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## SNCF GROUP 2019 ANNUAL RESULTS

### 2019 MOMENTUM HALTED BY DECEMBER STRIKE

- **Operating performance** linked to continued investment in core programmes targeting **safety** (-21% fall in major safety events), **robust** rail service (annual on-time arrivals at a historic high of 89%) and **passenger information** (notice of delays up from 64% to 79%).
- **Improved customer satisfaction**: a historic 85.9% for TER regional rail (+4.2 pts) and 82% for TGV high-speed rail (+3 pts).
- **Group revenue up 5.1%, driven by steady growth in passenger traffic at Voyageurs. Full-year revenue totalled €35.1bn in 2019.**
- The multi-sector strike linked to French pension reforms that began in December saw SNCF go all out to limit consequences for its customers, and led to an operating loss of €614m at year-end 2019.
- **Buoyant business** combined with **strict financial discipline** generated **€560m in gains in competitiveness** that boosted EBITDA despite the strike, and limited its impact on results.
- **Recurring net profit was a negative €301m** (and would have reached a positive €313m without the strike).
- **Investments reached a record high of €10bn** (all funding sources combined). **Of that total, 95% went into the French rail network**, benefitting customers, regional development and suppliers.
- **SNCF recruited 12,600 new employees in France** in 2019, with one-third hired for jobs in rail operations. SNCF Group is one of the country's largest employers.

The Board of Directors of SNCF SA met today under the chairmanship of Jean-Pierre Farandou to approve SNCF Group's consolidated financial statements for financial year 2019.

**Jean-Pierre Farandou, Chairman and CEO of SNCF Group, said:**

*"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."*

## 2019 HIGHLIGHTS—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).

**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.

## ... 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.

## ...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.

## SNCF GROUP: KEY FIGURES IN 2019

CONSOLIDATED DATA (IFRS) IN € MILLIONS	2018	2019	Change at constant scope of consolidation, accounting standards and exchange rates
<b>Revenue</b>	33,311	<b>35,120</b>	+5.1%
<b>EBITDA</b>		<b>5,591</b>	
As % of revenue		15.9%	
EBITDA excluding impact of IFRS 16*	4,020	4,619	+586
As % of revenue	12.1%	13.2%	
<b>Recurring net profit attributable to equity holders of parent company</b>	<b>-214</b>	<b>-301</b>	<b>+738***</b>
Net profit (attributable to equity holders of the parent company)	141	-801	-116***
<b>Self-financing capacity, SNCF Group</b>	2,217	<b>3,551</b>	
<b>Investments, SNCF Group (all funding sources combined)</b>	8,868	<b>9,865</b>	+997
Including investments financed by SNCF	5,077	5,237	+160
Free cash flow, SNCF Group	-2,560	-2,350	
Net indebtedness, SNCF Group	-56,647	-60,281	
Net indebtedness, SNCF Réseau	49,590	-51,852	

The SNCF Group's consolidated financial statements at the end of December 2019 have been audited by the statutory auditors, who have renewed the historical reserves on the net asset value of the Infrastructure cash-generating unit's assets and the amount of deferred tax assets. The reports are in the process of being issued.

Indicative amount of SNCF Group's net debt after partial assumption of SNCF Réseau's debt by the State (€25 billion) on 01/01/2020	Around -€35bn
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\* *Application of IFRS 16: IFRS 16, which took effect on 1 January 2019, changed the way leases are accounted for. Today a single approach has been adopted for all: "on balance sheet", i.e., all leases are registered as an asset on the balance sheet with the corresponding financial commitment appearing as a liability. This had little impact (-€45m) on net profit since the positive impact of cancelling rents (which boosted EBITDA by +€972m) was offset, first, by depreciation of assets (impacting ROC) and second, by financial expense relating to the debt. This debt is not included in Net Indebtedness.*

\*\*For a definition of recurring net profit, see SNCF Group Management Report, section 3.4.2. This indicator is not audited.

\*\*\*This change neutralizes in particular the €766m change-in-scope impact of the disposal of housing on the private rental market in 2018.

SNCF Group's 2019 financial report is available at: [www.sncf.com/en/group/finance](http://www.sncf.com/en/group/finance)

SNCF Réseau's 2019 financial report is available at: [www.sncf-reseau.com/en/entreprise/finance](http://www.sncf-reseau.com/en/entreprise/finance)

## About France's rail reform and the changes to SNCF group on 1 January 2020

France's New Railway Pact of June 2018 called for a unified, publicly owned rail transport and mobility group to be created on 1 January 2020, bringing the three EPICs—SNCF, SNCF Mobilités and Réseau—and their subsidiaries together under one roof.

- These three state-owned enterprises have become five companies within a single group: SNCF (the parent company), SNCF Réseau, SNCF Gares & Connexions, SNCF Fret, and SNCF Voyageurs.
- SNCF is wholly owned by the French State, which may not sell its shares in the company.
- SNCF owns all of the other companies in the Group, directly or indirectly, and may not sell its shares in SNCF Réseau and SNCF Voyageurs.
- Geodis and Keolis are now linked to SNCF, the parent company.

The reform calls for four main initiatives:

- Change the Group's structure, restoring it to its original status as a company wholly owned by the French State.
- Put the Group's finances on a sound footing by transferring €35bn in debt to the French State (€25bn in 2020 and another €10bn in 2022), thus boosting SNCF's capacity to invest in modernizing and upgrading the rail network.
- Open the rail market up to competition, gradually and sector by sector.
- Stop recruiting under France's special railway pension regime and negotiate a new social contract.

## 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

## **APPENDIX: 2019: THE YEAR IN REVIEW**

### **SNCF RÉSEAU: EUROPE'S LARGEST INFRASTRUCTURE PROJECT CONTINUES**

Priority went to renovating the core network, building on increased mechanization and greater use of industrialized processes. During the year SNCF invested €5.6bn in rail infrastructure, including €3.1bn to upgrade the main commuter network, improve safety (electric signal surveillance and elimination of level crossings in particular), and improve access for people with reduced mobility. Another €2.1bn went into business development, including a new national control tower, EOLE projects extending the RER express line to the west of Paris, the Charles de Gaulle Express, and regional projects.

SNCF Réseau continued to invest in the network at an even more rapid pace, with 1,650 major projects, 1,050 km of platform completely renovated, 500 switches replaced and 400 km of catenary checked or replaced.

### **GARES & CONNEXIONS: INCREASED INCOME FROM COMMERCIAL CONCESSIONS**

Payments from commercial concessions in stations rose sharply in 2019, despite the multi-sector strike in December. Gares & Connexions also invested heavily and stayed on track with its performance plan during the year.

The new rail station in Rennes, one of the company's most ambitious regional projects, was inaugurated after four years of works, and the Saint-Brieuc, Versailles Chantier, Saint-Nazaire and Juvisy stations were inaugurated as well.

### **SNCF VOYAGEURS**

#### **TRANSILIEN: CUSTOMER SATISFACTION UP, ON-TIME ARRIVALS AT HIGHEST LEVEL SINCE 2012**

Before the December strike, on-time arrivals for Transilien trains had improved, with the cumulative figure exceeding 90% since the beginning of the year, its best performance in eight years. Customer satisfaction had also increased before the strike, rising by more than eight points over 2018.

In the last year of the 2016-2019 Transilien-Ile-de-France Mobilités agreement, investments accelerated, including delivery of 23 Régio2N trainsets and 24 Francilien trainsets. Transilien also launched two new ticketing options—Navigo easy and Navigo liberté+—and access control systems were installed at Paris Saint-Lazare and many other stations to reduce fraud and anti-social behaviour.

#### **TER: INCREASED TRAFFIC, BETTER ON-TIME ARRIVALS AND CUSTOMER SATISFACTION**

TER traffic was up +9% over 2018, with the transfer of lines in Hauts-de-France (Northern France) from Intercités generating a +4.3% increase. The year also brought significant improvement in on-time arrivals and customer satisfaction, broader productivity efforts, and gradual deployment of line-based management, in line with the 2019 targets set by the Cap TER 2020 transformation plan. TER took delivery of 21 Régiolis trainsets and ten Régio2N trainsets in 2019.

In 2019 TER signed new contracts with five French regions (Nouvelle Aquitaine, PACA, Hauts-de-France, Brittany and Normandy), completing the cycle of contract renegotiations with the country's 11 regions. And in December TER marked the launch of the Léman Express, Europe's largest cross-border regional rail network.

#### **VOYAGES SNCF: A RECORD YEAR**

Revenue was up +4.2% over 2018 (+3.3% excluding the impact of the strikes in 2018 and 2019) and traffic grew +4.1%. The growth came primarily from high-speed rail in France, as European markets suffered from Yellow Vest demonstrations and uncertainty over Brexit, and Eurostar felt the impact of the strike by French customs officers. French high-speed rail owed its standout performance to the new range launched in May 2019 and roll-out of Ouigo service to Lille, Toulouse, Nîmes and Montpellier.

In the last quarter, the multi-sector strike against French pension reform cost the division 6.8m passengers and €335m in ticket sales.

In other highlights, 2019 brought the creation of Rielsfera in Spain, and launch of plans to merge Eurostar and Thalys.

Service indicators have never been higher. At the end of Q3, and excluding the impact of the multi-sector strike, on-time performance stood at 82.5% (up +5.3 percentage points vs 2018), customer satisfaction reached 82.7% (up +4.3 percentage points) and the net promoter score was 24.6 (up +12.4 points).

In 2019, Voyages SNCF took delivery of 10 new TGV Océane trainsets.

Ongoing restructuring of the Intercités network saw the transfer of several lines to TER and the end of Paris-Bordeaux and Paris-Strasbourg service. The unit also launched a new fare structure and refocused its business around a more uniform product and a new service calendar. Intercités took delivery of 23 new Régionalis trainsets in 2019, some of which were handed over to TER when the lines were transferred.

## **KEOLIS: REVENUE UP IN FRANCE, SUSTAINED BUSINESS GROWTH ON INTERNATIONAL MARKETS**

Revenue from urban mass transit operations in France was up over 2018 on a like-for-like basis. Contracts were renewed in Aix-en-Provence, Épinal and Nevers. Keolis also secured new contracts throughout France, including Menton, Antibes, Sophia-Antipolis and Moulins. One notable success came in Paris with the award of the contract to operate the T9 light rail line. This was the first lot put out to tender by Île-de-France Mobilités following the opening up to competition of the Optile network (non-RATP-operated bus routes in the Paris Region).

On 1 January 2019, Keolis took over operation of the Nancy and Chambéry mass transit networks after landing both contracts in 2018. Another highlight was the acquisition of CarPostal France, giving the company a stronger foothold in the inter-urban transport market in four regions of eastern France: Grand Est, Bourgogne-Franche-Comté, Auvergne-Rhône-Alpes and Sud Provence-Alpes-Côte d'Azur.

Outside France, the company completed its first full year as operator of the Transport for Wales rail franchise. And in Qatar, the final section of the Keolis-operated Doha driverless metro opened to passengers in December.

Keolis stepped up its commitment to energy-efficient mobility in 2019, landing electric bus franchises in the Norwegian city of Bergen (136 buses) and in three Dutch provinces: Overijssel, Flevoland and Gelderland (300 buses).

In the United Kingdom, the company secured a four-year extension on its contract to operate London's Docklands Light Railway driverless metro, until April 2025.

Also in 2019, Keolis launched a series of real-time, on-demand transport projects in France (Bordeaux, Lyon, Tours and Nancy) and on international markets (Las Vegas, United States, and Newcastle and Sydney region, Australia), and began trialling driverless shuttles in two French cities (Rennes and Lyon).

EFFIA, the company's parking arm, put in another strong showing in 2019, winning two new contracts in France: one in Nîmes (train station and Pont du Gard aqueduct) and a second in the Paris Region (Cergy-Pontoise and Asnières-sur-Seine). Following the acquisition of MyPark, EFFIA is now Belgium's fourth-largest parking provider, with a portfolio 32,000 spaces.

## **TFFM RAIL & MULTIMODAL FREIGHT TRANSPORT: ONGOING TRANSFORMATION AMID TOUGH CONDITIONS**

Revenue from SNCF Fret operations declined in 2019 amid a bleak grain market, a slowdown in the automotive sector and weakening demand for steel in Europe, while the December strikes exerted significant downward pressure on both business volumes and results. The company pressed ahead with robust cost-control and other measures in an effort to bolster its EBITDA.

VFLI, Captrain and other rail freight subsidiaries took action to cushion the impact of the strikes in H1 2018 and regain lost momentum in France and on international markets. Despite these efforts, the December 2019 multi-sector strike against French pension reform dealt another blow to results, especially in France.

Acquisitions in Spain and Belgium helped to put the business on a sounder footing.

## **GEODIS: STEADY PROFITABILITY DESPITE A CHALLENGING INTERNATIONAL ENVIRONMENT**

Contract logistics business was buoyant in 2019, especially in the United States.

Freight forwarding volumes came under pressure in the second half of the year as the air freight market faced headwinds from the intensifying US-China trade war.

Growth in distribution sales was offset by declining road haulage volumes in France.

Business with IBM also remained slow as the new contract came into effect.

Productivity-improvement measures helped to sustain profitability amid tough economic conditions.

## **ERMEWA: GROWTH AND MARKET LEADERSHIP**

Ermewa, SNCF's wagon and container leasing business, reported further growth in 2019. The acquisition of Raffles Lease saw it become the world's leading tank-container leasing provider. The debt refinancing deal, completed in 2019, will allow Ermewa to invest heavily in rolling-stock upgrades and pursue cost-cutting measures.

## **SNCF IMMOBILIER**

In 2019, SNCF Group demolished and dismantled close to 120,000 sq m of real estate, and invested over €144m in maintenance and new builds, as part of an ongoing streamlining and renovation programme. Asset and subsidiary sell-offs generated gross proceeds of €220m, earmarked for the construction of 2,500 new homes, including 760 social housing units.

## **ABOUT SNCF GROUP**

SNCF is a global leader in passenger and freight transport services, including management of the French rail network, with revenue of €35.1 billion in 2019, of which one-third on international markets. The Group does business in 120 countries and has 275,000 employees, with over half in its core rail business and 60,000 working outside France.

The new SNCF, a public limited company that began operating on 1 January 2020, consists of a parent (SNCF) and five subsidiaries: SNCF Réseau (management, operation and maintenance of the French rail network, plus railway engineering) with its own subsidiary SNCF Gares & Connexions (station management and development); SNCF Voyageurs and its subsidiaries Transilien (mass transit in the Paris region), TER (regional rail), TGV INOUI, OUIGO and Intercités (long-distance rail), Eurostar, Thalys, Aléo and Lyria (international rail), and OUI.sncf (online ticket sales); Keolis (a global operator of urban, suburban and regional mass transit systems); SNCF Fret (rail freight); and Geodis (freight transport and logistics solutions).

SNCF Group works closely with its customers—passengers, local authorities, shippers and railway operators using SNCF Réseau services—and with regional communities, building on its expertise in all aspects of rail and all types of transport to deliver simple, seamless, sustainable solutions for every mobility need. Learn more at [sncf.com](http://sncf.com).

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