commitments received breaks down as follows:

In € millions	31/12/2019
Equipment operating leases	
Less than 1 year	214
1 to 2 years	123
2 to 3 years	71
3 to 4 years	48
4 to 5 years	26
5 years and thereafter	35
Total	517
Property operating leases	
Less than 1 year	216
1 to 2 years	159
2 to 3 years	155
3 to 4 years	144
4 to 5 years	139
5 years and thereafter	1,723
Total	2,536

9.1.2.6 Commitments relating to operating and fixed asset purchase agreements

Other operating purchase commitments given increased by €594 million. These commitments include purchase commitments for rail and station access and track reservations.

This increase during the year was mainly due to the track reservation contract for Keolis' new Wales and Borders franchise.

The Document de Référence du Réseau for 2018, which can be consulted at the SNCF Réseau website, provides for a new reciprocal compensation mechanism should track allocations or reservations be cancelled or significantly modified by either party. The applicable penalties now range between €0.5/tr/km and €8/tr/km according to variable terms between the cancellation or modification date and the track reservation date. They are more significant for SNCF Réseau than for the railway undertakings.

9.1.2.7 Firm commodity purchase commitments (electricity, diesel, etc.)

Commodity purchase commitments essentially concern electricity supply contracts.

The rise in commodity purchase commitments for €60 million was attributable to: A new renewable energy purchase contract was signed by SNCF Energie (see Note 2.1.10).

9.1.2.8 Other commitments relating to the Group consolidation scope

The €96 million increase in this heading was mainly due to the commitment by SNCF Voyages Développement to subscribe to Blablacar bonds convertible into shares (see Note 2.1.9).

9.2. TRANSFER OF FINANCIAL ASSETS

9.2.1. Geodis factoring

SNCF Mobilités set up a revolving factoring facility for the assignment of trade receivables in the Geodis sector. The transactions cover the entire amount of assigned receivables and can be carried out on a monthly basis. Counterparty and late payment risks and the benefits associated with the receivables are transferred to the factor. As the receivables are denominated and assigned in euros, there is no foreign exchange risk. Accordingly, the Group is deemed to have transferred virtually all the risks and rewards relating to the receivables. As this involves operating receivables, assignments led to net receipts for the Group presented in "Net cash from operating activities" on the cash flow statement. Assignments at the year-end resulted in a net receipt of €184 million in 2019 (€170 million in 2018) being obtained in advance from the factor compared to the usual debt collection period.

9.2.2. Assignment of the CICE receivable

In 2018 and 2019, no receivables generated by the Competitiveness and Employment Tax Credit were assigned.

10. SCOPE OF CONSOLIDATION

10.1. NUMBER OF CONSOLIDATED COMPANIES

The number of companies consolidated by SNCF Group breaks down as follows:

	31/12/2019	31/12/2018	Change
Parent company and fully consolidated companies	905	894	11
Companies consolidated by percentage shares (joint operations)	0	1	-1
Equity-accounted companies (joint ventures)	49	51	-2
Equity-accounted companies (significant influence)	72	70	2
Total scope of consolidation	1,026	1,016	10

10.2. ANALYSIS OF THE CONTROL OF CERTAIN ENTITIES

10.2.1. LRHC (Low-rental housing companies)

The assessment of control exercised over low-rental housing companies (LRHC) is a complex issue that the Group has approached, taking into account the constraints resulting from the extremely strict regulatory framework governing low-rental housing and the focus set for its housing policy. It would appear that consolidation is not appropriate as:

– If SNCF Mobilités exercises influence over certain aspects of management of the LRHC, it cannot be qualified as a controlling influence; SNCF Mobilités neither directs the relevant activities of the LRHC pursuant to IFRS 10, nor influences policy-making pursuant to IAS 28 revised, due to the restrictions and strict supervision imposed by the Law;

– the SNCF Mobilités Groups decision to own the four LRHC concerned is primarily based on institutional and general interest arguments and not on financial and asset ownership considerations, whether direct or indirect, the potential returns being very limited.

Shares in LRHC are therefore retained in balance sheet assets and classified in available-for-sale financial assets (see Notes 6.1.2.4 and 8.2.2).

The main consolidated balance sheet headings of these companies were as follows:

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– Non-current assets €4,523 million (€4,451 million in 2018);

– Non-current liabilities (debt): €2,362 million (€2,373 million in 2018).

The net indebtedness of unconsolidated LRHC low-rental housing companies amounted to €2.29 billion (€2.30 billion as at 31 December 2018).

10.2.2. SOFIAP

SNCF Mobilités holds shares in a group of real-estate financing companies. Under the Socrif brand, the group comprises SNCF Habitat (a wholly-owned public interest cooperative), Sofiap (a credit institution 34% held and controlled by La Banque Postale since 20 May 2014 after having been 49% held by Crédit Immobilier de France Développement) and Soprim (a wholly-owned simplified joint stock company). Given the legal restrictions governing the returns obtained by investors from public interest cooperatives for home ownership (specific statutory regulations enacted by the French Construction and Housing Code), the Group is neither exposed to the variable returns of SNCF Habitat, nor can it exercise any power on these returns. Consequently, SNCF Habitat is not consolidated according to IFRS 10. The same is true for Sofiap and Soprim, which are indirectly held through SNCF Habitat, due to the absence of effective control. Soprim has a very limited activity. The shares are therefore retained in balance sheet assets and classified under investments in equity instruments. The year-end financial aggregates of Sofiap were as follows:

– Non-current assets: €2,138 million (€2,037 million as at 31 December 2018)

– Non-current liabilities: €2,259 million (€2,005 million as at 31 December 2018)

10.2.3. SNCF Réseau and SNCF Mobilités

Pursuant to Article L2102-10 of the French Transport Code, the financial statements of SNCF Réseau and SNCF Mobilités were fully consolidated with those of SNCF.

10.3. MAIN ENTITIES WITHIN THE SCOPE OF CONSOLIDATION

The following table lists only the main significant entities. A significant entity is any entity with revenue of over €30 million or total assets of over €50 million. The activities belonging to the EPICs are identified by the wording "EPIC".

Consolidation methods:

FC: Full Consolidation

JO: Joint Operation – Recognition of shares of assets, liabilities, revenues and expenses

JV: JV Joint Venture - Equity-accounted

SI: Significant Influence - Equity-accounted

NC: Non consolidated

F: Company absorbed by another Group company

Percentage interest: share in the share capital of the consolidated company held by the consolidating company, either directly or indirectly.

Percentage control: percentage of voting rights held by the consolidating company in the consolidated company, either directly or indirectly.

Geographical area	Country	Company	M	PC Year Y	PI Year Y	PC Year Y-1	PI Year Y-1
		Parent Company					
FRANCE	FRANCE	FINANCIAL STATEMENTS	FC	100%	100%	100%	100%
	Business unit	**SNCF Réseau**					
FRANCE	FRANCE	SNCF Réseau - SIGBC EPIC	FC	100%	100%	100%	100%
	Business unit	**Voyageurs**					
	Segment	**SNCF Transilien, Régions and Intercités**					
FRANCE	FRANCE	SNCF Mobilités – Transilien EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Mobilités – TER EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Mobilités – Intercités EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Mobilités - FC - Traction EPIC	FC	100%	100%	100%	100%
	Segment	**SNCF Voyages**					
EUROPE EXCLUDING FRANCE	AUSTRIA	Rail Holding AG	SI	17%	17%	17%	17%
	BELGIUM	THI Factory	FC	60%	60%	60%	60%
	UK	Groupe Eurostar	FC	55%	55%	55%	55%
FRANCE	FRANCE	OUI Bus	SI	0%	0%	95%	95%
	FRANCE	SNCF Mobilités - Voyages - Europe EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Mobilités - Voyages - TGV EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Mobilités - Voyages Central EPIC	FC	100%	100%	100%	100%
	Segment	**Gares & Connexions**					
	FRANCE	Retail & Connexions	FC	100%	100%	100%	100%
FRANCE	FRANCE	SNCF Mobilités - Gares & Connexions EPIC	FC	100%	100%	100%	100%
	FRANCE	GARE DU NORD 2024	SI	34%	34%	0%	0%
	FRANCE	Lagardère & Connexions	JV	50%	50%	50%	50%
	Business unit	**Keolis**					
AFRICA, MIDDLE EAST	QATAR	RKH Qitarat LLC	SI	33%	23%	33%	23%
AMERICAS	CANADA	Keolis Canada Inc	FC	100%	70%	100%	70%
	UNITED STATES	Keolis Transit America	FC	100%	70%	100%	70%
		Keolis Commuter Services LLC	FC	100%	82%	100%	82%
ASIA, PACIFIC	AUSTRALIA	KDR Victoria Pty Ltd	FC	100%	36%	100%	36%
		KD Hunter Pty Ltd	FC	100%	36%	100%	36%
		Path Transit Pty Ltd	FC	100%	36%	100%	36%
		Southlink Pty Ltd	FC	100%	36%	100%	36%
EUROPE (EXCLUDING FRANCE)	GERMANY	Keolis Deutschland COKG	FC	100%	70%	100%	70%
	DENMARK	Keolis Danmark	FC	100%	70%	100%	70%
	UK	Govia Thameslink Railway Limited	JV	35%	24%	35%	24%
		Keolis-Amey Docklands Ltd	FC	70%	49%	70%	49%
		Keolis-Amey Metrolink	FC	60%	42%	60%	42%
		Keolis Amey Operations/Gweithrediadau Keolis Amey Limited – the Operating Entity	FC	64%	45%	64%	45%
		London&South Eastern Railway - LSER	JV	35%	24%	35%	24%
	NETHERLANDS	Keolis Nederland BV (formerly Syntus)	FC	100%	70%	100%	70%
	SWEDEN	Keolis Sverige	FC	100%	70%	100%	70%
FRANCE	FRANCE	Aerolis	FC	100%	70%	100%	70%
		CarPostal France Siège	FC	100%	70%	0%	0%
		Effia Concessions	FC	100%	70%	100%	70%
		EFFIA Park	FC	100%	70%	100%	70%
		Effia Stationnement et Mobilité	FC	100%	70%	100%	70%
		Keolis	FC	100%	70%	100%	70%

Geographical area	Country	Company	M	PC Year Y	PI Year Y	PC Year Y-1	PI Year Y-1
		Keolis Amiens	FC	100%	70%	100%	70%
		Keolis Angers	FC	100%	70%	100%	70%
		Keolis Atlantique	FC	100%	70%	100%	70%
		Keolis Besançon Mobilités	FC	100%	70%	100%	70%
		Keolis Bordeaux Métropole	FC	100%	70%	100%	70%
		Keolis Bus Verts	FC	100%	70%	100%	70%
		Keolis Caen Mobilités	FC	100%	70%	100%	70%
		Keolis CIF	FC	100%	70%	100%	70%
		Keolis Dijon Mobilités	FC	100%	70%	100%	70%
		Keolis Grand Nancy	FC	100%	70%	100%	70%
		Keolis Lyon	FC	100%	70%	100%	70%
		Keolis Métropole Orléans	FC	100%	70%	100%	70%
		Keolis Pays d'Aix	FC	100%	70%	100%	70%
		Keolis Rennes	FC	100%	70%	100%	70%
		Keolis Tours	FC	100%	70%	100%	70%
		Keolis Versailles	FC	100%	70%	100%	70%
		KeoMotion	FC	100%	70%	100%	70%
		SAEMES	JV	33%	23%	33%	23%
		Transpole	FC	100%	70%	100%	70%
		Transport Daniel MEYER	FC	100%	70%	100%	70%
	Business unit	SNCF Logistics					
AMERICAS	ARGENTINA	Geodis Wilson Argentina S.A.	FC	100%	100%	100%	100%
	BRAZIL	GW Freight Management Brazil	FC	100%	100%	100%	100%
	CHILE	Geodis Wilson Chile Limitada	FC	100%	100%	100%	100%
	UNITED STATES	Geodis USA, Inc.	FC	100%	100%	100%	100%
		Geodis America	FC	100%	100%	100%	100%
		Geodis Global Solutions USA Inc	FC	100%	100%	100%	100%
		Geodis Transportation, LLC	FC	100%	100%	100%	100%
	MEXICO	Geodis Wilson Mexico S.A. de C.V.	FC	100%	100%	100%	100%
		Geodis Global Solutions Mexico	FC	100%	100%	100%	100%
ASIA, PACIFIC	AUSTRALIA	Geodis Wilson Pty Ltd Australia	FC	100%	100%	100%	100%
	CHINA	Geodis Wilson Hong Kong Ltd.	FC	100%	100%	100%	100%
		Geodis Wilson China Limited	FC	100%	100%	100%	100%
	INDIA	Geodis Overseas India	FC	100%	100%	100%	100%
	NEW ZEALAND	Geodis Wilson. New Zealand Ltd	FC	100%	100%	100%	100%
	SINGAPORE	Geodis Wilson Singapore Pte Ltd	FC	100%	100%	100%	100%
EUROPE (EXCLUDING FRANCE)	GERMANY	Captrain Deutschland CargoWest GmbH	FC	100%	100%	100%	100%
		Forwardis Gmbh	FC	100%	100%	100%	100%
		Geodis Logistics Deutschland GmbH	FC	100%	100%	100%	100%
		Geodis Wilson Germany GmbH & Co KG	FC	100%	100%	100%	100%
		ITL Eisenbahngesellschaft mbH	FC	100%	100%	100%	100%
		NEB	JV	67%	34%	67%	34%
	AUSTRIA	Chemfreight (Rail Cargo Logistics)	JV	34%	34%	34%	34%
	BELGIUM	Geodis FF Belgium N.V	FC	100%	100%	100%	100%

Geographical area	Country	Company	M	PC Year Y	PI Year Y	PC Year Y-1	PI Year Y-1
		Geodis RT Spain SA	FC	100%	100%	100%	100%
		Geodis Wilson Spain, S.L.U.	FC	100%	100%	100%	100%
	UK	Geodis UK Ltd Messagerie	FC	100%	100%	100%	100%
		Geodis Wilson UK Ltd	FC	100%	100%	100%	100%
	IRELAND	Geodis Ireland Ltd	FC	100%	100%	100%	100%
	ITALY	Captrain Italia	FC	100%	100%	100%	100%
		Geodis Logistics S.P.A.	FC	100%	100%	100%	100%
		Geodis RT Italia Srl	FC	100%	100%	100%	100%
		Geodis Wilson Italia Spa	FC	100%	100%	100%	100%
	LUXEMBOURG	Lexsis	FC	100%	100%	100%	100%
		LORRY Rail	FC	58%	58%	58%	58%
		SIBELIT	SI	43%	42%	43%	42%
	NETHERLANDS	Geodis Holding BV	FC	100%	100%	100%	100%
		Geodis Logistics Netherlands BV	FC	100%	100%	100%	100%
		Geodis RT Netherlands BV (formerly Geodis Wilson Netherlands B.V.)	FC	100%	100%	100%	100%
		Geodis Wilson Netherlands B.V.	FC	100%	100%	100%	100%
	POLAND	Geodis Polska	FC	100%	100%	100%	100%
	SWEDEN	Geodis Holding Sweden AB	FC	100%	100%	100%	100%
		Geodis Sweden AB	FC	100%	100%	100%	100%
	SWITZERLAND	BLS CARGO	SI	45%	45%	45%	45%
		Ermewa Ferroviaire (Switzerland)	FC	100%	100%	100%	100%
		Ermewa Intermodal (Switzerland)	FC	100%	100%	100%	100%
		PIRCO SA	F	0%	0%	100%	100%
FRANCE	FRANCE	Groupe AKIEM	JV	50%	50%	50%	50%
		BM Virolle	SI	35%	35%	35%	35%
		Bourgey Montreuil Alsace	FC	100%	100%	100%	100%
		Calberson Alsace	FC	100%	100%	100%	100%
		Calberson Armorique	FC	100%	100%	100%	100%
		Calberson Bretagne	FC	100%	100%	100%	100%
		Calberson Ile de France	FC	100%	100%	100%	100%
		Calberson Loiret	FC	100%	100%	100%	100%
		Calberson Méditerranée	FC	100%	100%	100%	100%
		Calberson Normandie	FC	100%	100%	100%	100%
		Calberson Paris Europe	FC	100%	100%	100%	100%
		Calberson Picardie	FC	100%	100%	100%	100%
		Calberson Rhône Alpes	FC	100%	100%	100%	100%
		Calberson SAS	FC	100%	100%	100%	100%
		Calberson Sud-Ouest	FC	100%	100%	100%	100%
		Challenge International	FC	100%	100%	100%	100%
		Chaveneau Bernis Transport	FC	100%	72%	100%	72%
		Dusolier Calberson	FC	100%	100%	100%	100%
		Ermewa (Paris)	FC	100%	100%	100%	100%
		Ermewa Ferroviaire	FC	100%	100%	100%	100%
		Ermewa Holding	FC	100%	100%	100%	100%
		Ermewa Intermodal	FC	100%	100%	100%	100%
		Eurotainer SAS	FC	100%	100%	100%	100%
		Flandre Express	FC	100%	100%	100%	100%
		Forwardis SA	FC	100%	100%	100%	100%
		Geodis Automotive Est	FC	100%	100%	100%	100%

Geographical area	Country	Company	M	PC Year Y	PI Year Y	PC Year Y-1	PI Year Y-1
		Geodis Calberson Valenciennes	FC	100%	100%	100%	100%
		Geodis Euromatic	SI	0%	0%	100%	100%
		Geodis Freight Forwarding France	FC	100%	100%	100%	100%
		Geodis Logistics Île-de-France	FC	100%	100%	100%	100%
		Geodis Logistics Nord	FC	100%	100%	100%	100%
		Geodis Logistics Rhône-Alpes	FC	100%	100%	100%	100%
		Geodis SA	FC	100%	100%	100%	100%
		Geoparts	FC	100%	100%	100%	100%
		Giraud Rhône-Alpes	FC	100%	100%	100%	100%
		Grimaldi ACL France	JV	60%	60%	60%	60%
		INVEHO UFO	FC	100%	100%	100%	100%
		Naviland Cargo	FC	100%	100%	100%	100%
		Rhône Dauphiné Express	FC	100%	100%	100%	100%
		SCI Ney - Geodis	FC	100%	100%	100%	100%
		SCO Aerospace and Defence	FC	100%	100%	100%	100%
		Sealogis	FC	100%	100%	100%	100%
		SEALOGIS FREIGHT FORWARDING (formerly Transfert International)	FC	99%	99%	98%	98%
		Seine Express	FC	100%	100%	100%	100%
		SNCF Geodis - Fret	FC	100%	100%	100%	100%
		Transports Bernis	FC	68%	68%	68%	68%
		VFLI	FC	100%	100%	100%	100%
		VIIA	FC	100%	100%	100%	100%
		Walbaum	FC	100%	100%	100%	100%
	Business unit	**SNCF Immobilier**					
FRANCE	FRANCE	Ste Nationale d Espaces Ferroviaires	FC	100%	100%	100%	100%
	FRANCE	FONCIERE VESTA (EQ)	SI	20%	20%	20%	20%
	FRANCE	ICF	FC	100%	100%	100%	100%
	FRANCE	NOVEDIS-ICF	FC	100%	100%	100%	100%
	FRANCE	S2FIT1	FC	100%	100%	100%	100%
	FRANCE	SNCF - Immobilier EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Mobilités - FC - DI EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Réseau - Immobilier EPIC	FC	100%	100%	100%	100%
		Corporate					
EUROPE (EXCLUDING FRANCE)	SWITZER-LAND	EUROFIMA	SI	23%	23%	23%	23%
FRANCE	FRANCE	DIRECTION DIGITALE & SI	FC	100%	100%	100%	100%
	FRANCE	GARE	FC	100%	100%	100%	100%
	FRANCE	GI CDG Express	JV	33%	33%	33%	33%
	FRANCE	MASTERIS	FC	100%	100%	100%	100%
	FRANCE	SNCF – Autres CSP EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF – Divisions techniques EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF - Pilotage et CC EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Energie	FC	100%	100%	100%	100%
	FRANCE	SNCF Mobilités - FC - DFT-FM EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Mobilités - FC - Entreprise EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Mobilités - FC - Matériel EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Mobilités - FC S&F (excluding DFT-FM) EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Réseau - FC - COF EPIC	FC	100%	100%	100%	100%
	FRANCE	Systra	SI	43%	43%	42%	42%

04 – STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

PricewaterhouseCoopers Audit
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92208 Neuilly-sur-Seine Cedex, France

Statutory Auditor
Member of the *Compagnie régionale de Versailles*

Ernst & Young Audit
Tour First
TSA 14444
92037 Paris-La Défense Cedex, France
Simplified joint-stock company (*société par actions simplifiee*) with variable capital
344 366 315 R.C.S. Nanterre

Statutory Auditor
Member of the *Compagnie régionale de Versailles*

Société nationale SNCF (formerly SNCF Mobilités Epic)

For the year ended 31 December 2019

Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Qualified opinion

In compliance with the engagement entrusted to us on 9 June 2015 by the French Minister for the Economy, Industry and Digital Affairs, we have audited the accompanying consolidated financial statements of SNCF S.A. (formerly EPIC SNCF Mobilités) for the year ended 31 December 2019.

Subject to the qualifications described in the "Basis of the qualified audit opinion" section of our report, in our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit, Accounts and Risk Committee.

Basis of the qualified audit opinion

- **Reason for issuing a qualified opinion**

As stated in Note 4.3.2.5 to the consolidated financial statements concerning impairment testing of the assets of the Infrastructure CGU, the Group considers that the finalisation in September 2019 of the mapping of the bypass facilities, whose maintenance is now the responsibility of the infrastructure management entity under the so-called "Didier Law" of 2014, and the undertaking made on 29 April 2019 by the SNCF Group to eliminate glyphosate by 2021 will lead to an increase in track maintenance costs and to a risk of impairment for the Infrastructure cash generating unit (the "CGU").

Accordingly, the Group carried out another impairment test at 31 December 2019 based on a similar methodology to that used at the previous reporting dates, while excluding, going forward, station assets from the tested base, for those owned by SNCF Réseau as they were transferred with effect from 1 January 2020 to the new, subsidiary, SNCF Gares & Connexions, for a carrying amount of €0.9 billion.

This test did not result in a change in the CGU's carrying amount, as the balance in the negotiations between the French State and SNCF Réseau underlying the financial trajectory was not challenged by the Company. This balance turned into the signing of the April 2017 performance agreement and by the amendments provided by the June 2018 Law for a New Railway Pact (*loi d'habilitation pour un nouveau pacte ferroviaire*) and certain declarations of the French government primarily modifying changes in the indexing of infrastructure fees. This balance in the negotiations remains based on the assumption that (i) the Company will achieve its productivity goals and (ii) the French State will effectively implement all means and make all commitments necessary to support the recoverable amounts of the assets as determined above, although the French State did not formally reconfirm these undertakings for the 31 December 2019 closing.

The cash flow projections used for the test continue to comprise (i) cash inflows (infrastructure fees, access charges and investment subsidies) mainly arising from commitments received from the French State, and (ii) expenses (installation work and maintenance), capital investment in renovations and renewals, and productivity gains.

- 2030 was maintained by the Group as the standard final year for the railway network currently in service, considering that 2030 will correspond to the year in which the network will be stabilised at expected performance levels, although these levels have never previously been attained. Terminal value represents the essential factor in measuring value in use.

- The cash flow projections used to justify the assets' values are based on the assumption that the Group will meet its productivity goals, which are more ambitious than those used in the performance agreement signed between SNCF Réseau and the French State in April 2017.

- The indexation trajectory for contractual infrastructure fees has been left unchanged from the previous reporting date, at a higher level than for TGV and Rail Freight operations despite the non-compliance opinions issued by the French transport authority (ART, formerly the French road and rail office [ARAFER]) in February 2019 and 2020 regarding the rates for the 2020 and 2021 service timetables, as the Company considers that the French order (*ordonnance*) published on 11 March 2019 enables it to continue to apply a different indexation to TGV and Rail Freight. An appeal before the French Council of State (*Conseil d'Etat*) was filed by SNCF Réseau in September 2019 and contested by ART in December 2019. Its outcome cannot be anticipated at this stage.

- The investment subsidies allocated to renovation work – which are, in particular, partially financed by the dividends received by the French State from SNCF and redistributed to SNCF Réseau – are based on a financial trajectory which is different from that used in the 2017 performance agreement and which has been formally approved by the French State. This trajectory could prove to be different from the trajectory that will result from the discussions underway with the French State with a view to signing a new performance agreement covering the 2020-2029 period.

- The new SNCF Réseau performance agreement for the 2020-2029 period is currently under discussion and its impacts cannot be measured at present. Key decisions are still under discussions, in particular concerning network compactness and local transport services, as illustrated by the two agreements signed between the French State and the Grand-Est and Centre-Val de Loire regions on 20 February 2020. Under these agreements, the railway lines for these regions are organised into three distinct groups, one of which will be become part of the "structured" network. SNCF Réseau will finance its renovation, although the SNCF Réseau and the French State have not yet agreed on the terms and conditions of the financing of these renovation and maintenance investments.

- As stated in Note 4.3.2.5 to the consolidated financial statements, the measures concerning the new pension scheme and, more broadly, the new social framework resulting from the rail industry agreements were still under negotiation at the reporting date and consequently could not be modelled.

Thus, major risks and uncertainties continue to weigh on the discounted future cash flow assumptions used to measure the property, plant and equipment, intangible assets and deferred tax assets presented in the statement of financial position at 31 December 2019. Consequently, the amount of the related impairment loss could increase significantly.

As a result, we are unable to assess the pertinence of the projections and are therefore unable to express an opinion on the net value of the assets concerned, which amounted to €33.5 billion at 31 December 2019 (including work-in-progress) for property, plant and equipment and intangible assets and €4.5 billion for deferred tax assets.

■ Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

■ Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2019 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Emphasis of matter

Without calling into question our opinion, we draw your attention to Note 1.2.2 "Adoption of IFRS 16 Leases" to the consolidated financial statements, which describes the impacts of the change in accounting methods relating to the first-time adoption of IFRS 16 "Leases".

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, apart from the matters described in the "Basis of the qualified audit opinion" section of our report, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

■ **First-time adoption of IFRS 16 "Leases"**

Notes 1.2.2, 4.1.3 and 9.1.2.5 to the consolidated financial statements

Description of risk

As stated in Note 1.2.2 to the consolidated financial statements at 31 December 2019, the Group adopted the new IFRS 16 "Leases" as from 1 January 2019 using the modified retrospective approach.

The first-time adoption of IFRS 16 resulted in the recognition in the consolidated financial statements at 31 December 2019 of right-of-use assets totalling €3,948 million on the assets side and non-current and current lease liabilities of €3,137 million and €913 million, respectively, on the liabilities side.

We deemed the first-time adoption of the new standard on leases to be a key audit matter given the high volume of lease data to be collected, analysed and restated, the material amounts of right-of-use assets and lease liabilities and the degree of judgement required of management in particular to determine the lease terms and the incremental borrowing rates.

How our audit addressed this risk

We assessed the compliance of the accounting policies used by the Group with the provisions of IFRS 16 "Leases", in particular with regard to the transition method, simplification measures and the methodology for determining lease durations and incremental borrowing rates.

We familiarised ourselves with the organisation, information system and key controls implemented by the Group to adopt IFRS 16.

Our work also consisted in:

- assessing the procedures implemented by the Group to identify the totality of the leases to be restated:
  - we obtained the instructions prepared by the Group and addressed to the subsidiaries and analysed whether their design enabled the subsidiaries to identify and catalogue all leases and to collect – for each of the leases – all the information necessary to calculate the lease liability,
  - we reconciled the amounts of the right-of-use assets and lease liabilities with the consolidated accounting records at the transition date and the reporting date,
  - we obtained the reconciliation of the off-balance sheet commitments at 31 December 2018 with the calculation of the lease liability at 1 January 2019 and analysed the reconciliation items;

- testing the IT general controls and the configuration of the information system implemented by the Group to collect the data on the leases and determine the accounting impacts of the standard;
- analysing the amount of lease liabilities and right-of-use assets measured and recognised by the Group in the consolidated financial statements. To do this, we used a sample of leases to:
  - assess, taking into account the specific features of each lease, the compliance of the restatement with the principles of IFRS 16,
  - corroborate the information collected for the measurement of the right-of-use asset and the lease liability with the data in the lease, taking into account the various amendments and historical data since the inception date,
  - assess the criteria taken into account by the Group to determine the lease term and reconcile this term with the provisions of the lease, particularly in the case of termination or extension options,

- assess, with the assistance of our valuation specialists, the compliance of the Group's methodology for calculating the incremental borrowing rate with IFRS 16 and comparing the inputs used to calculate these rates with market data, taking into account the features of the underlying leases.

We also examined the appropriateness of the disclosures provided in the notes to the consolidated financial statements.

■ Employee benefit obligations

Note 5 to the consolidated financial statements

Description of risk

Employees of the SNCF Group qualify for various post-employment benefit plans, which are classified, where appropriate on the basis of legal analyses, as either defined-benefit or defined-contribution plans.

At 31 December 2019, the defined-benefit plans gave rise to the recognition of an obligation in liabilities for a net amount of €2,946 million after taking into account plan assets measured at €391 million. Employee benefit obligations mainly comprise:

- post-employment benefit plans, social welfare initiatives and compensation for work-related injuries;
- other long-term benefit plans such as long-service awards and similar benefits, and gradual cessation of activity.

As indicated in Note 5 to the consolidated financial statements, these obligations are primarily measured on an actuarial basis using financial and demographic assumptions such as discount rate, mortality, staff turnover and projected future salary increases.

As indicated in Note 5 to the consolidated financial statements, since the creation of the SNCF employee pension and provident fund (*Caisse autonome de Prévoyance et de Retraite du Personnel de SNCF*), the special retirement plan for employees of the former EPIC SNCF, SNCF Mobilités and SNCF Réseau with qualifying status is considered to be a defined-contribution plan. No liability is recognised for defined-contribution plans as the Group does not have any obligation beyond the contributions paid each year.

Given the complexity of the plans and the analysis underlying their classification, the number of employee benefit plans in the Group and the materiality of the associated liabilities, the complexity of the actuarial calculations performed, the degree of uncertainty surrounding the underlying financial and demographic assumptions, and the very high level of sensitivity of the actuarial value of the liability to those assumptions, we deemed management's estimate of the value of its employee benefit obligations to be a key audit matter.

How our audit addressed this risk

We familiarised ourselves with the procedure used by management to classify and measure its main employee benefit obligations.
Our work also consisted in:

- obtaining and examining internal and external documentation relating to these benefit obligations, including statements of plan assets;
- assessing, on the basis of management's analyses:
  - the classification of new post-employment benefit plans as defined-benefit or defined-contribution,
  - the potential impact of developments and events during the year on the classification of existing plans, and in particular changes in contribution rates;
- examining, on a sample basis, the basic data used in the actuarial calculations against the underlying accounting data;
- assessing, with the guidance of our actuarial experts, the appropriateness of the main actuarial assumptions used to measure the benefit obligations according to the type and duration thereof and the available market data (discount and inflation rate, mortality, staff turnover and projected future salary increases);

- analyzing the consistency of the principles and methods used to measure and recognise the net liability with the prevailing contractual, collectively-negotiated, legal and regulatory provisions.

Lastly, we assessed Note 5 to the consolidated financial statements disclosure for appropriateness, particularly concerning the classification of certain obligations and the sensitivity of the value of the obligations to the assumptions used.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information presented in the Group management report prepared by the Board of Directors.

With the exception of the potential impact of the matters set out in the "Basis of the qualified audit opinion" section of our report, we have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

In accordance with French law, we inform you that the management report does not include the non-financial information statement required under article L.225-102-1 of the French Commercial Code and that the Company has not designated an independent third party for its verification.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Société Nationale SNCF (formerly SNCF MobilitésEpic) by the French Minister for the Economy, Industry and Employment on 21 April 2008 for PricewaterhouseCoopers Audit and by the French Minister for the Economy, Industry and Digital Affairs on 18 April 2014 for Ernst & Young Audit.

At 31 December 2019, PricewaterhouseCoopers Audit and Ernst & Young Audit were in the twelfth and sixth consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit, Accounts and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

■ Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

► identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

► obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

► evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;

► assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion.

► evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;

► obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

■ Report to the Audit, Accounts and Risk Committee

We submit a report to the Audit, Accounts and Risk Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 3 March 2020

The Statutory Auditors

Pricewaterhousecoopers Audit

Laurent Daniel

François Guillon

Ernst & Young Audit

Christine Vitrac

Denis Thibon