FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

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ATTESTATION

This is a free translation into English of the attestation issued in the French language and is provided solely for the convenience of English speaking readers. This attestation should be read in conjunction with and construed in accordance with French law.

We attest that, to the best of our knowledge, the 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 Group as of 31 December 2014 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 Group and a description of its main risks and uncertainties.

Signed in Paris on 19 February 2015

The Chairman	Deputy Chief Executive Officer, Finance & Procurement
Jacques Rapoport	**Odile Fagot**

STATUTORY FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014

SNCF Réseau

(formerly Réseau ferré de France)

Statutory financial statements for the year ended

31 December 2014

CONTENTS

BALANCE SHEET

ASSETS (in millions of euros)	Note 7.	31/12/2014			31/12/2013
		Gross	Depreciation, amortisation and provisions	Net	Net
Intangible assets	1.1/1.2	1,086.0	115.8	970.2	752.3
Property, plant and equipment	1.1/1.2	59,556.5	16,228.0	43,328.5	38,826.5
Assets under construction	1.1/1.4	12,457.6	13.2	12,444.4	12,937.7
Assets under construction made available to the concession holder	1.1	189.6		189.6	189.6
Long-term investments	1.5	1,180.6	0.1	1,180.5	590.3
NON-CURRENT ASSETS		**74,470.3**	**16,357.1**	**58,113.2**	**53,296.3**
Advances and payments on account on orders in progress	1.6	180.8		180.8	102.3
Trade receivables and related accounts	1.8/1.9	873.7	21.9	851.8	824.0
Other receivables	1.7/1.9	3,302.0	39.2	3,262.9	2,873.3
Short-term investments, cash and cash equivalents	1.10	3,273.8		3,273.8	3,903.2
Prepaid expenses	1.11	597.1		597.1	615.2
CURRENT ASSETS		**8,227.4**	**61.1**	**8,166.4**	**8,318.0**
Deferred charges	1.12	416.2	258.1	158.2	164.3
Bond redemption premiums	1.12	12.6	12.2	0.4	1.2
Unrealised foreign exchange losses	1.13	219.3		219.3	282.8
TOTAL ASSETS		**83,345.9**	**16,688.5**	**66,657.4**	**62,062.6**

BALANCE SHEET

LIABILITIES (in millions of euros)	Note 7.	31/12/2014	31/12/2013
Capital injections	1.14	9,764.6	9,764.6
Accumulated deficit	1.14	(14,022.6)	(13,882.9)
Net loss	1.14	(244.4)	(139.7)
Investment grants	1.15	21,709.8	19,738.2
EQUITY		**17,207.5**	**15,480.3**
PROVISIONS	1.16	**692.0**	**704.2**
Borrowings	1.17	41,879.4	38,881.5
Advances and payments on account received on orders in progress	1.18	303.1	265.1
Trade payables and related accounts	1.20	2,636.9	2,787.6
Tax and employee-related liabilities	1.20	223.0	185.4
Other payables	1.19	2,275.9	2,440.2
Deferred income	1.21	1,439.6	1,318.3
TOTAL LIABILITIES		**48,757.9**	**45,878.1**
Unrealised foreign exchange gains			
TOTAL EQUITY AND LIABILITIES		**66,657.4**	**62,062.6**

INCOME STATEMENT

(in millions of euros)	Note 7.	31/12/2014	31/12/2013
Sales of materials	2.1	39.8	36.2
Sales of own services	2.1	5,877.1	5,654.0
Net revenue		**5,917.0**	**5,690.2**
Capitalised production		53.2	43.2
Operating grants	2.2	148.2	164.5
Reversals of investment grants	1.14	593.5	477.5
Reversals of provisions, impairment losses (and depreciation and amortisation), expense reclassifications		72,0	93.9
Other income		6.9	2.0
Operating income		**6,790.7**	**6,471.4**
Delegated management fees	2.3	3,218.5	3,193.3
Studies		76.4	66.0
Work		35.7	48.4
Other purchases and external charges	2.4	497.5	443.2
Taxes other than on income	2.5	86.2	125.9
Wages and salaries	2.6	86.1	83.6
Social security contributions	2.6	43.2	41.8
Charges to depreciation and amortisation and impairment	1.2 / 1.4	1,580.0	1,343.6
Charges to provisions for current assets	1.9	26.3	23.0
Charges to provisions		28.3	21.4
Operating expenses		**5,678.1**	**5,390.1**
NET OPERATING PROFIT		**1,112.7**	**1,081.2**
Other interest and similar income		466.3	487.4
Reversals of provisions		68.5	
Foreign exchange gains		1.4	4.2
Income from short-term investments (disposals and interest)		8,6	2.2
Transfers of financial expenses			
Financial income		**544.7**	**493.9**
Interest and similar charges on debt		1,460.1	1,345.4
Other financial expenses		446.6	462.6
Charges to provisions	1.16	7.5	11.8
Foreign exchange losses			
Amortisation of deferred charges	1.12	17.5	21.2
Financial expenses		**1,931.6**	**1,841.0**
NET FINANCIAL LOSS		**(1,386.9)**	**(1,347.1)**
NET LOSS FROM ORDINARY ACTIVITIES BEFORE TAX		**(274.2)**	**(265.9)**
Capital transactions		112.9	157.2
Non-capital transactions			36.3
Reversals of provisions, impairment, expense reclassifications		4,5	(33.6)
Non-recurring income		**117.4**	**159.9**
Capital transactions		24.4	64.8
Non-capital transactions		1.1	0.4
Charges to depreciation and amortisation, provisions and impairment		40,1	(43.9)
Non-recurring expenses		**65.6**	**21.3**
NET NON-RECURRING ITEMS		**51.8**	**138.6**
Income tax expense	2.9	22.0	12.4
NET LOSS FOR THE YEAR		**(244.4)**	**(139.7)**

CASH FLOW STATEMENT

(in millions of euros)	Note 7.	31/12/2014	31/12/2013
Cash flow from operating activities			
Net loss for the year		**(244.4)**	**(139.7)**
Elimination of non-cash income and expenses		902.9	718.3
Cost of debt		1,389.3	1,345.7
Operating cash flow before changes in working capital		**2,047.8**	**1,924.3**
Changes in working capital	3.1	**70.3**	**237.3**
Net cash from operating activities		**2,118.1**	**2,161.6**
Cash flow from investing activities			
Acquisitions of PP&E and intangible assets		(5,990.6)	(5,047.2)
Disposals of PP&E and intangible assets		130.4	108.0
Change in guarantee deposits		0.3	(0.2)
Net cash used in investing activities	3.2	**(5,859.9)**	**(4,939.3)**
Cash flow from financing activities			
Debt issues		7,596.5	7,453.8
Loan repayments		(4,952.6)	(4,150.1)
Investment grants		1,887.6	1,836.3
Change in collateral		15.3	(125.1)
Other deposits and guarantees received		0.3	0.4
Net interest paid		(1,440.2)	(1,561.7)
Net cash from financing activities	3.3	**3,106.8**	**3,453.7**
Net Increase (decrease) in cash position		**(635.1)**	**676.0**

NET CASH POSITION AT THE BEGINNING OF THE YEAR		**3,901.4**	**3,225.4**
NET CASH POSITION AT THE END OF THE YEAR		**3,266.3**	**3,901.4**
NET INCREASE (DECREASE) IN CASH POSITION		**(635.1)**	**676.0**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

The statutory financial statements for the year ended 31 December 2014 were approved by the Board of Directors on 19 February 2015.

1 PRESENTATION OF THE PUBLIC CORPORATION SNCF RESEAU

Réseau ferré de France (RFF), a State-owned industrial and commercial institution (EPIC), was created by Law no. 97-135 of 13 February 1997 with retroactive effect to 1 January 1997.

This law and its implementing decrees nos. 97-444, 97-445 and 97-446 created RFF in the form of an independent entity, as the owner of the French railway infrastructures previously allocated to the SNCF. The decree of 6 December 2006 confirmed RFF's tasks while clarifying the conditions under which they could be delegated to the SNCF.

The purpose of these laws therefore was to separate ownership of the rail infrastructure (devolved to RFF) from its operation (devolved to SNCF). Pursuant to the 1997 Act, SNCF is responsible for managing and maintaining the infrastructure on behalf of RFF. The services to be provided by SNCF and the related fee arrangements are specified in an agreement between RFF and SNCF. The law of 5 January 2006 and its implementing decree no. 2006-1534 of 7 December 2006 specified the purposes of each of the two establishments and the operating methods.

The accounting principles used to prepare the opening balance sheet as at 1 January 1997 were as follows:

- the €22.5 billion in assets acquired by RFF corresponds to the net carrying amount presented in the SNCF accounts for the year ended 31 December 1996;
- the grants transferred to the RFF balance sheet include all of the grants relating to investments in the Paris Suburbs, i.e. a total of €1,068.8 million (€556 million for commissioned assets and €512.8 million for assets under construction), and the grants relating to assets under construction on the main network for €164.5 million, i.e. total grants for assets under construction of €677.3 million;
- RFF also recorded €20.5 billion worth of debt transferred from SNCF in its opening balance sheet.

The rail reform law definitively adopted on 22 July 2014 and enacted by the President of the French Republic on 4 August 2014, under number 2014-872, is based on five objectives:

- Confirmation of a public service that is strengthened and better managed;
- Creation of an integrated public industrial group;
- Introduction of a national agreement to ensure the financial future of the public service;
- Creation of a labour framework for all rail sector players by maintaining the status of railway employees and unifying their group;
- Greater regulatory authority to guarantee the impartiality of network accessibility.

The current organisation of the French rail system and specifically the State-owned industrial and commercial institution (or EPIC) Société Nationale des Chemins de fer Français was profoundly changed as of 1 January 2015, the effective date of the law, with the creation of a group organised according to three economically integrated EPICs:

- The current EPIC Société Nationale des Chemins de fer Français (SNCF until 30 November 2014), will become SNCF Mobilités and will continue to carry out all the transport activities for the SNCF Proximités, SNCF Voyages and SNCF Logistics (formerly SNCF Geodis) divisions, and manage the stations of the Gares & Connexions division.

- The current Réseau Ferré de France (RFF) will become SNCF Réseau and unify all the infrastructure management functions by combining SNCF Infra and Rail network operation and management currently part of the SNCF Infra division. It will guarantee fair access to the network for all rail companies.
- A "parent" EPIC, created on 1 December 2014 as part of the reform and called SNCF, will be responsible for strategic control and steering, economic coherence, and the public rail group's industrial integration and social unity.

The implementing decrees were published in the French Official Journal on 11 February 2015. The reform should be fully implemented by no later than 1 July 2015.

SNCF Réseau's head office is located at 92 avenue de France, in the 13th district of Paris.

2 SIGNIFICANT EVENTS

Rail reform

See Note 1 above.

As of 1 January 2015, the effective date of the rail reform law of 4 August 2014, RFF becomes SNCF Réseau.

The rail reform law has no impact on the accounts of the SNCF Réseau group for the year ended 31 December 2014.

Correction of the impact of delays in commissioning of projects delegated to the SNCF

The automated system for the commissioning of projects in the accounts encountered implementation and then operating difficulties related to the information systems from April 2012. These difficulties prevented the commissioning of projects in the accounts which should have been performed in the information systems from 2011.
Since that date, additional accounting entries have been posted at the different period ends to ensure that the financial statements fairly present the economic reality of commissioning. At the same time, significant work was undertaken to correct the information systems and to regularise the commissioning of projects in the accounts.

As at 31 December 2014, this work was completed and the commissioning of projects in the accounts fully corrected in the information systems.

Reclassification of a portion of SNCF Réseau debt

As part of the reorganisation of government debt as defined by the Maastricht Treaty, the French State included a portion of RFF debt in the amount of €10.4 billion in 2012.

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 current practices.

3 ACCOUNTING PRINCIPLES AND METHODS

Article 3 of the Act of 13 February 1997 stipulates that SNCF Réseau is subject to the rules applicable to industrial and commercial entities with respect to its finances and accounts. The financial statements of SNCF Réseau have been prepared in accordance with the French Chart of Accounts and French generally accepted accounting principles and comply with the following basic assumptions:

- accruals,
- going concern,
- consistency.

3.1 PROPERTY, PLANT AND EQUIPMENT

SNCF Réseau is free to manage these assets as it sees fit and may either develop or dispose of them, subject to compliance with the rules governing public land (Article 11 of the 1997 Act and Article 5 of Decree no. 97-445 of 5 May 1997). SNCF Réseau has full title to the assets transferred to the company at the time of its formation, including the French rail network and other land and buildings.

The public land owned by SNCF Réseau may not be sold and cannot be subject to attachment (Article 46 of Decree no. 97-444).

3.1.1 PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION

Production cost of property, plant and equipment:

Property, plant and equipment is stated at acquisition or production cost.
The production cost of projects is capitalised in the balance sheet as from the "pre-project" phase.
The production cost of projects carried out under contracts granted by SNCF Réseau includes amounts invoiced by the companies performing the work. Project management and prime contractor fees are specified in the contract between the two companies.
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 for work carried out through PPP is recognised in accordance with the physical progress of the work based on the percentage of completion percentage indicated by the partners. It consists of the sum of the value of the fees invoiced by the partners, plus the present value of the fees payable, to which the percentage of completion is applied.

Impairment of projects in progress:

SNCF Réseau recognises impairment provisions for projects in progress which are recorded in property, plant and equipment under construction. The objective is to represent the risk of non-completion of the project, which would result in costs being capitalised in circumstances where no asset will ultimately be created.

Two types of criteria are used in determining impairment provisions:

- the exception procedure: this is used when an exceptional event calls the completion of the project into question. If the risk of non-completion is greater than 50%, the project costs are written down in full.
- the fixed-percentage procedure: capitalised project costs are written down by 25%, 55% or 100%, where the investments have been discontinued for 2, 3 or 4 or more years, respectively. Studies related to upgrade and compliance projects are written down only if the work is not scheduled for future years.

Impairment is calculated net of earned grants relating to the projects in question

3.1.2 PROPERTY, PLANT AND EQUIPMENT COMMISSIONED

Commissioning procedure:

SNCF Réseau applies the following commissioning procedures:
- at the start of the construction phase, when the detailed estimate is prepared, projected costs for each technical tranche are allocated between assets on the basis of the PP&E categories used by SNCF Réseau;
- as the project advances and tranches reach technical completion, all expenditure incurred is allocated between assets; the assets for any given project are commissioned upon technical completion or on handover to the delegated infrastructure manager;
- commissioned project expenditure includes accrued expenses.

Property, plant and equipment categories:

In accordance with French Accounting Regulations Committee (CRC – Comité de la Réglementation Comptable) regulation no. 2002-10, SNCF Réseau has established a list of component types for its infrastructure assets.
This classification includes 11 families comprising approximately 100 components. In addition, tracks are classified based on International Union of Railways (UIC) line traffic indicators.

Depreciation of property, plant and equipment:

As part of the CRC regulation no. 2002-10 compliance process, SNCF Réseau has defined useful lives for each component in its list. Depreciation is calculated on a straight-line basis. Useful lives, which are defined on the basis of recommendations from technical experts in the relevant field, are summarised in the following tables:

Improvements to land	30 years
Earthworks and buildings	15 to 50 years
Improvements to buildings	10 years
Tracks	From 20 to 100 years
Electricity supply equipment	From 10 to 75 years
Signalling	From 15 to 50 years
Telecommunications	From 5 to 30 years
Level crossings	15 years
Civil engineering structures	From 30 to 70 years

Operating property, plant and equipment is depreciated on a straight-line basis over the following useful lives:

Fixtures and fittings	10 years
Furniture and office equipment	5 to 7 years
Information technology and telecommunications	3 to 5 years
Vehicles	5 years
Software	1 to 5 years

Valuation of commissioned property, plant and equipment:

Step 1. Allocation of assets to cash generating units

CRC regulation no. 2002-10 specifies the methods for calculating the recoverable amount of assets and the circumstances in which assets must be tested for impairment.

In the case of SNCF Réseau, it is not possible to estimate the recoverable amounts of stand-alone assets. Consequently, SNCF Réseau departed from CRC regulation no. 2002-10 and used the concept of the cash-generating unit as defined by IFRS (IAS 36).

A cash-generating unit (CGU) is the smallest identifiable group of assets which includes the asset and which generates cash inflows that are largely independent of the cash inflows generated by other groups of assets.

The first group identified by SNCF Réseau comprises assets used in its infrastructure management activities, that is land and buildings dedicated to these activities, and all infrastructure assets. Cash inflows and outflows generated by this asset group are separately identifiable and largely independent of SNCF Réseau's other cash flows.

The second group identified by SNCF Réseau comprises assets not used in its infrastructure management activities. These include land and buildings regarded as ultimately saleable, some of which may be occupied by third parties under tenancy agreements. They generate cash inflows and outflows that can be distinguished from those generated by SNCF Réseau's other assets, using allocation criteria.

SNCF Réseau thus identified two CGUs for the performance of impairment tests: an "Infrastructure" CGU and a "Property" CGU.

Step 2. Asset valuations

Definition:
The recoverable amount of Infrastructure CGU assets is their value in use (these assets do not have a net realisable value).
The recoverable amount of Property CGU assets is their market value less costs to sell.

Calculation of the value in use of the Infrastructure CGU:
The value in use of Infrastructure assets is the present value of the estimated future cash flows from the continuing use of such assets and from their retirement at the end of their useful lives.

a) Scope of the Infrastructure CGU

The Infrastructure CGU comprises all assets included in the following asset families in the asset classification structure used by SNCF Réseau:
Improvements to Land and Buildings, Electricity Supply Equipment, Signalling, Telecommunications, Civil Engineering Structures, Tracks, Level Crossings, and Earthworks.
The Land and Buildings asset families have been split between the Infrastructure CGU and the Property CGU according to their use.
The buildings were allocated 90% to the Infrastructure CGU as at 1 January 2005. Pending a complete asset inventory and based on the information currently available, only 90% of RFF buildings are occupied by the delegated infrastructure manager.
Land was allocated as follows:
- all track bed land was allocated to the Infrastructure CGU;
- other land not classified as investment land or freight yards was allocated to the Infrastructure CGU.
The allocation of land and buildings between the two CGUs is somewhat arbitrary and could be improved.

b) Breakdown of future cash flows

Inflows:

- infrastructure fees;
- private siding fees;
- occupancy income attributable to infrastructure assets;
- State operating grants or other operating grants;
- grants for upgrade and compliance work.

Outflows:
- network management fees;
- property management fees attributable to infrastructure assets;
- station services management fees;
- investment in upgrade and compliance work;
- personnel costs allocated to the operational management of the current network;
- corporation tax.

The change in WCR relating to these flows is also taken into account.

c) Cash flow projections
SNCF Réseau is able to prepare three-year cash flow projections using a multi-year budget preparation process. Beyond this timeframe, cash flows are based on the most recent year's data projected to 2030, the date on which the network will be considered stable owing to the completion of delayed upgrades. The terminal value at the end of this useful life is also taken into account.

The data contained in the amendment to the 2013-2014 Performance Contract approved by the ministerial authorities is also taken into account as well as the 3-year draft finance law for 2013-2015.

d) Discounting cash flows to present value
The discount rate used is based on the cost of the resource and the risk exposure in relation to other regulated infrastructure managers comparable to SNCF Réseau. This rate is also corroborated by a financial asset valuation model applied to a potential SNCF Réseau target structure.

Valuation methodology for Property CGU assets:

a) Scope of Property CGU assets
The Property CGU assets consist of land and buildings.

Land:
This includes saleable land owned by SNCF Réseau, on which there is no railway activity. Such land is considered as not usable for infrastructure or transport purposes. Saleable land also includes freight yards.

Buildings:
Buildings included in the Property CGU comprise buildings not used by the delegated infrastructure manager.

b) Valuation method used for land
The land and buildings allocated to the Property CGU were valued on a fixed-rate basis as at 1 January 2005, primarily based on:
- the geographical region in which they are located;
- a market value per square meter, which takes into account the probable use of the land after sale.
This valuation is updated at each balance sheet date to take into account disposals over the period.

At each balance sheet date, SNCF Réseau assesses whether there is any indication of loss in value of its assets. Where necessary, an impairment test is performed and a provision is recognised.

The indication of the CGU's potential impairment loss is assessed from the forecast realisation values of the assets in question, drawn from the business plan.
The future depreciation schedule of each asset is adjusted to reflect the impairment loss allocated to it.

If the test results in a net carrying amount for the CGU that is lower than the recoverable amount, any impairment initially booked is reversed for the recoverable amount.

Step 3. Impairment of Infrastructure CGU assets

Indications of impairment

SNCF Réseau has adopted the following indications of impairment:

- changes in market interest rates;
- obsolescence or physical deterioration of assets that was not foreseen in the depreciation schedules;
- material changes in the extent or the manner in which an asset is used;
- material changes in asset performance.

Changes in these indicators are compared with changes in:

- SNCF Réseau's borrowing rate and, by implication, its discount rate;
- the amount of future maintenance or renewal expenditure;
- the amount of future infrastructure fees;
- the amount of future costs relating to management agreements or other operating grants;
- the remaining average useful lives of the assets.

Impairment testing:
At each balance sheet date, SNCF Réseau assesses whether there is any indication of loss in value of its assets. Where necessary, an impairment test is performed.
For the Infrastructure CGU, impairment tests involve comparing the carrying amount of assets, net of grants on commissioned assets not yet released to profit or loss plus the balance of deferred tax assets, the balance of assets being upgraded net of grants and the operating WCR, to the present value of future cash flows to be generated by these assets, to which the residual value of the assets at the end of their useful lives is added.

Calculation of impairment losses:
If the net carrying amount of the Infrastructure CGU is greater than the recoverable amount, an impairment loss is recognised for the difference. The impairment loss is allocated to each of the assets in the CGU in proportion to their carrying amounts. The future depreciation schedule of each asset is adjusted to reflect the impairment loss allocated to it.
If the test results in a carrying amount of the CGU that is below the recoverable amount, a reversal of any initial impairment is recognised so that the carrying amount is increased to the value in use.

3.1.3 DISPOSALS

Assets may be sold either by SNCF Réseau itself or by delegated agents acting on behalf of SNCF Réseau. In the latter case, the delegated agents inform SNCF Réseau of the disposal proceeds and the net carrying amount of the assets sold.

3.2 GRANTS

SNCF Réseau receives two types of grant:

a) SNCF Réseau receives grants under financing agreements for investment projects signed with third parties (French State, local authorities, Regions, etc.).

They follow the same accounting treatment as the corresponding expenditure:
- they are included in operating income when they relate to operating expenses (general studies, preliminary studies),

- they are recorded in equity when they relate to capitalised expenditure (assets under construction). These grants are then released to profit or loss to match the depreciation recognised on the commissioned property, plant and equipment.

- At each balance sheet date, and for each project, grant claims are reconciled with the amount of expenditure recognised. Adjustments are then made and recorded either in assets under “Grants not yet claimed” or in the “Grants” line item of current liabilities for grants “claimed in advance.” These adjustments then make it possible to record the “earned grant”.
- “Earned grants” relating to PPP contracts are recognised in the same manner based on the percentage of completion of work, and offset by production in progress.

b) The 2009 Finance Act introduced a lump-sum grant intended to contribute to SNCF Réseau’s financial equilibrium.

3.3 RECEIVABLES

Receivables are stated at their nominal amount. A provision for impairment is recorded at the year-end if their fair value is less than their carrying amount.

Receivables are written down in full if they are more than 12 months overdue at the balance sheet date, and by 50% if they are more than six months overdue. Disputed receivables are also written down in full.

3.4 SHORT-TERM INVESTMENTS

Short-term investments are stated at historical cost. The market value of short-term investments is calculated at the balance sheet date. Impairment provisions are recognised for any capital losses.

3.5 TRANSACTIONS IN FOREIGN CURRENCIES AND PROVISIONS FOR FOREIGN EXCHANGE LOSSES

Monetary assets and liabilities denominated in foreign currencies are translated into euros at the year-end exchange rate and offset against profit or loss, except for assets and liabilities effectively hedged by currency swaps, which are translated at the hedging rate.

At the balance sheet date, differences between the euro equivalent amount originally recognised and the euro equivalent amount arising from retranslation at the year-end rate are recorded under assets (unrealised foreign exchange losses) and liabilities (unrealised foreign exchange gains). A provision is recorded for any unrealised foreign exchange losses.

3.6 DERIVATIVE FINANCIAL INSTRUMENTS

SNCF Réseau manages market risks relating to changes in interest rates and exchange rates using derivative financial instruments and particularly interest rate swaps and swaptions, forward currency contracts, cross-currency swaps and currency options.

SNCF Réseau uses virtually all its derivatives for hedging purposes. Any gains and losses on these hedging instruments are recognised in the income statement to match the recognition of gains and losses on the hedged items.
Differences in interest receivable and payable arising from interest rate swaps and caps, and any premiums and balancing cash payments on such instruments, are recorded as an adjustment to the interest expense over the term of the contract.
In the case of forward currency contracts and currency swaps, the initial difference between the contractual forward rate and the spot rate is recorded in foreign exchange gains or losses in the income statement over the term of the contract.

3.7 BORROWINGS

a) Debt transferred from SNCF

When RFF was established on 1 January 1997, a €20.5 billion debt was transferred to RFF's opening balance sheet from SNCF. The term, interest rate and currency of this borrowing were representative of SNCF's debt structure at the time of the formation of RFF.
The characteristics of the debt were modified in 2001 due to loan extension clauses. No further modifications have been made since then.

Unamortised issuance costs on the SNCF debt transferred to RFF on 1 January 1997, amounting to around €21.4 million, are amortised over the average residual term of the borrowing. Issue premiums and issuance costs on debts contracted by RFF are amortised on a straight-line basis in proportion to the accrued interest on the borrowings.

b) SNCF Réseau debt

Since 1 November 2003, zero-coupon bonds have been recognised in liabilities at issue price rather than redemption price. The redemption premium was reversed out. Capitalised accrued interest is recognised as a financial expense and is added to the principal borrowing amount in liabilities at each balance sheet date.
For inflation-indexed issues, SNCF Réseau revalues the redemption premium based on changes in inflation. A provision for contingencies and losses is recorded at each year-end, representing the amount of the unrealised loss at the year-end.

3.8 PROVISION FOR DECONTAMINATION AND ENVIRONMENTAL RISKS

The French Chart of Accounts and CNC opinion no. 00-01 on liabilities require entities that have obligations in respect of decontamination or environmental risks to recognise a provision. This applies to SNCF Réseau.
Obligations of this type may relate to remediation of past environmental damage or prevention of future environmental damage, and include provisions for asbestos removal and the elimination of creosote-treated sleepers.

3.9 INSURANCE

SNCF Réseau has subscribed to insurance policies since 1 January 2007. These policies cover civil liability risks related to all of its activities and risks of damages to its assets and consequential loss of infrastructure revenues.

These “all risks subject to exclusions” policies also cover natural disasters and are subscribed with leading insurers.

4 CHANGES IN ACCOUNTING METHODS

No changes were made to accounting policies in 2014.

5 COMPARABILITY OF THE FINANCIAL STATEMENTS

No event occurred that could have influenced the presentation or comparability of the financial statements approved for the year ended 31 December 2014.

6 SUBSEQUENT EVENTS

The LTF securities held by SNCF Réseau were sold to the French State on 6 February 2015.

7 NOTES TO THE BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT

7.1 NOTES TO THE BALANCE SHEET

7.1.1 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

ASSET CATEGORY in millions of euros	Gross value as at 31/12/2013	Increases	Transfers	Commissioned	Expense reclassifications	Decreases	Gross book value as at 31/12/2014
Intangible assets							
Software	111.3	3.5	0.0	51.2	(0.0)	(0.6)	165.5
Software under development	30.7	35.7	0.0	(50.7)	0.0	0.0	15.7
Intellectual property rights	25.0	0.0	0.0	0.0	0.0	0.0	25.0
Fibre optic user fees	0.0	0.0	0.0	7.9	0.0	0.0	7.9
SEA intangible assets	679.9	191.9	0.0	0.0	0.0	0.0	871.8
TOTAL GROSS VALUE OF INTANGIBLE ASSETS	**847.0**	**231.2**	**0.0**	**8.4**	**(0.0)**	**(0.6)**	**1,086.0**
Land	4,977.0	2.0	0.0	39.7	0.0	(21.0)	4,997.8
Improvements to land	1,447.6	0.0	0.0	346.1	0.0	0.0	1,793.8
Improvements to premises	32.3	1.0	0.0	0.0	0.0	0.0	33.4
Line earthworks	5,657.8	0.0	0.0	267.6	0.0	0.0	5,925.3
Buildings	1,317.8	0.0	0.0	454.7	0.0	(2.1)	1,770.4
Improvements to buildings	87.8	0.0	0.0	0.0	0.0	0.0	87.9
Tracks	18,625.1	52.1	0.0	1,977.7	22.2	0.0	20,677.0
Level crossings	659.9	0.0	0.0	55.1	4.9	0.0	719.9
Civil engineering structures	10,774.2	0.0	0.0	764.9	3.7	0.0	11,542.8
Electrification	3,772.4	0.0	0.0	686.2	0.0	0.0	4,458.6
Signalling	4,758.2	0.0	0.0	918.1	0.0	0.0	5,676.2
Telecommunications	1,337.6	0.7	0.0	477.0	(0.0)	(0.0)	1,815.4
Computer equipment	29.2	3.3	(0.0)	4.6	(0.4)	(0.3)	36.5
Advertising panels	3.8	0.0	0.0	0.0	0.0	0.0	3.8
Machinery and equipment	3.8	0.0	(0.0)	0.0	0.0	0.0	3.9
Vehicles	5.3	0.0	0.0	0.0	0.0	(0.0)	5.3
Office equipment	1.2	0.0	(0.0)	0.0	0.0	(0.0)	1.2
Furniture	7.1	0.4	0.0	0.0	0.0	0.0	7.5
TOTAL GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT	**53,498.2**	**59.6**	**(0.0)**	**5,991.7**	**30.4**	**(23.4)**	**59,556.5**
PP&E under construction	12,941.1	5,501.3	0.0	(6,000.2)	(4.4)	(1.8)	12,436.0
PP&E under construction made available to the concession holder	189.6	0.0	0.0	0.0	0.0	0.0	189.6
Advances on PP&E under construction	20.6	1.0	0.0	0.0	0.0	0.0	21.6
TOTAL GROSS VALUE OF PP&E UNDER CONSTRUCTION	**13,151.4**	**5,502.3**	**0.0**	**(6,000.2)**	**(4.4)**	**(1.8)**	**12,647.2**

Capital expenditure:

Total PP&E investments for 2014 amount to €5,561.9 million.

This amount includes:

- Investments in ongoing projects of €5,502.3 million breaking down as follows:

  - €5,498.9 million for infrastructure investment projects:
    - of which €3,531 million for delegated production (including €1 million relating to the DCF activity);
    - of which €596.8 million for direct production;
    - of which €1,371.1 million for production with PPP (GSMR €209 million, BPL €705.1 million and CNM €456.9 million).

  - €1 million increase in advances for investment land.
  - €2.4 million in expenses relating to real estate and property management.

- €59.6 million in other investments - of which €52.1 million for infrastructure investment.

Intangible asset investment for 2014 amounted to €231.2 million, of which €191.1 million for the SEA concession agreement and €35.7 million for internal production of software.

Assets commissioned during the year:

PP&E commissioned during the year amounted to €5,991.8 million:

- €5,554.1 million in delegated project management excluding SNCF;
- €3.5 million for delegated project management excluding SNCF;
- €414.2 million for direct project management;
- €17.6 million for GSMR PPP;
- €0.7 million in investments for the DCF activity;
- €1.7 million for operations and other.

Intangible asset commissioned amounted to €59.2 million for 2014, compared to €20.2 million in 2013.

7.1.2 DEPRECIATION AND AMORTISATION SCHEDULE

ASSET CATEGORY (in millions of euros)	Accumulated depreciation and amortisation as at 31/12/2013	Charges	Transfers	Decreases	Accumulated depreciation and amortisation as at 31/12/2014
Intangible assets					
Software	94.6	21.7	0.0	(0.6)	115.8
TOTAL AMORTISATION OF INTANGIBLE SSETS	**94.6**	**21.7**	**0.0**	**(0.6)**	**115.8**
Line earthworks	1,380.6	127.9	8.4	0.0	1,517.0
Improvements to land	218.0	65.1	11.3	0.0	294.4
Buildings	222.3	50.0	16.5	(0.6)	288.2
Improvements to premises	21.5	1.6	0.0	0.0	23.1
Improvements to buildings	78.7	3.7	0.0	0.0	82.4
Tracks	5,534.6	592.9	(150.7)	0.0	5,976.9
Level crossings	500.8	18.0	3.6	0.0	522.4
Civil engineering structures	1,971.8	177.6	42.5	0.0	2,191.8
Electrification	1,428.8	161.5	24.7	0.0	1,615.0
Signalling	2,392.7	217.9	31.7	0.0	2,642.3
Telecommunications	887.2	131.3	10.8	(0.0)	1,029.3
Computer equipment	23.7	4.7	1.0	(0.3)	29.1
Billboards	3.8	0.0	0.0	0.0	3.8
Machinery and equipment	0.7	0.4	0.0	0.0	1.1
Vehicles	1.2	0.7	0.0	(0.0)	1.9
Office equipment	0.9	0.1	0.0	0.0	1.0
Furniture	4.5	0.6	0.0	0.0	5.1
TOTAL DEPRECIATION OF PP&E	**14,671.7**	**1,554.2**	**(0.0)**	**(0.9)**	**16,225.0**
TOTAL DEPRECIATION AND AMORTISATION	**14,766.4**	**1,575.9**	**0.0**	**(1.5)**	**16,340.8**

7.1.3 PRESENT VALUE OF ASSETS AT THE BALANCE SHEET DATE

Infrastructure CGU

An impairment test was performed as at 31 December 2014 using the same methodology as that adopted as at 31 December 2013.

The assumptions were updated based solely on information available at the date of performance of the tests. This update primarily concerned 2015 budget items approved by the RFF Board of Directors on 17 December 2014 and information on changes in infrastructure fees charged to SNCF Mobilités.

Accordingly, the test covered the “pre-reform RFF assets” based on the last Medium-Term Plan for this scope, pending information on the “post-reform SNCF Réseau assets” and particularly the new multi-year contract with the French State which should be signed in 2015.

The multi-year contract provided for in Article L2111-10 of the French Transport Code, covers a 10-year period and primarily determines:

- The financial resources allocated to the various SNCF Réseau missions;
- The principles to be applied in determining annual infrastructure tariffs;
- Changes in infrastructure management expenses, including operating, maintenance and renewal expenditure, development expenditure, as well as measures taken to reduce these costs and productivity objectives;
- The full costs coverage rate to be attained annually by SNCF Réseau resources and the target trajectory for the SNCF Réseau net debt to operating margin ratio.

As this contract is currently being drafted, along with the trajectory which will underpin the financial aspects, it was not possible to extrapolate operating cash flows taken from the new post-reform trajectory at the date of preparation of the financial statements.

It should however be noted that Article L2111-10-1 provides for the financing of SNCF Réseau investments in a manner that ensures control over its debt and that “the financing rules and the ratios indicated seek to guarantee a sustainable and supportable split of the rail transport financing system between infrastructure managers and rail companies, taking account of intermodal competition conditions”. Accordingly, at the balance sheet date, SNCF Réseau considers that the new multi-year contract should not generate a downturn in its operating and financing balances, except potentially at the margin.

Sensitivity:

The value calculated depends on the long-term inflation rate applied to extrapolate flows beyond 2030 in the terminal value calculation. The projected inflation rate to 2030 is the rail inflation rate. Sensitivity is around +€0.9 billion for each increase of 10 basis points in the inflation rate.

The value in use is also heavily dependent on the assumptions adopted with respect to commercial fees and investment expenditure. A change of +/-0.1% in the indexing of fees would generate a corresponding change of +/-€1.4 billion in the present value of flows. A change of +/-€0.1 billion in annual investment expenditure would generate a change of -/+€2.1 billion in the present value of flows.

The discount rate applied is 5.5% after tax, unchanged on previous years. A change of +/- 0.1% in this rate would generate a change of -/+€1 billion in the present value of flows.

The value in use of the network is €36.7 billion, compared with a reference net carrying amount as at 31 December 2014 of €34.5 billion.

Property CGU

SNCF Réseau did not identify any indication of loss in value concerning the assets of this CGU.

7.1.4 IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION

(in millions of euros)	Accumulated costs as at 31/12/2014	Impairment as at 31/12/2013	Charges	Reversals	Impairment as at 31/12/2014
Dormant projects	13.9	23.7	4.1	(15.1)	12.7
Port tracks under construction	0.0				0.0
Other	0.0	0.4	0.1		0.5
TOTAL	**13.9**	**24.1**	**4.2**	**(15.1)**	**13.2**

7.1.5 LONG-TERM INVESTMENTS

(in millions of euros)	31/12/2014	31/12/2013
- Non-current investment grant to be claimed	1,174.4	583.9
- Guarantee deposits	5.9	5.9
- Equity investments	0.2	0.5
TOTAL LONG-TERM INVESTMENTS	**1,180.6**	**590.3**

At 31 December 2014, long-term investments comprised €1,174.4 million for grants not yet claimed for public-private partnership projects in progress, of which €730.8 million for the Brittany-Pays de la Loire project and €443.6 million for the Nîmes-Montpellier bypass.

These long-term investments represent grants to be collected from the State by SNCF Réseau, enabling it to repay its debts owed to Eiffage for the Brittany-Pays de la Loire project and Oc'Via for the Nîmes-Montpellier bypass. These grants will be collected as from 2017.

SNCF Réseau recorded borrowings for the same amounts that it will also have to repay as from 2017 (see Note 7.1.17).

The amount of €1,174.4 million represents the progress of the projects at 31 December 2014.

Subsidiaries and affiliates

SNCF Réseau holds a €500,000 investment, representing 50% of the capital, in Lyon Turin Ferroviaire (LTF), a simplified French joint stock company (SAS) whose registered office is at 1091 avenue de la Boisse, Chambéry, France. Pursuant to the agreement of 29 January 2001 between the French and Italian governments, the company's purpose is to conduct research, explorations and preliminary work on the French-Italian section of the international railway, in order to build a new Lyons-Turin railway line.

On 17 December 2014, the RFF Board of Directors authorised its Chairman to sell to the French State the shares held in LTF with a view to establishing the public-sector developer responsible for completing the cross-border section of the new Lyon-Turin rail link. The investment in SAS Lyon-Turin-Ferroviaire was valued based on the share held in LTF's equity as at 31 December 2013, corresponding to the selling price. SAS Lyon-Turin-Ferroviaire reported a net profit of nil for 2014.

Since 2011, SNCF Réseau has held a 33% interest, for an amount of €33 thousand, in the capital of SAS AIREFSOL Energies, SAS also held by Eolfi for 67%. SNCF Réseau makes land reserves not necessary for its rail activity available for the design and development of energy production units.

Since 28 May 2014, SNCF Réseau has held a 33% interest in the capital of SAS CDG EXPRESS ETUDES whose registered office is at 291 boulevard Raspail 75014 Paris, for an amount of €0.33 thousand.
The primary purpose of the SAS is to conduct studies for the creation of a direct line between Paris and Charles de Gaulle airport.

As a founding director, SNCF Réseau participated in the creation of RAILENIUM, a foundation for scientific cooperation which was established by the Decree of 26 October 2012. The purpose of the foundation is to define and implement a joint cooperation policy in the area of rail transport infrastructures.

SNCF Réseau has pledged to endow this foundation for an initial amount of €2.04 million over five years, and has committed additional resources of €0.8 million over 2 years starting in 2015.
The initial endowment of €2.04 million was paid in 2012, 2013 and 2014.

SNCF Réseau also has equity interests in the following EIGs and EEIGs:

- ERTMS EEIG: 16.67% interest;
- S2IF EIG: 50% interest;
- SEA Victoria Dax EEIG: 50% interest;
- RFC2 EEIG: 49% interest;
- RFC6 EEIG: 20% interest;
- GCT EEIG: 50% interest;
- CFM4 EEIG: 33.33% interest.

7.1.6 ADVANCES AND PAYMENTS ON ACCOUNT ON ORDERS IN PROGRESS

(in millions of euros)	**31/12/2014**	**31/12/2013**
- Advances and payments on account	180.8	102.3
	180.8	**102.3**

The increase in the heading compared to 2013 is primarily explained by the change in the advance payments for the BPL, LISEA and CNM PPP projects, respectively for +€42.9 million, +€50 million and -€14.7 million.

7.1.7 OTHER RECEIVABLES

OTHER RECEIVABLES (in millions of euros)		31/12/2014	31/12/2013
- VAT credit repayment request		119.7	96.1
- VAT to be adjusted on purchase invoice accruals		225.7	221.2
- Input VAT		128.9	124.9
- VAT on accrued credit notes		2.7	1.2
- Other tax receivables		0.1	34.8
- Amounts receivable on asset disposals		52.1	70.6
- State grant not yet claimed		3.3	9.3
- Other grants to be collected		1,515.6	1,193.6
- Grants not yet claimed	(1)	1,027.6	880.6
- Accrued income on debt instruments		207.4	243.8
Other accrued income		0.1	1.5
- Employee receivables		0.0	0.0
- Credit notes receivable from suppliers and advances		13.0	24.7
- Other miscellaneous receivables		5.7	9.3
Of which: RSI		0.0	0.0
Of which: LTF		*0.0*	*0.0*
Other		*5.7*	*9.3*
TOTAL		**3,302.0**	**2,911.6**

(1) Including operating receivables of €124.1 million as at 31/12/2014 (€120.8 million as at 31/12/2013)

The increase in other grants to be collected mainly concerns the SEA concession, for €763.4 million as at 31 December 2014, compared to €567.2 million as at 31 December 2013, insofar as SNCF Réseau is the intermediary between the financers and LISEA, the concession holder.

7.1.8 RECEIVABLES BY MATURITY

RECEIVABLES (in millions of euros)	Gross amount as at 31/12/2014	Due in less than 1 year	Due in over 1 year
Trade receivables and related accounts	**873.7**	**873.7**	
Other receivables	**3,302.0**	**3,301.0**	**1.0**
- Other operating receivables:	3,094.6	3,093.6	1.0
Tax and employee-related receivables	*477.1*	*477.1*	
Amounts receivable on asset disposals	*52.1*	*51.1*	*1.0*
Grants to be collected	*1,515.6*	*1,515.6*	
State grants not yet claimed	*3.3*	*3.3*	
Grant not yet claimed	*1,027.6*	*1,027.6*	
Accrued income	*0.1*	*0.1*	
Other	*18.8*	*18.8*	
- Other financial receivables:	207.4	207.4	
Accrued income on debt instruments	*207.4*	*207.4*	
TOTAL	**4,175.7**	**4,174.7**	**1.0**

7.1.9 IMPAIRMENT OF RECEIVABLES

PROVISIONS FOR DOUBTFUL RECEIVABLES (in millions of euros)	Amounts as at 31/12/2013	Charges 2014	Reversals 2014		Amounts as at 31/12/2014
			Used	Unused	
- Provisions for trade receivables	**29.3**	**16.6**	**20.1**	**3.9**	**21.9**
- Provisions for other receivables	**38.3**	**9.7**		**8.8**	**39.2**
TOTAL	**67.7**	**26.3**	**20.1**	**12.7**	**61.1**

The impairment of other receivables primarily involves the grant receivables and receivables relating to disposals.

7.1.10 SHORT-TERM INVESTMENTS AND CASH AND CASH EQUIVALENTS

(in millions of euros)	31/12/2014	31/12/2013
Short-term investments	**2,770.7**	**3,874.7**
- Negotiable debt securities	1,331.1	2,703.6
- Mutual funds	1,439.6	1,171.0
- Accrued interest receivable on negotiable debt securities	0.0	0.1
Banks	**503.1**	**28.4**
- Banks (accounts in euros)	503.1	28.4
- Banks (accounts in foreign currencies)	0.0	0.0
TOTAL	**3,273.8**	**3,903.2**

Mutual funds comprise money market funds with low risk profiles.

7.1.11 PREPAID EXPENSES

(in millions of euros)	31/12/2014	31/12/2013
- Interest on euro and foreign currency commercial paper	0.8	1.3
- Interest on treasury bills	0.3	0.1
- Balancing cash payments on interest rate swaps	591.4	608.2
- Premiums and discounts	0.0	0.0
- Other, including rents and expenses	4.6	5.7
TOTAL	**597.1**	**615.2**

7.1.12 DEFERRED CHARGES

(in millions of euros)	Gross amount as a 31/12/2014	Amortisation charge	Amortisation of the premium	Accumulated amortisation	Net amount as at 31/12/2014
Premiums and costs on SNCF Réseau debt issues	416.2	16.7		258.1	158.2
SUBTOTAL	**416.2**	**16.7**	**0.0**	**258.1**	**158.2**
Redemption premiums on SNCF Réseau bond issues	12.6	0.8		12.2	0.4
TOTAL	**428.8**	**17.5**	**0.0**	**270.3**	**158.6**

7.1.13 UNREALISED FOREIGN EXCHANGE LOSSES

Type (in millions of euros)	Amounts as at 31/12/2013	Charges	Reversals		Amounts as at 31/12/2014
			Used	Unused	
Provisions for inflation-indexed borrowings	282.8	5.0	68.5		219.3
Total unrealised foreign exchange losses	**282.8**	**5.0**	**68.5**	**0.0**	**219.3**

7.1.14 STATEMENT OF CHANGES IN EQUITY

(in millions of euros)	Capital endowment	Accumulated deficit	Net profit or loss for the year	Grants (1)	Grants transferred to profit and loss	Total
Equity as at 31/12/2013	**9,764.6**	**(13,882.9)**	**(139.7)**	**19,738.2**		**15,480.2**
Accumulated deficit		(139.7)	139.7			0.0
Net profit or loss for the year			(244.4)			(244.4)
Net investment grants on commissioned assets				2,350.7	(457.2)	1,893.4
Net investment grants for assets under construction				214.4		214.4
Net grants for upgrade and compliance work on commissioned assets				0.0	(136.2)	(136.2)
Net grants for upgrade and compliance work on assets under construction				0.0		0.0
31/12/2014	**9,764.6**	**(14,022.6)**	**(244.4)**	**22,303.3**	**(593.5)**	**17,207.5**

(1) See breakdown in Note 7.1.15

7.1.15 INVESTMENT GRANTS

1) Grants for commissioned assets

(in millions of euros)	Gross amount as at 31/12/13	Transfers	Commissioned	Gross amount as at 31/12/14
- Land and improvements to land	926.0		203.2	1,129.2
- Line earthworks	1,669.7		105.5	1,775.2
- Buildings	529.9		293.7	823.6
- Improvements to buildings	23.9		0.4	24.3
- Civil engineering structures	3,355.7		513.7	3,869.4
- Tracks	3,267.9	(9.1)	90.0	3,348.8
- Level crossings	84.1		26.5	110.6
- Electrification	993.8		357.3	1,351.1
- Signalling	1,151.2		515.8	1,667.0
- Telecommunications	425.9		245.8	671.7
- Intangible assets	14.6		0.5	15.1
- Fibre optic user fees	0.0		7.3	7.3
- Other	0.0		0.0	0.0
TOTAL	**12,442.5**	**(9.1)**	**2,359.8**	**14,793.2**

(in millions of euros)	Balance as at 31/12/13	Transfers	Share released to profit or loss	Balance as at 31/12/14
- Land and improvements to land	(199.1)	(5.4)	(49.5)	(254.1)
- Line earthworks	(190.9)	(3.2)	(35.9)	(230.0)
- Buildings	(63.9)	(12.7)	(21.4)	(98.1)
- Improvements to buildings	(20.4)	(0.0)	(2.0)	(22.4)
- Civil engineering structures	(402.0)	(28.1)	(59.1)	(489.1)
- Tracks	(615.2)	81.3	(95.3)	(629.2)
- Level crossings	(35.6)	(1.6)	(7.1)	(44.2)
- Electrification	(212.0)	(10.4)	(42.0)	(264.4)
- Signalling	(367.6)	(15.8)	(81.9)	(465.2)
- Telecommunications	(159.5)	(4.0)	(62.3)	(225.8)
- Intangible assets	(14.3)	(0.1)	(0.8)	(15.2)
- Other				
TOTAL REVERSALS	**(2,280.5)**	**0.0**	**(457.2)**	**(2,737.8)**

	31/12/13	31/12/14
TOTAL NET GRANT (gross - reversals)	**10,162.0**	**12,055.4**

2) Grants for assets under construction

Earned grants related to assets under construction are recognised under the percentage-of-completion method. They are included in equity under “Investment grants” (assets under construction).

(in millions of euros)	Gross amount as at 31/12/2013	Increase	Transfers	Commissioned	Reclassification	Gross amount as at 31/12/2014
Investment grants for assets under construction	5,870.7	2,556.8	0.0	(2,359.8)	17.4	6,085.1
Total investment grants for assets under construction	**5,870.7**	**2,556.8**	**0.0**	**(2,359.8)**	**17.4**	**6,085.1**

3) Grants for upgrade and compliance work: (See Note 2 2.b)

Gross amount of grants for upgrade and compliance work

Year (in millions of euros)	Grant for the year	Amount recognised in 2004	Amount recognised in 2005	Amount recognised in 2006	Amount recognised in 2007	Amount recognised in 2008	Total amount recognised
2004	900.0	675.0	225.0				900.0
2005	900.0		675.0	225.0			900.0
2006	970.0			970.0			970.0
2007	985.2				985.2		985.2
2008	805.2					805.2	805.2
TOTAL	**4,560.4**	**675.0**	**900.0**	**1,195.0**	**985.2**	**805.2**	**4,560.4**

GRANTS FOR UPGRADE AND COMPLIANCE WORK – COMMISSIONED ASSETS

Year of commissioning (in millions of euros)	Date of commissioning	Period of release	Amount commissioned	Accumulated release	Net amount in equity
2004	01/07/2004	38	675.0	(186.5)	488.5
2005	25/03/2005	42	573.9	(133.5)	440.4
2006	09/05/2006	42	878.4	(180.9)	697.5
2007	21/03/2007	35	734.2	(163.3)	570.9
2008	17/04/2008	33	68.8	(14.2)	54.6
2009	17/01/2009	42	844.4	(158.1)	686.3
2010	22/01/2010	38	435.5	(98.4)	337.2
2011	01/01/2011	51	20.5	(2.2)	18.3
2012	01/01/2012	28	254.8	(50.4)	204.5
2013	01/01/2013	41	74.8	(3.6)	71.2
TOTAL			**4,560.4**	**(991.1)**	**3,569.3**

Grants released to profit or loss for the year ended 31 December 2014 amounted to €136.2 million.

4) Summary of investment grants as at 31 December 2014

(in millions of euros)	Net amount in equity
Grants for commissioned assets	12,055.4
Grants for assets under construction	6,085.1
Grants for the upgrade of commissioned assets	3,569.3
TOTAL	**21,709.8**

7.1.16 PROVISIONS FOR CONTINGENCIES AND LOSSES

Type	Amounts as at	Charges	Reversals		Amounts as at
(in millions of euros)	31/12/2013		Used	Unused	31/12/2014
Provisions for contingencies and losses	**410.6**	**60.6**	**14.0**	**2.5**	**454.7**
Disputes and litigation	295.5	60.6	6.6	2.2	347.2
Tax and employee-related expenses	0.0				0,0
Decontamination and environmental risks	115.1		7.4	0.2	107.5
Provisions for retirement benefit obligations	**10.6**	**4.7**			**15.4**
Provisions for financial contingencies	**283.0**	**7.4**	**68.5**		**221.9**
TOTAL	**704.2**	**72.8**	**82.5**	**2.5**	**692.0**

The provisions for contingencies and losses cover:

- environmental risks;
- disputes and litigation concerning infrastructure-related activities and property management activities.

Despite updates to provisions in 2014, it should be recalled that uncertainty remains regarding the valuation of the amount of two specific provisions:

- Litigation regarding the flooding in Arles in December 2003: The Marseille administrative court rejected 18 claims filed against RFF, now SNCF Réseau and SNCF, considering the floods to be a case of “force majeure exonerating from all liability” SNCF Réseau and SNCF. The public reporting judge reached the same conclusion, rejecting the claims based on the merits of the case. As the appeal period is still open, the provision has been retained by measure of prudence.
-
- Decontamination and environmental risks: The provision recognised at the balance sheet date is calculated based on knowledge, at this date, of assets to be treated; this provision is updated on an ongoing basis as SNCF Réseau continues its efforts to identify the programmes to be implemented, and to quantify the corresponding decontamination costs.

  The assignment to assess the potential risk of asbestos for unbuilt installations, platforms, footbridges, and underground passages in the Station scope outsourced to a specialist service provider has been completed. This assignment enabled the identification of several types of assets for which identification or a technical asbestos file is necessary. SNCF Réseau will be able to estimate the amount of the contingency provision once the list of these installations has been finalised.

Legal proceedings in progress: 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 expert reports requested by the investigating judges, RFF and SNCF, which became SNCF Réseau and SNCF Mobilités, respectively, on 1 January 2015 (see Note 1) were indicted for "involuntary manslaughter and unintentional injuries through carelessness, recklessness, inattention, negligence, or failure to observe an obligation of due care or precaution" and heard by the judges.

SNCF Réseau and SNCF Mobilités firmly challenged the expert reports, casting doubt on the seriousness of the metallurgical evaluation, and requested that additional work be carried out.

Since the accident, SNCF Mobilités has set up a dedicated team to assist the victims and their families. Under the aegis of the coordination authority designated by the Transport Ministry, EPIC Mobilités immediately committed to a compensation programme for the accident's human and material consequences.

As a precautionary measure, on 8 October 2013, SNCF Mobilités and SNCF Réseau launched the Vigirail programme, designed to improve switching safety and upgrade track maintenance. This programme includes actions that meet the recommendations issued by the BEA-TT in its progress report of 10 January 2014.

The provision for retirement benefit obligations showed a balance of €15.4 million as at 31 December 2014 compared to €10.6 million as at 31 December 2013.

The assumptions used to calculate the present value of the obligation are as follows:

Main assumptions underlying the calculation of the present value of the obligation	**31/12/2014**	**31/12/2013**
Rate of salary increase	1.84%	2.00%
Rate of social security contributions	47.00%	47.00%
Discount rate	0.92%	2.54%
Turnover	3.83%	3.28%

7.1.17 BORROWINGS

SNCF Réseau raises funds on the bond market to cover its long-term financing needs.

As such, SNCF Réseau raised resources of €4.5 billion (repayment value) in 2014 through 35 operations carried out on the euro and US dollar bond markets.

In order to raise funds and manage its cash over the short-term, SNCF Réseau uses short-term investment and financing instruments on domestic and international money markets in the form of treasury bills and commercial paper.

BORROWINGS (in millions of euros)	31/12/2014 Y	31/12/2013 Y- 1	Change Y-(Y-1)
Debt transferred from SNCF:	**1,218.2**	**1,223.9**	**(5.7)**
Principal outstanding:	1,193.5	1,199.2	(5.7)
- Debt transferred (historical cost)	*1,014.2*	*1,019.4*	*(5.2)*
- Impact of foreign exchange rates on CHF debt			
- Greater Paris region loans	*5.2*	*5.6*	*(0.5)*
- Renewal of EIB line	*174.2*	*174.2*	*(0.0)*
Accrued interest	24.7	24.8	(0.1)
SNCF Réseau debt issue:	**39,482.3**	**37,073.8**	**2,408.6**
Principal outstanding:	38,856.5	36,418.1	2,438.4
- Short term	*1,687.1*	*1,529.8*	*157.3*
- Long term			
at hedged rate	*36,524.6*	*34,194.2*	*2,330.4*
inflation-indexed portion	*219.3*	*282.8*	*(63.5)*
- Greater Paris region loans	*44.2*	*47.7*	*(3.5)*
- Zero-coupon bonds	*381.3*	*363.6*	*17.7*
Accrued interest:	618.3	649.7	(31.5)
Bank overdrafts:	7.5	1.7	5.8
Total borrowings (A)	**40,700.5**	**38,297.7**	**2,402.9**
BPL and CNM PPP debt	**1,174.4**	**583.9**	**590.5**
Total balance sheet debt excluding guarantee deposits	**41,874.9**	**38,881.5**	**2,993.4**
Guarantee deposits received	4.5	4.2	0.3
Total balance sheet debt (C)	**41,879.4**	**38,881.5**	**2,993.4**
Cash and short-term investments (B)	**3,273.8**	**3,903.2**	**(629,4)**
Accrued interest	*0.0*	0.1	
Net borrowings ((A) - (B)	**37,426.7**	**34,394.5**	**3,032,2**
Net borrowings excluding accrued interest and guarantee deposits received	**36,783,8**	**33,715.8**	**3,063.7**

The BPL and CNM borrowings concern the Brittany-Pays de la Loire and the Nîmes-Montpellier bypass PPPs. They represent the SNCF Réseau debt owed to its partners, which pre-financed a portion of the projects. SNCF Réseau should repay this debt beginning in 2017. The amount of €1,174.4 million represents the project's progress as at 31 December 2014.
The repayment of the SNCF Réseau debt will be financed by the French State beginning in 2017 based on a corresponding payment schedule.

<u>SNCF Réseau debt</u>:
The following tables provide a breakdown by currency and interest rate type of SNCF Réseau's short and long-term debt:

Debt before swaps	**(in millions of euros)**	**Gross amount**	**Maturing within 1 year**	**Maturing in more than 1 year but less than 5 years**	**Maturing in more than 5 years**
A – SNCF RÉSEAU DEBT ISSUES :		**38,856.5**	**2,927.8**	**3,696.5**	**32,232.2**
1- Bond issues		**37,169.4**	**1,240.7**	**3,696.5**	**32,232.2**
	Total fixed rate:	**32,456.1**	**1,237.3**	**3,132.7**	**28,086.1**
	Total inflation-linked:	**2,810.9**			**2,810.9**
	Total floating rate:	**1,902.4**	**3.5**	**563.8**	**1,335.2**
	EUR fixed rate	24,722.1	500.0	2,300.0	21,922.1
	EUR inflation-linked	2,810.9			2,810.9
	EUR floating rate	1,819.8	3.5	563.8	1,252.5
	Total EUR	29,352.8	503.5	2,863.8	25,985.5
	AUD fixed rate				
	AUD floating rate				
	Total AUD				
	CAD fixed rate	192.1			192.1
	CAD floating rate				
	Total CAD	192.1			192.1
	CHF fixed rate	1,379.4		563.9	815.5
	CHF floating rate				
	Total CHF	1,379.4		563.9	815.5
	GBP fixed rate	5,434.6	737.3		4,697.4
	GBP floating rate	82.6			82.6
	Total GBP	5,517.3	737.3		4,780.0
	HKD fixed rate	30.7		30.7	
	HKD floating rate				
	Total HKD	30.7		30.7	
	JPY fixed rate	343.2		37.0	306.2
	JPY floating rate				
	Total JPY	343.2		37.0	306.2
	NOK fixed rate	65.7			65.7
	NOK floating rate				
	Total NOK	65.7			65.7
	USD fixed rate	288.3		201.1	87.2
	USD floating rate				
	USD total	288.3		201.1	87.2
2- Negotiable debt securities:		**1,687.1**	**1,687.1**	**0.0**	**0.0**
	Treasury Bills	100.0	100.0		
	Euro Commercial Paper	1,587.1	1,587.1		
	EUR	*500.0*	*500.0*		
	CHF				
	GBP				
	USD	*1,087.1*	*1,087.1*		

Debt before swaps (in millions of euros)		Gross amount	Maturing within 1 year	Maturing in more than 1 year but less than 5 years	Maturing in more than 5 years
B - ACCRUED INTEREST:		**617.0**	**617.0**	**0.0**	**0.0**
Bond issues		**618.3**	**618.3**	**0.0**	**0.0**
	Total fixed rate	546.4	546.4		
	Total inflation-linked	58.1	58.1		
	Total floating rate	13.7	13.7		
	E.UR fixed rate	418.0	418.0		
	EUR inflation-indexed	58.1	58.1		
	EUR floating rate	12.6	12.6		
	Total EUR	488.7	488.7		
	AUD fixed rate				
	AUD floating rate				
	Total AUD				
	CAD fixed rate	0.8	0.8		
	CAD floating rate				
	Total CAD	0.8	0.8		
	CHF fixed rate	27.8	27.8		
	CHF floating rate				
	Total CHF	27.8	27.8		
	GBP fixed rate	92.3	92.3		
	GBP floating rate	1.1	1.1		
	Total GBP	93.4	93.4		
	HKD fixed rate	0.0	0.0		
	HKD floating rate				
	Total HKD	0.0	0.0		
	JPY fixed rate	2.0	2.0		
	JPY floating rate				
	Total JPY	2.0	2.0		
	NOK fixed rate	2.1	2.1		
	NOK floating rate				
	Total NOK	2.1	2.1		
	USD fixed rate	3.5	3.5		
	USD floating rate				
	USD total	3.5	3.5		
Negotiable debt securities:		**-1.2**	**-1.2**	**0.0**	**0.0**
	Treasury Bills	-0.3	-0.3		
	Euro Commercial Paper	-1.0	-1.0		
	EUR	*1.0*	*1.0*		
	CHF				
	GBP				
	USD	*-2.0*	*-2.0*		

C – PREPAID INTEREST:	4.3	4.3		
Treasury Bills	0.3	0.3		
Euro Commercial Paper	4.0	4.0		
EUR	*1.1*	*1.1*		
CHF				
GBP				
USD	*2.9*	*2.9*		

SNCF debt

The following table provides a breakdown of the debt transferred from SNCF by category:

SNCF debt	**(in millions of euros)**	**Gross amount**	**Maturing within 1 year**	**Maturing in more than 1 year but less than 5 years**	**Maturing in more than 5 years**
A - Debt transferred from SNCF		**1,193.5**	**376.8**	**155.2**	**661.5**
	Total fixed rate	788.1	109.6	65.3	613.2
	Total floating rate	405.5	267.2	89.9	48.3
	EUR fixed rate	613.2			613.2
	EUR floating rate	231.3	163.2	19.7	48.3
	Of which Greater Paris region loans	*5.2*	*0.5*	*1.9*	*2.8*
	Total EUR	844.5	163.2	19.7	661.5
	CHF fixed rate	174.9	109.6	65.3	
	CHF floating rate				
	Total CHF	174.9	109.6	65.3	
	GBP fixed rate				
	GBP floating rate	174.2	104.0	70.2	
	Of which EIB renewal	*174.2*	*104.0*	*70.2*	
	Total GBP	174.2	104.0	70.2	
B - Accrued interest		**24.8**	**24.8**	**0.0**	**0.0**
	Total fixed rate	24.7	24.7		
	Total floating rate	0.2	0.2		
	EUR fixed rate	21.3	21.3		
	EUR floating rate	0.1	0.1		
	Total EUR	21.5	21.5		
	CHF fixed rate	3.4	3.4		
	CHF floating rate				
	Total CHF	3.4	3.4		
	GBP fixed rate				
	GBP floating rate	0.0	0.0		
	Total GBP	0.0	0.0		
TOTAL (A) + (B)		**1,218.4**	**401.6**	**155.2**	**661.5**

LONG-TERM BORROWINGS (SUMMARY)

The breakdown of long-term debt after hedging is as follows:

Currencies	Fixed rate		Inflation-linked		Floating rate		Total outstanding long-term borrowings	
	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014
EUR	28,242.8	31,922.0	1,920.8	1,496.2	5,923.8	4,944.7	36,087.5	38,363.0
RFF	*27,280.6*	30,959.8	*1,920.8*	1,496.2	*5,686.9*	4,713.5	*34,888.3*	37,169.4
SNCF	*962.3*	962.3			*236.9*	231.3	*1,199.2*	1,193.5
CHF	0.0	0.0			0.0	0.0	0.0	0.0
Total :	**28,242.8**	**31,922.0**	**1,920.8**	**1,496.2**	**5,923.8**	**4,944.7**	**36,087.5**	**38,363.0**
As % :	**78.26%**	**83.21%**	**5.32%**	**3.90%**	**16.42%**	**12.89%**	**100.00%**	**100.00%**
			Total principal outstanding				**36,087.5**	**38,363.0**
			Accrued interest on SNCF Réseau debt issues				649.7	618.3
			Accrued interest on transferred debt				24.8	24.7
						TOTAL:	**36,762.0**	**39,005.9**

7.1.18 ADVANCES AND PAYMENTS ON ACCOUNT RECEIVED

(in millions of euros)	**31/12/2014**	**31/12/2013**
- Advances on asset disposals	4.5	7.1
- Customer infrastructure advances	298.5	258.0
TOTAL	**303.1**	**265.1**

“Customer infrastructure advances” reflect the payment by rail company customers of an advance corresponding to 20% of reservation fees payable in respect of the new timetable, on the date of its publication, pursuant to the ruling of 25 November 2008. These advances are deducted on a monthly basis from the reservation fee invoice payments.

7.1.19 OTHER PAYABLES

(in millions of euros)	31/12/2014	31/12/2013
Other operating payables	**1,993.2**	**2,173.5**
- Grants claimed in advance (1)	1,815.9	1,951.1
- Liabilities on equity interests (LTF)	10.0	27.6
- Other payables	167.3	194.8
Other liabilities on financial instruments	**282.7**	**266.6**
- Accrued expenses on debt instruments	194.3	189.5
- Cross-currency swap	(7.2)	(3.2)
- Collateral security deposit	95.6	80.4
TOTAL	**2,275.9**	**2,440.1**

(1) Of which €153.7 million in 2014 versus €167.1 million in 2013

7.1.20 MATURITY OF PAYABLES

PAYABLES* (in millions of euros)	Gross amount	Maturing within 1 year	Maturing in more than 1 year but less than 5 years	Maturing in more than 5 years
- Trade payables and related accounts	**2,636.9**	**2,636.9**		
- Tax and employee-related liabilities	**223.0**	**223.0**		
Other payables:	**2,275.9**	**2,275.9**		
Other operating payables:	**1,993.2**	**1,993.2**		
- Grants claimed in advance	1,815.9	1,815.9		
- Liabilities on equity interests (LTF)	10.0	10.0		
- Other payables	167.3	167.3		
Other liabilities on financial instruments:	**282.7**	**282.7**		
- Accrued expenses on debt instruments	194.3	194.3		
- Cross-currency swap	-7.2	-7.2		
- Collateral security deposit	95.6	95.6		
TOTAL	**5,135.8**	**5,135.8**		

7.1.21 DEFERRED INCOME

(in millions of euros)	31/12/2014	31/12/2013
- Deferred income on occupancy fees	34.9	38.3
- Deferred income on infrastructure fees	207.9	211.5
- Bond issue premium	1,076.6	935.8
- Balancing cash payments on interest rate swaps	106.6	118.9
- Deferred income on bonds and other instruments	12.6	12.8
- Premiums/Discounts	0.9	1.0
TOTAL	**1,439.6**	**1,318.3**

7.2 NOTES TO THE INCOME STATEMENT

7.2.1 BREAKDOWN OF REVENUE

(in millions of euros)	31/12/2014	31/12/2013
Sales of materials	**39.8**	**36.2**
Sales of own services	**5,877.1**	**5,654.0**
- Infrastructure fees	5,448.7	5,227.9
- Electricity transmission	161.5	169.5
- Additional electricity fees	99.2	96.8
- Other service fees	29.7	34.9
- Income from private sidings	15.1	14.7
- Proceeds from direct invoicing of occupancy fees	83.4	82.4
- Other proceeds from related activities	39.6	27.9
TOTAL	**5,917.0**	**5,690.2**

7.2.2 OPERATING GRANTS

(in millions of euros)	31/12/2014	31/12/2013
- French State operating grant	108.6	110.6
- Other operating grants	39.6	53.9
TOTAL	**148.2**	**164.5**

7.2.3 DELEGATED MANAGEMENT FEES

(in millions of euros)	31/12/2014	31/12/2013
- Network management fees	3,046.5	3,029.5
- Platform management fees	68.3	63.2
- Property management fees	103.6	100.6
TOTAL	**3,218.5**	**3,193.3**

COMPENSATION PAID TO DELEGATED INFRASTRUCTURE MANAGERS

SNCF Réseau delegates the following three main activities to SNCF:

1. management of the system organising all rail traffic on the network, referred to as "train running diagrams";
2. management of safety and control systems and traffic management;
3. supervision, maintenance, repair and other measures necessary for the operation of the network and technical equipment and facilities.

Network management fees totalled €3,046.5 million in 2014 after capitalisation of investment expenditure of €52.1 million. Network management fees totalled €3,029.5 million in 2013 after capitalisation of investment expenditure of €81.6 million.

These fees break down as follows:

- €2,149.2 million for network maintenance, including:
  - €2,263.4 million for maintenance, including major maintenance work (excluding Greater Paris);
  - -€52.1 million for investment expenditure capitalised in respect of 2014;
  - €45.0 million for additional major maintenance operations in the Greater Paris Region;
  - -€34.9 million reduction in expenses tied to the competiveness and employment tax credit;
  - €16.3 million in research and other costs;
  - -€88.5 million for prior-year adjustments (including -€30.8 million for the capitalisation of 2013 expenses);

- €865.4 million to cover national rail network traffic management expenses, compared with €864.5 million in 2013;
- €27.1 million for the cost of GSMR maintenance entrusted to SYNERAIL;
- €4.8 million for other maintenance costs.

OTHER COMPENSATION PAID AS PART OF THE MANAGEMENT MANDATES

Property management was split by SNCF Réseau between SNCF and other service providers. The service agreement defines the assignments conferred to SNCF. The cost of this agreement was €65.3 million in 2014 (including -€0.3 million of prior-year adjustments), plus €3.7 million in respect of an agreement covering the examination of temporary occupation authorisation requests (including -€1.6 million of prior year adjustments), compared with €67.4 million in 2013 (including €0.8 million of prior-year adjustments).

The financial agreement for the reimbursement of property charges on property belonging to SNCF and SNCF fees for the delegated management of these charges totalled €20.0 million in 2014, compared with €19.6 million in 2013.
In addition, expenses of €0.9 million were incurred in respect of services provided by AREMIS for the management and update of property reference guides.
SNCF Réseau recognised expenses of €13.7 million in 2014, compared with €12.0 million in 2013 in respect of the property management assignments conferred by SNCF Réseau to YXIME and NEXITY, each for a different geographical area, as well as the update of its property inventory entrusted to the Adyal-IBM grouping.

Fees of €68.3 million were incurred under the platform management agreement, compared with €63.2 million in 2013.

7.2.4 OTHER PURCHASES AND EXTERNAL CHARGES

(in millions of euros)	**31/12/2014**	**31/12/2013**
-Purchases of non-storable supplies	163.7	171.8
- External services	325.1	262.0
- Banking and similar services	8.7	9.4
TOTAL	**497.5**	**443.2**

Purchases of non-storable supplies include the supply of electricity used at the SNCF Réseau installations for €160.2 million, mainly in the form of Joule effect losses, and the transmission, via the high-voltage and medium-voltage grid upstream of substations, of the energy used by all rail operators.

These services, including an annual CSPE public service electricity levy capped at €0.6 million and certain management costs for network access contracts are recharged on a monthly basis to rail operators in proportion to traffic levels, in the form of additional electrical traction fees (R.C.T.E.), and represented an amount of €161.5 million in 2014.

External services amounted to €325.1 million as at 31 December 2014 compared with €262.0 million as at 31 December 2013. The €63.1 million increase is primarily due to the significant rise of subcontracting expenses relating to project management and IT.
These expenses comprise:

- compensation for service providers;
- lease payments and rental expenses;
- maintenance and repair costs;
- and sundry operating costs.

7.2.5 TAXES OTHER THAN INCOME

(in millions of euros)	**31/12/2014**	**31/12/2013**
- Direct taxes	71.8	72.1
- Corporate solidarity contribution	9.8	50.1
- Other taxes	4.6	3.7
TOTAL	**86.2**	**125.9**

(1) At the same time, a provision reversal of €40.3 million was booked in 2013.

7.2.6 PERSONNEL EXPENSES

(in millions of euros)	31/12/2014	31/12/2013
- Wages and salaries	86.1	83.6
- Social security contributions	43.2	41.8
TOTAL	**129.2**	**125.4**

The CICE (Competitiveness and Employment Tax Credit), in the amount of €1.3 million, is applied against the "Social security contributions" line item.

Based on Article 244 quater C of the French General Tax Code, the purpose of the CICE (Competitiveness and Employment Tax Credit), established by the 2012 Amending Finance ACT (no. 2012-1510) of 29 December 2012, is to fund improved business competitiveness, particularly through efforts involving investment, research, innovation, recruitment, prospecting of new markets, ecological and energy transition, and replenishment of working capital.
The CICE is allocated to the income tax payable for the year during which the compensation taken into account for the tax credit's calculation was paid.

With this context, the company and the French State signed the "Emplois d'Avenir" (Jobs for the future) framework agreement in November 2013, the objective of which is to provide unqualified or poorly qualified young people with initial professional experience and the time necessary to acquire skills or recognised qualifications.

The company has committed to hiring 15 young people before 30 June 2015, under the "Emplois d'Avenir" agreement. This will result in the signing of fixed-term single inclusion and employment initiative contracts, whether full-time or part-time. These contracts will have a minimum term of 12 months, and can be renewed for up to a maximum of 36 months. In 2014, the company's commitment was reflected in the conclusion of 5 "Emplois d'Avenir" contracts.

The cost relating to the seconded personnel is booked under **"Other purchases and external charges"**.

(in millions of euros)	31/12/2014	31/12/2013
Seconded personnel	13.7	8.5

<u>Headcount and total payroll</u>
As at 31 December 2014, the headcount comprises 1,678 SNCF Réseau agents, including 52 seconded civil servants and 111 agents made available (109 agents by SNCF, 1 agent by SCET, and 1 agent by RATP). The headcount was 1,600 as at 31 December 2013.

The average headcount was 1,647.1 agents in 2014, including 101.6 made available, compared with 1,558.6 agents in 2013, including 64.5 made available.

As at 31 December 2014, the FTE (full-time equivalent) headcount is 1,533 agents, compared with 1,506 agents as at 31 December 2013.

In 2014, total remuneration of the members of the SNCF Réseau Executive Committee was €1,910,944. The Committee had an average of 9.16 members during the year.
In-kind benefits regarding the supply of vehicles amounted to €102,555 in 2014.

Individual training entitlement (French acronym “DIF”)

The volume of training hours accrued by employees and corresponding to vested individual training entitlement totalled 120,372 as at 31 December 2014.

As at 31 December 2014, a total of 2,843 training hours had not given rise to a request.

7.2.7 STATUTORY AUDITORS’ FEES

Statutory auditors’ fees for Mazars and PWC totalled €126,150 and €151,650, respectively, for the 2014 financial year.

7.2.8 NON-RECURRING ITEMS

Non-recurring items in 2014 of €51.8 million primarily include the net gain on disposal of property assets in the amount of €88.5 million and a charge to non-recurring provisions for €35.5 million.

7.2.9 CORPORATION TAX

The SNCF Réseau tax loss carry-forward remained at €10.2 billion as at 31 December 2014.

SNCF Réseau recognised a tax expense of €22 million after taking into account tax credits, compared to €12.4 million for 2013.

Despite the accounting loss, the tax expense for the financial year can primarily be explained by the application of the provisions relating to:
- changes in the loss carry-forward rules;
- the add-back of the net financial expenses to the taxable income which is subject to a 25% corporation tax, compared to 15% in 2013.

7.3 ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

Cash generated in 2014 decreased by €635.1 million, compared to an increase of €676.0 million in 2013, partially attributable to the increase in property acquisitions offset by an increase in cash and cash equivalents
Cash includes cash and cash equivalents less bank overdrafts and short-term investments.

7.3.1 NET CASH FROM OPERATING ACTIVITIES

Operating cash flow before cost of net debt and after income taxes amounted to €2,047.8 million as at 31 December 2014, compared to €1,924.3 million as at 31 December 2013, for a decline of €124.0 million.

Breakdown of the change in the WCR related to operating activities:

(in millions of euros)	WCR as at 31/12/2013	WCR as at 31/12/2014	Change
Other receivables	(522.2)	(576.9)	(54.7)
Other payables	9.3	12.3	3.0
Trade receivables	852.7	860.4	7.8
Tax and employee-related receivables	160.9	174.2	13.3
Tax and employee-related payables	(152.7)	(202.3)	(49.6)
Trade payables	(343.4)	(321.1)	22.3
Operating grants - Assets	170.3	144.5	(25.8)
Operating grants - Liabilities	(167.1)	(153.7)	13.4
TOTAL	**7.9**	**(62.4)**	**(70.3)**

The change in the WCR related to operating activities is primarily due to the corporation tax payable of €8.5 million as at 31 December 2014 compared to a receivable of €34.8 million as at 31 December 2013, and the increase in other receivables which absorbed the increase in the invoice for the 20% advance on reservation fees.

7.3.2 NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities comprises expenditure for rail infrastructure projects and proceeds from asset disposals. The decline in the cash position is primarily due to the rise in asset purchase costs.

7.3.3 NET CASH FROM FINANCING ACTIVITIES

Net cash from financing activities concerns the following flows:

- debt issues and repayments;
- collection of investment grants;
- net financial interest paid;
- collateral received/paid as part of hedging operations.

The decline in the cash position was mainly due to the delayed payment of investment grants by certain financial backers.

8 INFORMATION ON RELATED PARTIES

The Scope of entities related to SNCF Réseau includes the French State and SNCF. The impacts on the income statement and on the balance sheet are presented below.

Relations with the French State (excluding duties and taxes)

SNCF Réseau invoices the French State for access fees in respect of TER passenger regional trains and TET territorial trains.

The French State provides SNCF Réseau with operating grants. In addition, between 2004 and 2008 the French State provided investment grants for upgrade and compliance work. The assets funded by these grants continue to be commissioned and the grants progressively released to profit or loss.

Impact on net income

(in millions of euros)	31/12/2014	31/12/2013
- Revenue – access charges	1,799.2	1,730.4
- Operating grant	108.6	110.6
- Reversal of grant for upgrade and compliance work	136.2	136.7
- Corporation tax expense	22.0	12.4
- Competitiveness and Employment Tax Credit income	1.3	0.8

Impact on the balance sheet

(in millions of euros)	31/12/2014	31/12/2013
- Grant for upgrade and compliance work	3,569.3	3,705.6
- Operating grant receivable (freight compensation)	3.3	9.3
- French State grants receivables (investment and operating)	889.5	665.3
- Corporation tax advance payment	Ce	34.8
- Corporation tax payable	8.5	
- Deferred tax assets	3,800.7	3,675.1

<u>Relations with SNCF</u>:

The SNCF is the main customer of SNCF Réseau and, as such, invoices it for infrastructure fees.

SNCF Réseau has also signed a number of agreements under which management services are delegated to SNCF:

- traffic and circulation management;
- the operation and maintenance of technical infrastructures and network safety;
- the management of platforms, passenger departure and arrival terminals and related facilities;
- property management.

Finally, SNCF is mandated to conduct investment operations involving rail infrastructures by SNCF Réseau. In connection with these mandates, the SNCF organises and conducts centrally managed supply purchases, and provides services covering work, delegated project management and project ownership related to these operations.

Main impacts of the activities together with SNCF

(in millions of euros)	31/12/2014	31/12/2013
- Income: infrastructures	3,648.0	3,439.7
- Expenses: management agreement	3,172.5	3,152.6
- Production of property, plant and equipment delegated to SNCF*	1,857.5	1,761.8

(*)SNCF purchases in the name and on behalf of SNCF Réseau are excluded from the amounts presented.

9 OFF-BALANCE SHEET COMMITMENTS

9.1 COMMITMENTS GIVEN AND RECEIVED ON FINANCIAL INSTRUMENTS

SNCF Réseau is exposed to market risk in connection with the management of its debt. It uses a variety of financial instruments to optimise borrowing costs, based on an analysis of its general exposure to its risks, primarily arising from changes in interest and exchange rates, within the limits set by the Board of Directors.

Long-term debt management

► Allocation between fixed-rate, floating-rate and inflation-indexed debt:

SNCF Réseau manages a structural fixed-rate/floating-rate/ inflation-indexed rate position in euros to reduce borrowing costs, using interest rate swaps and swaptions, within the limits set by the Board of Directors.

Management of signature and counterparty risks

► Principles and limits

At SNCF Réseau, management of transactions and financial risks is strictly governed by the document entitled "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, delegations of authority granted by the Board of Directors together with delegations of signature granted.

SNCF Réseau also has a procedure manual 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 report on a daily,weekly or monthly basis which describe the transactions performed and control results.

► Counterparty risk exposure limits

SNCF Réseau's counterparty risks are tied to the use of over-the-counter off-balance sheet currency and interest rate instruments and correspond to the risks of default by the counterparty on the contract due dates.

An exposure limit per counterparty is determined according to its rating and equity. SNCF Réseau assesses these risks by valuing at mark-to-market its commitments vis-a-vis its counterparties.

► Collateral

SNCF Réseau has set up collateral contracts with all counterparties. Collateral must be provided as soon as the counterparty's credit rating falls below AA -/Aa3 /AA - (respectively Fitch / Moody's / Standard & Poor's). Account is taken of the rating attributed by at least two of the following three rating agencies: Standard & Poor's, Moody's, and Fitch.

Notional amount of derivative instruments

The contracts or notional amounts presented below do not constitute the amounts payable or receivable and consequently do not represent the risk to which SNCF Réseau is exposed through its use of derivatives:

I - FUTURES AND OPTIONS MARKET **In foreign currency millions**			**31/12/2014**		**MtM**		**31/12/2013**		**MtM**	
Over-the-counter hedging transactions										
EUR swaps										
	Micro-hedge									
		< 1 year	625.0	EUR	26.1	EUR	2,161.0	EUR	46.3	EUR
		1 to 5 years	1,466.1	EUR	(12.2)	EUR	1,050.0	EUR	52.5	EUR
		> 5 years	3,667.6	EUR	(551.0)	EUR	3,188.5	EUR	(142.9)	EUR
	Macro-hedge									
		< 1 year	0.0	EUR	0.0	EUR	0.0	EUR	0.0	EUR
Trading transactions:										
		< 1 year	0.0	EUR	0.0	EUR	0.0	EUR	0.0	EUR
		> 5 years	50.0	EUR	(2.6)	EUR	50.0	EUR	0.6	EUR

II - FOREIGN CURRENCY TRANSACTIONS **In foreign currency millions**		**31/12/2014**		**MtM**		**31/12/2013**		**MtM**	
Over-the-counter hedging transactions									
EUR forward contracts	< 1 year	0.0	AUD	0.0	EUR	0.0	AUD	0.0	EUR
		0.0	CHF	0.0	EUR	0.0	CHF	0.0	EUR
		0.0	GBP	0.0	EUR	250.0	GBP	3.9	EUR
		0.0	JPY	0.0	EUR	0.0	JPY	0.0	EUR
		1,455.0	USD	111.3	EUR	1,526.5	USD	(48.9)	EUR
	1 to 5 years								
	> 5 years								
EUR currency swaps	< 1 year	169.2	CHF	31.8	EUR	50.0	CHF	8.2	EUR
		0.0	USD	0.0	EUR	0.0	USD	0.0	EUR
		0.0	JPY	0.0	EUR	5,000.0	JPY	(4.7)	EUR
		685.1	GBP	35.2	EUR	0.0	GBP	0.0	EUR
		0.0	AUD	0.0	EUR	0.0	AUD	0.0	EUR
	1 to 5 years	0.0	AUD	0.0	EUR	0.0	AUD	0.0	EUR
		951.9	CHF	247.5	EUR	431.0	CHF	76.1	EUR
		44.3	GBP	(21.3)	EUR	729.4	GBP	(55.3)	EUR
		5,000.0	JPY	(6.8)	EUR	0.0	JPY	0.0	EUR
		300.0	HKD	1.7	EUR	300.0	HKD	(1.8)	EUR
		250.0	USD	11.7	EUR	250.0	USD	(10.7)	EUR
	> 5 years	276.6	CAD	62.9	EUR	276.6	CAD	22.3	EUR
		1,155.0	CHF	288.9	EUR	1,845.0	CHF	333.0	EUR
		3,252.7	GBP	(798.8)	EUR	3,244.8	GBP	(1,100.8)	EUR
		0.0	HKD	0.0	EUR	0.0	HKD	0.0	EUR
		40,000.0	JPY	(22.4)	EUR	45,000.0	JPY	(26.3)	EUR
		500.0	NOK	1.5	EUR	500.0	NOK	(4.8)	EUR
		370.0	USD	0.9	EUR	0.0	USD	0.0	EUR

III - OTHER OFF-BALANCE SHEET COMMITMENTS In foreign currency millions	31/12/2014	31/12/2013
Financing commitments received		
Syndicated loan	1,250.0 EUR	1,250.0 EUR

The syndicated credit line was set up on 19 July 2012 in the amount of €1,250 million with a maturity of five years. There were no drawn-downs as at 31 December 2014.

In addition, SNCF Réseau also has renewal or early redemption options on certain lines of credit, whose amounts are immaterial. SNCF Réseau is free to exercise or waive these options as it sees fit.

SNCF Réseau also holds an option on a borrowing, for which the counterparty controls the exercise decision.
As at 31 December 2014, the value of this embedded derivative is -€166.2 million.
If not exercised in July 2015, this option extends for 14 years the Euro debt converted into GBP at an exchange rate of 0.652 and with a fixed interest rate of 5.35%.

9.2 OTHER COMMITMENTS GIVEN AND RECEIVED

FINANCIAL GUARANTEES

SNCF Réseau received a demand guarantee from a bank amounting to €3.2 million covering annual licence fees for the use of industrial sidings by SAS Ciments Calcia, its main debtor.

OTHER COMMITMENTS GIVEN RELATING TO ASSET DISPOSALS

SNCF Réseau regularly sells property assets that are not necessary for railway activities.

Agreements to sell that have been signed but not yet exercised amounted to €69.6 million as at 31 December 2014 (compared with €89.3 million as at 31 December 2013) and mainly included agreements to sell the Paris Left Bank and Paris La Chapelle sites.

COMMITMENTS RELATING TO PPP AND CONCESSION ARRANGEMENTS

1. GSMR

- Bank guarantee:

SNCF Réseau has a demand guarantee issued by a banking institution in the event of a breach by SYNERAIL. The guarantee is granted progressively based on the network roll-out phases. As at 31 December 2014, SNCF Réseau benefited from a guarantee of €48.2 million.

- Other commitments:

As at 31 December 2014, investment fees payable by SNCF Réseau under the agreement amount to €481.4 million (present value). Financing receivable amounted to €392.8 million (present value).

2. BPL

Assets under construction to be recognised amount to €912.9 million, based on the percentage of completion as at 31 December 2014.

The earned grant to be recognised amounts to €621.7 million, based on the percentage of completion as at 31 December 2014.

3. CNM

Assets under construction to be recognised amount to €860.7 million, based on the percentage of completion as at 31 December 2014.
The earned grant to be recognised amounts to €875.2 million, based on the percentage of completion as at 31 December 2014.

4. SEA

SNCF Réseau as guarantor:
The guarantee issued by SNCF Réseau in favour of Caisse des dépôts-Direction des Fonds d'Epargne amounts to €757.2 million, and is effective as at July 2011. The guarantee bears interest since July 2011.
SNCF Réseau as state contributor to financing:
The amount payable by SNCF Réseau regarding its contribution to financing amounts to €1,298.6 million as at 31 December 2014.

SNCF Réseau as fundraiser from third-party financial backers:
Grants not yet claimed from third-party financial backers and repaid to the concession holder amount to €3,306.7 million as at 31 December 2014.

Other commitments: contract early termination clauses

The concession agreement comprises several early termination clauses under which SNCF Réseau pays compensation to the concession holder and replaces the latter in the performance of the contract.

Forfeiture clause: under the agreement, the concession grantor may claim forfeiture should the concession holder breach the agreement terms, in which case SNCF Réseau shall pay the concession grantor a minimum compensation corresponding to approximately 85% of the financing borne by the concession holder.

Cancellation clause for force majeure or unforeseeable events: In the event of cancellation for force majeure or unforeseeable events, SNCF Réseau shall pay the concession holder a fixed compensation under the terms and principles set out in the jurisprudence of the French Council of State (Conseil d'Etat).
In the event of such early termination, the financing agreement stipulates that the French State will reimburse SNCF Réseau for the amount of the compensation due to the concession holder, less the value of future revenues that will be realised by SNCF Réseau from the infrastructure whose management it reassumes.

Cancellation clause to protect the public interest: this mechanism can be implemented from the 12th year following commercial operation, in which case SNCF Réseau shall pay the concession holder compensation, a portion of which every six months. The financing agreement stipulates that the public entity at the source of the decision triggering the clause shall pay the compensation.

Other commitments relating to the operating period:

Grand Projet Sud Ouest (“GPSO” clause): one year following the inauguration of three high-speed lines namely, Bordeaux-Toulouse, Bordeaux-Hendaye, and Poitiers-Limoges, the concession holder shall pay SNCF Réseau a portion of the traffic revenues generated the previous year by any of the aforementioned lines in operation. This payment represents approximately 25% of the difference between the actual revenues generated and the expected theoretical revenues.

Should the difference be negative, the amount payable to SNCF Réseau by the concession holder is nil and no amount is owed to the concession holder by SNCF Réseau.

Financial recovery clause: from the 5th year of operation, the concession holder shall pay SNCF Réseau a “financial recovery fee”, corresponding to a transfer of traffic revenues based on the difference between actual and expected revenues. Should the difference be negative, the amount payable to SNCF Réseau by the concession holder is nil and no amount is owed to the concession holder by SNCF Réseau. The latter repays the amount of this fee to the French State and the regional authorities that are signatories of the financing agreement in proportion to their investment.

MANAGEMENT REPORT ON THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

SNCF Réseau Group

(formerly Réseau ferré de France)

Management report
Company financial statements
for the year ended

31 December 2014

CONTENTS

MANAGEMENT REPORT for the year ended 31 December 2014

1 SNCF Réseau in 2014

1.1 Major events of the year

1.1.1 Company business

SNCF Réseau (formerly Réseau Ferré de France) designs, modernises and contributes to maintenance with SNCF Infra, the delegated infrastructure manager, and sells access to the rail network for all passenger and freight rail companies. Its network covers 30,000 km of track, including 2,000 high-speed lines. An additional 800 km will be commissioned by 2017. SNCF Réseau contributes on a daily basis to the quality, reliability and comfort of the French rail service marked by the circulation of 15,000 trains which each day transport 5 million passengers and 25,000 tonnes of freight.

The second leading French public investor with revenue of €5.9 billion in 2014, SNCF Réseau's strategic priority is the maintenance and modernisation of the existing infrastructure. Accordingly, SNCF Réseau coordinates a major modernisation programme (over €2.5 billion and more than 1,000 projects per year), with priority being given to everyday trains. At the end of 2013, the company launched a programme to modernise and safeguard its maintenance called "VIGIRAIL" (€410 million) in order to accelerate the deployment of new technologies in its network monitoring processes.

In 2014, the company carried out its business within the context of a transition, in parallel to the preparation and adoption of the rail reform bill which provides for the attachment of SNCF Infra and SNCF Direction des Circulations Ferroviaires to RFF, thus forming EPIC SNCF Réseau. This reform should improve the performance of national rail network management, while ensuring overall consistency with SNCF's transport activities within an integrated public rail group.
The year 2014 was therefore marked by the following main events:

<u>Rail reform</u>

The rail reform law definitively adopted on 22 July 2014 and enacted by the President of the French Republic on 4 August 2014, under number 2014-872, is based on five objectives:

- Confirmation of a public service that is strengthened and better managed;
- Creation of an integrated public industrial group;
- Introduction of a national agreement to ensure the financial future of the public service;
- Creation of a labour framework for all rail sector players by maintaining the status of railway employees and unifying their group;
- Greater regulatory authority to guarantee the impartiality of network accessibility.

The current organisation of the French rail system and specifically the State-owned industrial and commercial institution (or EPIC) Société Nationale des Chemins de fer Français was profoundly changed as of 1 January 2015, the effective date of the law, with the creation of a group organised according to three economically integrated EPICs:

- The current EPIC Société Nationale des Chemins de fer Français (SNCF until 30 November 2014), will become SNCF Mobilités and will continue to carry out all the transport activities for the SNCF Proximités, SNCF Voyages and SNCF Logistics (formerly SNCF Geodis) divisions, and manage the stations of the Gares & Connexions division.
- The current Réseau Ferré de France (RFF) will become SNCF Réseau and unify all the infrastructure management functions by combining SNCF Infra and Rail network operation and management currently part of the SNCF Infra division. It will guarantee fair access to the network for all rail companies.
- A “parent” EPIC, created on 1 December 2014 as part of the reform and called SNCF, will be responsible for strategic control and steering, economic coherence, and the public rail group's industrial integration and social unity.

The application decrees were published in the Journal officiel of 11 February 2015. The reform will be fully implemented by 1 July 2015 at the latest.

The law provides for the continuation of the legal entities RFF and SNCF. Their name changes do not result in the creation of new legal entities. Pursuant to the rail reform law, Réseau Ferré de France therefore changed its corporate name to SNCF Réseau on 1 January 2015. This reform had no impact on the SNCF Réseau (formerly RFF) Group financial statements for the year ended 31 December 2014.

Economic situation

The economic situation remained lacklustre in 2014. Sluggish growth weighed heavily on traffic, and therefore revenue. However, price pressure resulted in lower inflation (stable consumer price index excluding tobacco between December 2013 and December 2014) and a downward shift in the cost of public works (decline in TP01 index), thus counterbalancing the slow growth. Similarly, interest rates remained very low in a constantly favourable context.

Labour movement

A strike involving certain SNCF employees took place between 11 and 23 June 2014 in opposition to the rail reform bill and to debate the future of the rail sector. The conflict resulted in a loss of fees estimated at €28 million and a decrease in network operating expenses (DCF) estimated at €1.3 million.

Punctuality and operations

In 2014, there was a minor improvement in punctuality, particularly for high-speed trains, with a slight decline in the minutes lost by commercial trains due to network management issues. Nevertheless, the fire which broke out at the Vitry switching station on 23 July 2014 hindered the operations of the RER C network.

Priority to maintenance
Following the Brétigny accident on 12 July 2013 and the Denguin collision on 17 July 2014, SNCF Réseau has continued to focus its efforts on maintenance:

- ramp-up of the Vigirail programme with the replacement of 363 points and crossings, compared with 319 last year;
- roll-out of the Ile-de-France Infra High Performance policy;
- increase in resources dedicated to maintenance in connection with the scheduling for fiscal 2015

Main investment projects
In 2014, the rise in investments led to the renewal of 973 km of track, compared with 849 km in 2013. The main regional development projects underway are the Nantes Châteaubriant tram-train, Phase 2 of the Alpin Sud line, and the modernisation of the Bellegarde-La Plaine and Limoges-Guéret lines.

Reclassification of a portion of the RFF debt
As part of the reorganisation of government debt as defined by the Maastricht Treaty, the French State included a portion of RFF debt in the amount of €10.4 billion in 2012. 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 current practices.

Contract with the French State
The law provides for the conclusion of a 10-year performance contract between SNCF Réseau and the French State. Both parties are currently working together to define the terms of this industrial and economic partnership.

1.1.2 Comparability of the financial statements

Changes in accounting principles and methods
There were no changes in accounting method in fiscal 2014.

1.2 Key figures

In € millions (French GAAP)	2014	2013	Change	Change (%)
Revenue	5,917	5,690	+227	+4%
Operating profit/(loss)	1,113	1,081	+32	+3%
Financial profit/(loss)	(1,387)	(1,347)	(40)	+3%
Net profit/(loss) before income tax	(222)	(128)	(94)	NM
Net profit/(loss) after income tax	(244)	(140)	(104)	NM
Cash from operations	2,076	1,928	+148	+8%
Net investments	3,255	3,347	(92)	-3%
Closing net borrowings (repayment value – excluding accrued interest)	36,784	33,725	+3,059	+9%
Average number of employees (full-time equivalent)	1,533	1,506	+27	+2%

1.3 Subsequent events

The LTF (Lyon-Turin Ferroviaire) shares held by SNCF Réseau were transferred to the French State in February 2015.

2 Results and financial position

2.1 2014 results

Income statement - CRC - In € millions	2014	2013	Change	% change
Commercial income (fees)	**5 754**	**5 541**	**213**	**4%**
Rental income	**87**	**87**	**0**	**0%**
Other income from related activities	36	26	10	40%
Sale of old materials	40	36	4	10%
Other income	**76**	**62**	**14**	**22%**
REVENUE	**5 917**	**5 690**	**227**	**4%**
Operating grants (French State)	109	111	-2	-2%
Delegated infrastructure management compensation	-3 139	-3 132	-7	0%
Property and real estate management compensation	-104	-101	-3	3%
Other network expenses (electricity)	-160	-169	9	-5%
Taxes and duties other than income tax	-86	-126	40	-32%
Other operating expenses, net of capitalised production	-501	-432	-69	16%
Net depreciation and amortisation charges and reversals	-1 565	-1 329	-236	18%
Net charges to/reversals of provisions for impairment of current assets	7	-9	15	-175%
Net charges to/reversals of provisions for operating liabilities and charges	-13	34	-48	-139%
Reversals of investment and renewal grants	593	478	116	24%
Other operating income	56	66	-10	-15%
OPERATING PROFIT/(LOSS)	**1 113**	**1 081**	**32**	**3%**
FINANCIAL PROFIT/(LOSS)	**-1 387**	**-1 347**	**-40**	**3%**
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX	**-274**	**-266**	**-8**	**3%**
Exceptional income	117	160	-43	-27%
Exceptional expenses	-66	-21	-44	208%
EXCEPTIONAL PROFIT/(LOSS)	**52**	**139**	**-87**	**-63%**
Income tax	-22	-12	-10	77%
NET PROFIT/(LOSS)	**-244**	**-140**	**-104**	**75%**

In an ongoing lacklustre economic context, the company's financial balance was sustained through control over the operating expenses of all the stakeholders (including DCF and SNCF Infra): operating profit increased by €32 million compared with 2013. However, the rise in capital costs generated by commissionings and debt growth led to a substantial increase in the net loss before income tax to -€222 million in 2014, compared with -€128 million in 2013.

2.1.1 Improvement in operating profit by 3%

Operating profit increased by €32 million to €1,113 million, primarily due to the control over the operating income and expenses of SNCF Réseau's stakeholders:

- growth in commercial income by €213 million, due to the revaluation of the pricing scale, and despite the reduction in traffic worsened by the SNCF strike in June costing €28 million.
- virtually stable management operating expenses for the current network (operations, maintenance, etc.): -€5 million
- decrease in internal costs generated by the preparation of the rail reform: -€19 million (of which -€12 million in IT costs and -€3 million in net employee costs)
- return to a structural level of project costs, net of co-financing, i.e. a -€28 million impact on operating margin (2013 having been marked by the delayed studies pending the Mobility 21 and the improvement in the expense to revenue ratio).

This tight control over income and expenses was however partially offset by escalating capital costs, due to the greater number of commissionings which led to a €120 million increase in net depreciation and amortisation charges.

2.1.2 Net finance costs

The average cost of debt continued to decline to 3.90% in 2014, compared with 4.13% in 2013, due to very favourable interest rates. Yet, despite this positive rate effect, the 9% increase in the debt impacted borrowing costs, which increased by €40 million to -€1,387 million.

2.1.3 Net loss for the year

Exceptional profit dropped significantly, in line with the decline in asset disposal gains to €113 million in 2014, compared with €157 million in 2013, which had been marked by a significant transaction with the sale of land in Batignolles.

Despite a €94 million increase in the net loss before income tax to -€222 million, the recent changes in tax legislation led the company to increase its payments to the French tax authorities by €10 million for a total of €22 million. The net loss for the year therefore totalled -€244 million, compared with -€140 million in 2013.

2.2 Capital expenditure

GROSS CAPITALISABLE EXPENSES IN € MILLIONS	2014	2013	Change	Change (%)
Major development projects	1,923	1,757	166	9%
Regional development projects	752	987	(235)	-24%
Network compliance	249	158	92	58%
Renewal and performance	2,542	2,474	68	3%
Other	115	139	(25)	-18%
Miscellaneous	13	26	(14)	-52%
TOTAL	**5,592**	**5,541**	**52**	**1%**

Capital expenditure was in keeping with the decisions made in recent years. Priority was given to the renovation of the current primary network (renewal, safety, accessibility), and the completion of development projects already in progress (operations included in State-Region Project Contracts (CPER) and the 4 LGV (high-speed line) projects: phase 2 of the East European LGV line, the Sud Europe Atlantique LGV line, the Bretagne – Pays-de-la-Loire LGV line and the Nîmes-Montpellier bypass). Furthermore, the studies relating to future major projects were ranked in order based on the priorities established by the Mobility 21 Commission.

Gross capital expenditure rose slightly to €5,592 million (of which €1,026 million in Ile-de-France), compared with €5,541 million (of which €869 million in Ile-de-France) in 2013. The major development projects reported a 9% increase in production (+€166 million) relating to the percentage completion of the Bretagne – Pays-de-Loire LGV line and Nîmes-Montpellier bypass projects. Production declined for regional development projects, 2014 being a year of transition between the 2007-2013 CPER and the next set of contracts being drafted. Renovation investments for the current network (compliance, renewal and performance) increased, considering the priority given to compliance operations: safety, with safety compliance for 111 level crossings, and a virtual doubling of investments to improve accessibility.

Investment grants earned, based on the percentage of completion, were stable, amounting to €2,557 million with public co-financing bodies, compared with €2,559 million in 2013.

2.3 Net borrowings and financing

Cash flow (€ millions)	2014	2013	Change	% change
Cash from operations	2 076	1 928	148	8%
Current income tax	-22	-12	-10	83%
Change in operating WCR	64	246	-182	-74%
Capital expenditure	-5 820	-5 860	40	-1%
Investment grants	2 565	2 513	52	2%
Disposal or reduction of non-current assets	130	108	22	21%
Change in investing WCR	-848	136	-984	-724%
Interest and guarantee collateral	-1 425	-1 686	262	-16%
Change in cash net borrowings and investments	-3 279	-2 627	-652	25%

In line with the growth in operating margin, cash from operations rose by 8% in 2014, but this boost in resources was partially offset by the rising tax rate.

Capital expenditure and related grants were virtually stable, while financial constraints weighing heavily on the project co-financing bodies reduced WCR investment by nearly €1 billion. Past due receivables therefore totalled €1,347 million at the end of 2014, compared with €914 million at the end of 2013.

The increase in the repayment value of net borrowings totalled €3.1 billion in 2014, confirming the upward borrowing trend, and equally reflecting both the current network's structural loss and the funding of growth investments (including changes in WCR).

In addition to its own resources and the government loans it receives, SNCF Réseau therefore secures its financing from the financial markets by issuing bonds. The long-term resources raised by SNCF Réseau in 2014 represented a total of €4.5 billion (as a repayment value), i.e. 35 transactions carried out on bond markets denominated in euros and US dollars with an average maturity of 17 years and at an average fixed rate of 2.21%. They were used to repay outstandings of €2.3 billion in 2014. In accordance with the strategic allocation of liabilities validated by the Board of Directors, borrowings break down into 87% fixed-rate borrowings, 9% floating-rate borrowings and 4% inflation-indexed borrowings.

The repayment value of net borrowings excluding accrued interest totalled €36,784 million at the end of 2014, compared with €33,725 million at the end of 2013.

2.4 Company's economic activity

2.4.1 Commercial activity

Commercial income totalled €5,754 million, i.e. a €213 million increase compared to 2013. This increase was primarily driven by the basic railway services, up €126 million (+2.4%) compared to 2013 and the Platform fee whose enforcement for the 2014 service schedule generated income of €100 million, compared with €5 million in 2013. A lower increase in basic railway services enabled customers to pay this new fee.

This growth in commercial income was driven by the indexation of the fee list to 4.8% (price impact = +€288 million), but was still hindered by the reduction in traffic (volume impact = -€76 million, of which -€28 million due to the June strike).

In € millions	2014	2013	Change	% change
Access fees	1 957,5	1 941,3	16,2	0,8%
Reservation fees	2 023,7	1 863,5	160,2	8,6%
Traffic fees	1 365,6	1 413,7	-48,1	-3,4%
Platform fees	100,4	4,7	95,7	NS
Income from prior years	1,6	1,9	-0,3	-14,6%
Total basic railway services and platform fees (net of freight compensation)	**5 448,7**	**5 225,1**	**223,6**	**4,3%**

Other income includes:

- Additional electricity fees for €99 million, up €2.2 million or 2.3% compared to 2013, given the rising prices;
- Electricity transport and supply fees for €161 million, down €9 million or 6.3% compared to 2013, considering the rise in electricity prices (increase passed on to the rates applied to customers);
- Other service fees for €30 million, compared with €33 million in 2013. This decrease was attributable to the removal of the Calais Frethun security service and a reduction in the use of sidings.

With regard to basic railway service and electricity fees, 97% were collected for passenger activity, representing 84% of traffic, 2.7% for freight, representing 15% of traffic and 0.3% for infra and miscellaneous activities, representing 1% of traffic. Passenger activity fees break down into high-speed trains (36%), main line trains (12%) and regional passenger trains (52%). With regard to freight activity fees, 34% are now paid by alternative rail companies, representing 36% of freight traffic.

Excluding the platform fee impact, the 2.5% increase in basic railway services compared to 2013 was primarily due to price hikes. Despite the 12-day June strike, which resulted in a €28 million loss in budgeted fees, income was in line with the budget.

The following table presents a breakdown of these changes in train-km by activity.

In millions of train-km	2014	2013	Change	% change
High-speed trains	***135,7***	***139,5***	***-3,8***	***-2,7%***
SNCF	*130,6*	*134,6*	*-4,0*	*-2,9%*
EUROSTAR	*5,1*	*5,0*	*0,1*	*1,6%*
Main line stations	***37,8***	***40,2***	***-2,4***	***-5,9%***
SNCF	*37,5*	*39,5*	*-2,0*	*-5,2%*
THELLO	*0,4*	*0,8*	*-0,4*	*-54,9%*
Regional passenger trains	***237,2***	***238,5***	***-1,3***	***-0,6%***
Passenger activity	**410,7**	**418,2**	**-7,5**	**-1,8%**
Freight activity	**73,1**	**73,5**	**-0,4**	**-0,5%**
SNCF	*47,0*	*49,1*	*-2,1*	*-4,2%*
Alternative rail companies (including authorised candidates)	*26,1*	*24,3*	*1,8*	*7,3%*
Other	**5,9**	**6,2**	**-0,3**	**-4,1%**
Miscellaneous (alternative rail companies, rolling stock, shuttles, etc.)	*0,9*	*0,9*	*0,0*	*-3,3%*
Infra	*5,1*	*5,3*	*-0,2*	*-4,2%*
Total	**489,8**	**497,9**	**-8,1**	**-1,6%**

By activity, the main explanations for these changes are as follows:

- The decline in the activity of high-speed trains was attributable to the historical operator on the North and South-East lines, despite the increase in Eurostar traffic (+1.6% compared to 2013).
- The decrease in main line train activity resulted from the cancellation of certain Thello lines, and the removal of international routes (Paris <-> Barcelona) which are now served by high-speed trains.
- The decrease in regional passenger train activity was due to the June strike and the accident at the Vitry-sur-Seine switching station. The negative impact of these two events was limited by traffic developments. Paris suburb train (Transilien) activity therefore reported a limited 0.6% decrease, considering the implementation of the B+ and D development plans. The decline in regional express train (TER) activity was limited to -0.1%, particularly due to the commercial start-up of growth investments (reopening of the Alpin Sud line, opening of the Nantes-Chateaubriand tram-train).
- The decline reported by Freight activity was slightly lower than in previous years: -0.5% corresponding to a decrease of 0.4 million train-km. The development of alternative rail companies partially offset the decrease of the historical operator FRET SNCF.

Commercial/compensation costs

SNCF Réseau has developed a commercial policy to strengthen its service quality commitments with rail companies. This policy focuses on:

- The Performance Improvement System (PIS), an incentive measure which penalises the infrastructure manager and/or rail companies responsible for irregularities resulting in traffic delays (the penalties are based on the number of minutes lost per 100 km);

- The framework agreements under which the infrastructure manager undertakes to allocate a commercial capacity, defined upstream, to a customer which agrees to order it, with a system of penalties based on the reservation fee in the event of default;
- The slot quality agreements under which the infrastructure manager undertakes to eliminate uncertainty within a defined timeframe on a pre-determined list of slots.

Considering this commercial policy, the professionalization of the customer claim departments (closer monitoring of better documented compensation claims) and the remaining claim files involving prior year services, compensation costs rose from €19 million in 2013 to €23 million in 2014 (increase in provisions for liabilities and charges).

These compensation costs of €23 million break down as follows:

- Commercial compensation for €10 million, including contractual arrangements and the PIS for €7 million and compensation payments following claims for €3 million;
- New customer claims for €13 million.

2.4.2 Network operations (DCF)

DCF carries out two main tasks for RFF: slot mapping and network operations. In accordance with prevailing legislation, RFF pays DCF to cover all its expenses, less any income received from production subcontracted under service agreements concluded with third parties.

In 2014, DCF's operating expenses amounted to €865 million, on par with 2013 (-€1 million). This overall stability was due to the rise in the Competitiveness and Employment Tax Credit (CICE) rate (a €7.9 million increase compared with that in 2013), which offset the external impacts (€3 million decrease in revenue from ground-handling services and a €2 million increase in taxes), and the €2.5 million increase in employee costs (the positive volume impact of €8 million generated by the decline in staff numbers did not suffice to cover the increase in the average cost of an employee).

In 2014, DCF achieved overall savings of €21 million compared to its forecast budget of €886 million. This performance was primarily driven by a €10.5 million decline in employee costs: the €2.5 million decrease in the average cost of an employee accounts for various positive impacts (strike impact, etc.).

2.4.3 Network maintenance

Network maintenance breaks down into everyday network maintenance (entrusted to SNCF Infra under the Maintenance agreement recorded in expenses in the income statement) and network renewal (replacement of assets or extension of their life in connection with capitalised investments).

2.4.3.1 Everyday network maintenance and other network management expenses

The cost of the network maintenance agreement totalled €2,173 million for the year ended 31 December 2014, virtually stable compared to 2013 (€2,175 million), of which €2,149 million for everyday maintenance operations and €24.2 million in expenses relating to claims and malicious acts. This stability was due to an increase in the amount of everyday maintenance operations (+€13 million) offset by the settlement of claims from prior years (-€15 million). The cost of the 2014 agreement, including claims, decreased compared with the budget (-€25 million) and was attributable to settlements regarding claims and everyday maintenance operations.

The cost of the station services agreement with Gares & Connexions totalled €68 million for the year ended 31 December 2014, up €5 million compared with the cost recorded in 2013, due to the increase in the major works programme and the expenses generated by station accessibility improvements (maintenance of mechanical accesses, etc.).

Electricity transport and supply costs for the year ended 31 December 2014 totalled €160 million, compared with €169 million for the year ended 31 December 2013, due to the decrease in the tariff for using public electricity networks (TURPE) in force in mid-2013, and its full-year impact, which also accounts for the decline compared with the budget (-€6 million).

The GSMR maintenance fee for 2014 totalled €26.5 million, up 14% compared with 2013 (+€3.4 million), due to the progress made in the project's roll-out. However, this amount remained markedly lower than the initial budget forecast of €31.3 million, due to partner delays in the project.

2.4.3.2 Renewal and performance investments

The purpose of these investments is to maintain, or even boost, the current network's performance, with unchanged functionalities. With an ageing network and infrastructures, network renovation and modernisation work continues at a steady pace. In 2014, it involved the renovation of the primary network tracks and points and crossings (Vigirail plan), the creation of the Centralised remote network control to replace numerous minor switching stations as well as the track-to-train GSMR link programmes.

Most of these transactions focus on the primary section of the current network, particularly Ile-de-France, pursuant to the EPFL Rivier 2 audit recommendations.

Production in fiscal 2014 totalled €2,542 million, i.e. a 3% increase (+€68 million), compared to 2013. This slight growth was primarily attributable to the following items:

- the ramp-up of the Signalling programme (+€20 million), despite the difficulties in deploying the Centralised remote network control. The switching station work programmes boosted production by more than 50% (1,935 units of work processed in 2014, compared with 1,224 in 2013)

- a significant increase in Telecom production, driven by GSMR investments (+€97 million)

- the decrease in the percentage of capitalised Major Maintenance Operations, down €24 million despite a stable overall production

- an overall decline of €15 million in track renovation work. In accordance with the decisions adopted by the company, these investments focus on the busiest section of the network (UIC groups 1 to 6) and points and crossings (Vigirail programme). Production, in terms of work units, continued to increase: 973 major scheduled operation equivalents were therefore renewed in 2014, compared with 849 in 2013; similarly, 363 points and crossings were renewed, compared with 319 in 2013.

Actual figures for 2014 fell short of budget forecasts overall (-€84 million), due to the delays incurred in signalling and GSMR through PPP:

- Centralised remote network control production suffered in particular from a lack of resources and delays in the PARM (Paris – Aulnay – Mitry - Roissy) and Gare de Lyon projects.

- GSMR project rates varied depending on the phases, with a 78% average percentage of completion.

2.4.4 Network compliance

These investments correspond to the enforcement of legal and regulatory requirements on the infrastructure manager, mainly for collective socio-economic reasons.

Production in 2014 amounted to €249 million, up sharply compared with fiscal 2013 (+€92 million), reflecting the priority given by the company to these operations (security, improved accessibility).
Efforts primarily focused on security investments, up 44% (+€31 million), particularly for level crossings and in tunnels; work in 2014 focused on 111 level crossings, compared with 68 in 2013; to a lesser extent, the safety programme, whose processes were simplified, was also on the rise (+€6 million).

Accessibility programmes also increased significantly (+90%, or +€57 million). With additional contracts resulting in the start-up of work in 21 stations, the Ile de France accessibility development plan tripled its production in 2014.

2.4.5 Network development

Network development investments include investments in major national projects (major national projects before work, major national projects in progress and PPP projects), and regional projects (mainly projects included in State-Region Project Contracts and rail motorways).

2.4.5.1 Major national projects before work

Major projects in the upstream phase were classified into 3 groups in descending order of priority by the Mobility 21 Commission.

In 2014, the capitalisable expenditure of major projects before work totalled €42 million, up €15 million compared to 2013. Including studies carried out prior to the pre-project phase, total expenditure incurred for these projects amounted to €64 million in 2014, up slightly by +€9 million compared to 2013.

TOTAL EXPENDITURE (in € millions)	**2014**	**2013**	**Change**	**Change (%)**
Major national projects before work	**64**	**55**	**9**	**17%**
South-West Major Projects (GPSO)	*25*	*10*	*14*	*140%*
Roissy Picardy line	*2*	*3*	*(1)*	*-27%*
Paris-Lyon LN1 capacity increase	*4*	*4*	*0*	*2%*
Lyon Rail Hub	*5*	*2*	*3*	*153%*
New Provence Côte d'Azur line	*6*	*10*	*(4)*	*-38%*
New Paris Normandy line	*1*	*1*	*(1)*	*-53%*
Other major national projects before work (priority 2 and 3)	*21*	*25*	*(3)*	*-13%*

Compared to 2013, priority 1 project expenses rose by €12 million, whereas priority 2 & 3 project expenses declined by -€3 million, in line with the strategies defined in the Mobility 21 report.

2.4.5.2 Major national projects in progress

This category comprises the major high-speed line projects under SNCF Réseau project ownership in progress, i.e. mainly phase 2 of the Eastern high-speed line project, and the EOLE (RER E) project.

The capitalisable expenditure of major projects in progress totalled €418 million in 2014, compared to €464 million in 2013. Most of the production involved the work in phase 2 of the Eastern high-speed line project in the amount of €331 million that was carried out in accordance with the initial work schedule (completion of civil engineering work). The project's final projected cost was confirmed at €2,190 million for a commissioning scheduled for April 2016.

EOLE project investments increased considerably from €49 million in 2013 to €72 million in 2014. Including non-capitalisable studies, expenditure totalled €74 million. This increase, albeit significant, fell short of the initial budget, following the difficulties in setting up the financing.

2.4.5.3 Major PPP projects

In 2014, the production generated in PPP projects amounted to €1,463 million, compared with €1,266 million in 2013, i.e. an increase of +€197 million relating to the progress achieved in the Bretagne – Pays-de-Loire high-speed line and Nîmes-Montpellier Bypass projects.

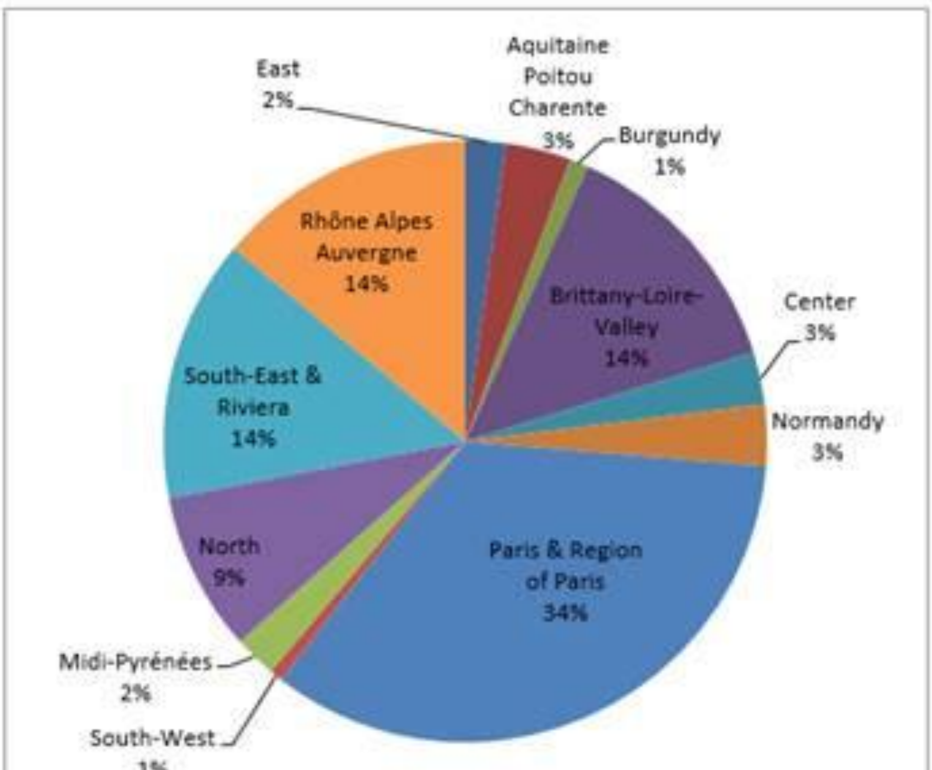
For the BPL high-speed line project: production for the period totalled €791 million, including €705 million under partner project ownership and €86 million under SNCF Réseau project ownership. The overall percentage completion of the project under partner project ownership was 68%, for a commissioning scheduled for 2017.

For the NM Bypass project: production for the period totalled €520 million, including €457 million under partner project ownership and €63 million under SNCF Réseau project ownership (junctions and Montpellier Perpignan modernisation). The overall percentage completion of the project under partner project ownership was 44%, for a commissioning scheduled for 2017.

2.4.5.4 Regional development projects

Regional development projects mainly comprise projects included in State-Region Project Contracts (CPER) and rail motorways. In 2014, capitalisable expenditure totalled €752 million, compared with €987 million in 2013, marking the end of work on numerous 2007-2013 CPER projects, before the launch of the next set of contracts.

The production between the regional departments is highest in Ile-de-France, followed by the Bretagne-Pays-de-le Loire, Rhône-Alpes Auvergne and PACA regions:



Breakdown by regional division - 2014 investments

In 2014, the main investments involved the Epinay-Le Bourget Tangentielle Nord project for €136 million, the construction of a third track between Marseille and Aubagne for €51 million, the Calais Dunkerque project for €34 million, the Evangile station in Ile-de-France for €32 million and the modernisation of Nantes Saint Gilles Pornic for €24 million.

2.4.6 Property-real estate activity

In € millions	2014	2013	Change	% change
Rental income	**87**	**87**	**0**	**0%**
Outsourced management for property (SNCF CPS/CFI, Aremis)	-90	-88	-2	2%
Compensation for other agents	-14	-13	-1	7%
Other property expenses	-22	-22	-0	2%
Property-real estate management expenses	**-126**	**-122**	**-3**	**3%**
Gross disposals of real estate assets	**113**	**157**	**-44**	**-28%**

Rental activity:

Rental income was stable at €87 million in 2014, due to the contractual payment of occupancy fees with retroactive effect to prior years and the signature of new agreements in Ile-de-France.

Property expenses:

Compensation for property management services

Compensation in 2014 totalled €90 million, in line with forecasts, compared with €88 million for the year ended 31 December 2013. The increase was mainly driven by the Service Agreement with the SNCF, which amounted to €68.9 million and covers the everyday maintenance costs and major work on the SNCF Réseau property housing the infrastructure's technical installations and the compensation for taxation management and claim reimbursements.

The financing agreement amounting to €20 million covers the reimbursement of the real estate costs of the SNCF property housing the infrastructure's installations or occupied by the SNCF departments that carry out infrastructure management tasks; it now includes the billing of fluids at actual cost.

Compensation from other agents for rental property development and disposals

The compensation from other agents amounted to €14 million in 2014, up €1 million in line with the forecast increase in agent expenses.

Other property expenses

Other property expenses in 2014 totalled €22 million, stable compared to 2013.

Property disposals

Disposal gains amounted to €113 million in 2014, compared with €157 million in 2013, for an initial forecast of €130 million. The decline in disposal gains was partially due to the weight of the Batignolles sale which had boosted activity in 2013 (€120 million) and the extension of primary operations beyond 2014 such as the Les Gobelins and Bordeaux Saint-Jean projects.

Real estate and property investments mainly include investments for disposal and dropped to €30 million at the end of 2014, compared with €35 million in 2013, in line with the Batignolles sale.

2.4.7 Internal costs and staff

Internal costs comprise employee, information system and other operating costs (premises, studies, subcontracting, etc.) and are partially re-invoiced. They amounted to €412 million, net of re-invoicing, compared with €362 million in 2013, i.e. a 14% increase in compliance with the adopted budget, and in line with the preparation of the rail reform. A portion of these costs was capitalised in the amount of €71 million (IT investments, operating investments and project ownership costs); another portion was re-invoiced.

Employee costs, net of re-invoicing, totalled €147 million for the year ended 31 December 2014, compared with €139 million for the year ended 31 December 2013, in line with the initial budget. With its transformation into SNCF Réseau on the horizon, RFF gradually strengthened its organisation, relying on the availability of SNCF employees, whose costs were re-invoiced to SNCF in the amount of €7.7 million, compared with €2.7 million in 2013.

With a view to creating SNCF Réseau within the integrated public rail group, mobility between RFF and SNCF based on the secondment of employees increased significantly in the past year (+27.5% of seconded employees joined RFF in 2014). As at 31/12/2014, the number of employees was 1,536 FTE[1], compared with 1,526 FTE as at 31 December 2013, i.e., a limited increase of 10 FTE in line with the budget. The average annual number of employees was 1,533 FTE in 2014, compared with 1,506 FTE in 2013. Among the 1,536 FTE employees eligible for mobility as at 31 December 2014 were 112 seconded employees (109 from SNCF, 1 from SCET and 2 from RATP) and 52 seconded civil servants; in addition, 85 RFF employees were seconded, of whom 79 to SNCF.

The increase in IT expenses to €153 million (of which costs of €112 million and investments of €41 million) was mainly due to the bolstering of services offered and the expenses incurred for the set-up of service centres. The roll-out of the information system for timetable production and traffic operational management contributed to project-related growth, in parallel to the upgrades to management information systems as part of the creation of SNCF Réseau.

[1] Full-time equivalent after deduction of employees with suspended contracts, absences of more than 90 days and outgoing seconded staff, and after taking into account any part-time work in employment contracts.

2.4.8 Public financing and taxation

2.4.8.1 Public backing relating to network management

Each year, SNCF Réseau receives a financial budget from the French State (programme 203) with respect to the main service timetable, comprising the following additional sums subject to VAT:

- Regional Express Train and TET (Trains d'Equilbre du Territoire) access fees recognised as commercial income in the amount of €1,800 million, compared with €1,730 million in 2013
- an operating grant – freight compensation – intended to cover the marginal cost of freight traffic, in addition to the fees paid by freight companies. This grant was recognised as at 31 December 2014 in the amount of €109 million, compared with €122 million in the initial budget.

With a total of €1,908 million, this public backing increased by €67 million, or 3.6% compared to 2013.

2.4.8.2 Public backing relating to network investments

With regard to its network investments and project studies, SNCF Réseau receives co-financing from public and private partners. Public partners may differ depending on whether it involves the *Agence de financement des infrastructures de transport de France* (AFITF) or other government authorities.

The grants obtained by SNCF Réseau in 2014 totalled €2,223 million, of which €526 million from the AFITF.

In a difficult economic context, past due grant receivables increased sharply to €1,347 million, compared with €914 million at the end of 2013, i.e. a 47% increase.

2.4.8.3 Taxation

Taxes and duties

In 2014, SNCF Réseau recognised a tax expense of €82 million (excluding taxes relating to employee costs), i.e. down €2 million compared to 2013, due to the reversal of the excess provision for the payment of the 2013 added-value contribution in May 2014 and the tax reductions obtained on the local taxes payable to SNCF.

Corporate income tax

Due to more stringent tax laws on the limit for the deductibility of financial expenses, reduced from 85% to 75% in 2014, SNCF Réseau had to pay €22 million in corporate income tax to the French tax authorities, despite reporting a pre-tax loss.

Competitiveness and Employment Tax Credit

SNCF Réseau's competitiveness and employment tax credit in 2014 totalled €78 million, compared with €54 million in 2013, generated for the historical scopes as follows:

- €35 million retroceded via the SNCF Infra maintenance agreement
- €23 million retroceded by DCF
- €19 million retroceded in investment projects
- €1 million by RFF

2.4.9 Debt management

Net finance costs amounted to -€1,387 million, compared with -€1,347 million over the same period in 2013, i.e. a €40 million increase (+4%). This increase reflects the following impacts:

- a favourable tax impact of -€76 million (average cost of debt at 3.90% in 2014, compared with a forecast 4.11%, and 4.13% in 2013)
- a volume impact of +€115 million relating to debt growth, up 9% on average.

3 Governance and risk types

3.1 Governance

The following description concerns the governance - at the end of 2014 - of the State-owned industrial and commercial institution Réseau ferré de France (RFF) created by the amended law 97-135 of 13 February 1997 (consolidated version as at 1 January 2013), whose amended decree no. 97-444 of 5 May 1997 (consolidated version as at 11 November 2012) sets forth its duties and articles of incorporation.

The governance of RFF takes into account the provisions of the French Transport Code, particularly those included in the legislative section (second section governing rail or guided transport, and more specifically Articles L. 2111-9 to 25).

As a government institution, RFF is subject to the economic, financial and technical control of the French State and accordingly enforces the rules governing the relations of the Agence des Participations de l'Etat (APE) and State-owned companies.

- Board of Directors

  - Composition and duties

RFF is managed by a Board of Directors with eighteen members: seven State representatives, five persons chosen on the basis of their competence and six representatives elected by the company employees.

The State's representatives to the RFF Board of Directors and the persons chosen on the basis of their competence are appointed by decree subsequent to a report from the minister in charge of transport.

Employee representatives are elected under the conditions set forth in the Law 83-675 of 26 July 1983 on the democratisation of the public sector.

A Government Commissioner and a Deputy Government Commissioner are appointed to RFF by the minister in charge of transport. The Government Commissioner and/or Deputy Government Commissioner sit in an advisory capacity on the Board of Directors.

The Head of the Department of Economic and Financial Control for Transport, or his or her representative, also sits in an advisory capacity on the RFF Board of Directors.

Finally, the Works Council secretary also sits in an advisory capacity on the Board of Directors.
Board members are appointed on a fixed date for 5 years and cannot hold any more than three consecutive terms of office.

With regard to "independent" directors within a State-owned industrial and commercial institution, the company had adopted the notion presented in the APE charter, namely "a director is said to be independent when this person maintains no relations of any kind with the company, its group or its management that could compromise the performance of his/her freedom of judgment".
The Board of Directors rules on all decisions relating to the strategic, economic, financial and technological orientations of RFF and monitors their implementation.
For decision-making purposes, the Board relies to a large extent on the work of various specialised committees.

It can delegate some of its powers to its chairman, provided that he or she reports on management to the Board.

  - Internal regulations

The internal regulations of the Board of Directors incorporate the provisions from the laws and decrees applicable to the company, particularly those stipulated in the French Transport Code.

The latest version dates from 25 October 2013.

- Procurement contract and purchasing committee, and specialised committees

The procurement contract and purchasing committee and the specialised committees comprising members of the Board of Directors contribute to the preparation of the Board's decisions and the fulfilment of its duties.

The Board of Directors determines the area of expertise of each committee, which draws up proposals, recommendations and opinions, or agreements regarding the Expenditure Committee, and, may to this end decide to carry out additional studies to clarify the Board's deliberations.

Each committee defines its own internal regulations, which specify its duties and operating methods. These are approved by the Board of Directors and appended to its internal regulations.

❖ Procurement contract and purchasing committee

Chaired by a Chief counsellor at the Court of Auditors, representing the Chairman of the Board of Directors, the committee includes, in addition to the latter, eight other members: four directors and four civil servants respectively appointed by the Ministers in charge of the economy, the budget, competition and transport.

The Government Commissioner and the head of the Department of Economic and Financial Control for Transport, or their representatives, also sit in an advisory capacity on this committee.
This committee issues a preliminary opinion on the awarding of any procurement contract for an amount greater than a threshold set by order of the Minister for transport, which differs in the event that the procurement contracts include works, supplies or services.

Any change in the thresholds governing contract submissions to the Committee must be subject to a ministerial ruling; the ruling of 21 December 2010 therefore determined new consultation thresholds, as the previous thresholds dated back to the ruling of 5 December 1997.

❖ Audit committee

In accordance with the corporate governance rules set by the Economy, Finance and Employment Ministry, the Board of Directors set up an Audit Committee as from 2004 in order to improve the capabilities of the company and the Board in the areas of accounting policies and standards, financial reporting, financial communications, internal control and risk management.

Comprising five directors, the Committee is chaired by an independent director.

The Government Commissioner and the head of the Department of Economic and Financial Control for Transport, or their representatives, also sit in an advisory capacity on this committee.
The Audit and Risk Director, or his or her representative, is invited to attend Audit Committee meetings.

The Audit Committee assists the Board of Directors and prepares the latter's work on important matters of an economic, financial and accounting nature.
The Audit Committee is particularly responsible for monitoring the financial information preparation process, the effectiveness of internal control and risk management systems, the audit of the parent company and consolidated financial statements by the statutory auditors, and the latter's independence.

- Expenditure Committee

In 2007, the Board of Directors decided to create an Expenditure Committee, in order to strengthen the capabilities of the company and its Board of Directors with regard to its development projects, investment projects and property portfolio.

Comprising five directors and chaired by an independent director, the Committee assists the Board of Directors and prepares the latter's deliberations on matters relating to investments or involving a financial commitment for the company: investment programmes and development projects (development policy and financial aspects) and projects relating to its property portfolio.
The Government Commissioner and the head of the Department of Economic and Financial Control for Transport, or their representatives, also sit in an advisory capacity on this committee.

- Strategy Committee

In 2007, the Board of Directors decided to create a Strategy Committee, to strengthen the capabilities of the company and its Board of Directors in the areas of strategic thinking and decision-making.

Comprising six directors (including the chairman of the Board of Directors or his or her representative, chairman of the Audit Committee and chairman of the Expenditure Committee), the Strategy Committee assists the Board of Directors and prepares the latter's deliberations on all subjects of key strategic significance.

It monitors the application of RFF's strategic policy.

The Government Commissioner and the head of the Department of Economic and Financial Control for Transport, or their representatives, also sit in an advisory capacity on this committee.

- Chairman of the Board of Directors

- Appointment and duties

The Chairman of the Board of Directors is appointed from among the members of the Board, by Decree of the French Council of Ministers, and at the latter's recommendation.

Jacques RAPOPORT was appointed Chairman of RFF by Decree on 19 December 2012.
Decree no. 97-444 of 5 May 1997, as amended, relating to the corporate purpose and Articles of Association of RFF defines the respective powers of the Board of Directors and its Chairman.

The Chairman of the Board of Directors implements the strategy defined by the Board of Directors. For this purpose, the Chairman is granted all powers necessary to ensure the smooth running of the company's operations, and to act on its behalf in all circumstances.

The delegation of powers granted by the Board of Directors to its Chairman is published in the RFF official gazette and the official gazette of the French Transport Ministry.

- System of delegations

Pursuant to the provisions of the amended Decree no. 97-444 of 5 May 1997, the Chairman of the Board of Directors may delegate some of the powers granted to him under the terms and conditions set by the Board of Directors.

- Compensation of key management personnel

Since RFF is a State-owned company, the Chairman's compensation is determined by ministerial decision.

An Advisory Committee, comprising the Chairman of the Audit Committee, the Chairman of the Expenditure Committee and the head of the Department of Economic and Financial Control for Transport, assists the RFF Chairman with Executive Committee member objectives and their annual evaluations.

➢ Executive Management and company's general organisation

The company's general organisation is based around the following Deputy COOs:
- "Sales and Planning";
- "Operations";
- "Major Projects";
- "Finance and Purchasing";
- "General Secretary";
- "Ile-de-France".

A Deputy COO in charge of audit and risks was appointed in October 2014.

In mid-December, a property and real estate executive vice president, to whom the property and real estate department reports, was appointed.

The Chairman and Chief Executive Officer is responsible for the general management of the company. He leads and coordinates the collective work of the head office and regional departments.

The Deputy CEO assists the Chairman with the company's operational management and serves as deputy in the executive function.

Reporting directly to the Chairman and the Deputy CEO, the Chief of Staff assists the Chairman in the performance of his duties and executive management in its responsibility to coordinate the company. It also ensures that the governing bodies operate properly.

Twelve regional departments, reporting directly to the Chairman, carry out in their respective territories the company's strategic directions and operational responsibilities under the coordination of the Deputy COOs.

An Executive Committee comprises the Chairman, the Deputy CEO, the Deputy COOs and managers who report directly to the Chairman and the Deputy CEO. The Chief of Staff prepares the report on conclusions.

This Committee defines the company's position on current topics and organises how the company's businesses contribute to achieving their objectives, particularly under performance contracts. It coordinates the operational implementation of the company's strategy and is responsible for overall performance monitoring and ensuring proper managerial operations.

3.2 Risk factors

The various risks that may impact the company's activities are identified according to their type and assessed according to the probability of occurrence, impacts and level of control. The impacts are assessed for each risk according to a defined list of financial, legal, operating and reputation impacts, with each risk potentially having several impacts. The following main risks can be highlighted:

• **Major financial risk:**

Market risks (interest rate risk, liquidity risk, counterparty risk and currency risk)

- Interest rate risk: the network manager is exposed to interest rate risk, given the substantial amount of net debt that it has to refinance through the financial markets.
- Liquidity risk: liquidity risk is constantly hedged through the proactive management of liquidity requirements, and a diversified access to both long-term (EMTN programme of €40 billion) or short-term (French commercial paper of €3 billion and Euro Commercial Paper of €5 billion). The network manager also benefits from a €1.25 billion credit line that has never been drawn down.
- Counterparty risk: the network manager is exposed to counterparty risk in the daily management of its cash flows and the management of its mid and long-term debt.
- Currency risk: the network manager negotiates foreign currency financing, which is almost systematically translated into euros.

In addition to these risks specific to financial market activities, RFF is also exposed to financing risks relating to its financial involvement in different investment operations and counterparty risks involving customers or co-financing bodies. The risk of project deviation is also a significant financial issue for the entire company.

- **Major risks in operating sectors**: operational risks mainly concern the use of the rail network and investments.
- **Major legal risks**: in addition to legal risks relating to the possibility of the company being sued as an owner and operator, and also as prime contractor, RFF is also regularly confronted with new legal risks relating to developments in the regulatory framework to which it is subject, particularly regarding its rail infrastructure management (compliance with equal opportunities for rail operators, transparency of its operations, possibility of using infrastructure management service providers other than SNCF) or project management activities, and under the partnership agreements binding the network manager to its various partners (legal security of new concession or public-private partnership agreements).

- **Economic risks**: the macro-economic strategy of the network manager is driven by traffic growth and its impacts on the collection of access fees as well as the effective control of network maintenance and extension costs.
- **Major reputation risks**: these risks mainly arise from rail incidents and accidents and are likely to tarnish the company's image vis-a-vis investors and partners. Other risks relating to the network manager's activities (including, strictly speaking, outside the rail sector) are also identified as being likely to damage the company's reputation and are also treated under this category (e.g. risks of damage to the environment).

3.3 Insurance policies

In 2014, SNCF Réseau took out corporate insurance to cover its major operating risks in terms of the "civil liability" relating to all its activities (including those of owner, prime contractor, etc.); "employer civil liability (inexcusable conduct)" solely for SNCF Réseau employees; "civil liability of its managers" as well as a "damages to goods, additional costs and consecutive losses of fees", based on an "all risks with exceptions" guarantee, including natural disasters (CAT NAT scheme) and Acts of Terrorism (GAREAT). Furthermore, a construction insurance policy covers certain assets in the course of construction, renewal or renovation, according to the issues at stake assessed on a case-by-case basis.

Corporate social responsibility report

This section describes RFF's corporate social responsibility policy and achievements, in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

<u>Notice to readers</u>:

Following the adoption of the railway reform (law no. 2014-872 of 4 August 2014), under which SNCF, SNCF Réseau and SNCF Mobilité have been combined to form a State-owned railway group within the national railway system, this report will be the last of the State-owned industrial and commercial corporation Réseau Ferré de France (RFF).

The reform, which came into force on 1 January 2015, merges the three entities responsible for planning and maintaining the national rail network (RFF, SNCF Infra and Direction de la Circulation Ferroviaire) into a single UIM (unified infrastructure manager) under the name SNCF Réseau. Whenever possible, this report will seek to clarify the link between Réseau Ferré de France and the new State-owned industrial and commercial corporation, SNCF Réseau.

1 Sustainable development governance and management

1.1 Continuous improvement of governance and management

1.1.1 General organisation of the company

The company has structured its governance and its internal control and risk management mechanisms in accordance with its commitments to the State under the 3 November 2008 Performance Contract, whose initial term of 2012 was extended by amendment to cover 2013 and 2014. Executive management is responsible for its overall management.

Pursuant to the rail reform law of 4 August 2014, SNCF Réseau has concluded a contract with the State for a period of ten years, updated every three years. This agreement provides the foundation, in a sustainable development approach, for the management of the rail network and the development of rail infrastructure, the outlines of which are set by the State.

The company also complies with the provisions of the French Transport Code, particularly those derived from legislation (specific to railways and other guided transport systems), and more specifically Articles L. 2111-9 to 25.

In 2014, the company was headed by a Chairman, assisted by a Deputy CEO and six Deputy COOs, each with a specific area of responsibility: “marketing and planning”, “operations”, “major projects”, “finance and purchasing”, “secretary-general” and Ile de France (the greater Paris region), appointed in November 2013.

Twelve regional offices reporting directly to the Chairman and the Deputy CEO look after, within their respective regions, the implementation of the strategic orientations and the company’s operational responsibilities, under the direction of the Deputy COOs. In general, they have four departments, namely network technical and commercial management, investment projects, real estate and property development, and administrative and financial matters. In view of the specific challenges in the greater Paris region, this regional office has its own structure.

Reform focus: SNCF 2015

The reform of 4 August 2014 completely overhauled the French railway system. Its objective is to improve the quality of public service, to ensure a high level of safety in the national railway system and to consolidate its financial equilibrium. It has profoundly transformed the system’s organisation.

Three State-owned corporations forming a public rail group under the name SNCF

Within the national railway system, three inseparable State-owned corporations, SNCF, SNCF Réseau and SNCF Mobilités, form a public rail group.

- At the head of this rail public group, **SNCF, a new State-owned corporation,** will be responsible for strategic control and management, economic coherence, and the public rail group’s industrial integration and social unity. SNCF Réseau and SNCF Mobilités have been housed in a single group to ensure that infrastructure maintenance and traffic management take into account the constraints of operating rail services.
- **SNCF Réseau** houses the infrastructure manager functions of the national rail network, previously split between Réseau Ferré de France, SNCF Infra and DCF.

- **SNCF Mobilités** performs the full range of rail service operations previously performed by the incumbent, SNCF.

Collective values and ambition are also served by the new governance of the public rail group (PRG), which upholds the cohesion of the components of the new entity.

SNCF's governance takes the form of a Supervisory Board and a Management Board:

- The **Supervisory Board** lays down the SNCF group's key strategic, economic, social and technical policies, and ensures that the Management Board performs the tasks set for the Group.
- The **Management Board** is tasked with supervising the operations of the SNCF group. It has the broadest powers to act on behalf of SNCF within the bounds of its corporate purpose.

SNCF Mobilités and **SNCF Réseau** each have a Board of Directors responsible for their governance. Directors are government officials, representatives of the relevant corporation and employee representatives in equal proportions.

This governance ensures the unity of the public rail group and the freedom of action of SNCF Réseau and SNCF Mobilités:

- **Unity,** as the Chairman and Deputy Chairman of the Management Board of SNCF, appointed by Order in the Council of Ministers, are respectively the Chairman of the Board of Directors of SNCF Mobilités and Chairman of the Board of Directors of SNCF Réseau. This institutes an organic link between the decision-making bodies of the three corporations. Furthermore, one-third of the directors of SNCF Réseau and SNCF Mobilités are representatives of SNCF. The governance bodies of the three corporations therefore work in concert.

- **Freedom of action,** as the Boards of Directors of SNCF Réseau and SNCF Mobilités are each able to make operational decisions within the scope of their responsibilities. The law also provides specific guarantees of independence as regards the appointment of the Chairman of SNCF Réseau so as to ensure the Infrastructure Manager's full impartiality, in compliance with European regulations. Similarly, guarantees are in place to limit the circulation of information on issues relating to essential functions and to keep decision-making processes on these issues separate from those of the Group's other components. A rail transport sector ethics committee is tasked with reviewing the compatibility of the former functions held by certain officers and personnel of SNCF Réseau with new functions within railway companies.

Since 1 January 2015, SNCF Réseau has housed all infrastructure manager functions, combining SNCF Infra, RFF and the management of rail traffic (DCF).

In addition to the amalgamation of the RFF, SNCF Infra and DCF operational teams, the proposed organisation equips SNCF Réseau with the managerial and cross-cutting functions necessary for its operations. SNCF Réseau has:

- **four major departments,** namely network access, traffic management, works and maintenance, and engineering and projects, which manage industrial activity in their local units;
  - **specific management for Ile-de-France** (the Greater Paris region) combining the four key departments working on its behalf;
  - **four major cross-cutting functions:** security/safety, finance/purchasing, general management/human resources, communication; and

- **regional offices** performing four main tasks:
  - representation of the infrastructure manager within railway companies and alongside local policymakers and elected officials;
  - synthesis of the action of the infrastructure manager, fostering cooperation between all business lines;
  - design and management of the network's medium- to long-term strategy, implementation of national strategies;
  - proper management of regional projects on the rail network.

Reform focus: Transitional arrangements to ensure continuity of employee representation

The reform of 4 August 2014 states that the election of employee representatives to the governing bodies of the public rail group's three statutory corporations shall be held within six months of its incorporation, simultaneously in the three corporations. As the PRG is expected to be in place no later than 1 July 2015, elections to the relevant bodies will have to take place before the end of the second half of 2015.

Professional elections must be held in each statutory corporation within a year of the constitution of the PRG. In the meantime, the existing bodies shall ensure the continuity of employee representation. The same principle may be used for the management of social and cultural activities.

Pending the early elections for employee representatives, the representative status of trade unions at the PRG shall be measured on the basis of votes cast in the first round of the most recent elections for permanent seats on the SNCF and RFF works councils and enterprise committees.

The determination of transitional representative status and the appointment of the trade union representatives on the PRG with effect from 1 January 2015, pursuant to the railway reform, will permit the negotiation, starting in the first half of 2015, of collective bargaining agreements across the public rail group, which will have the force of enterprise agreements.

In 2014, the three entities comprising the unified infrastructure manager (UIM) also worked to prepare the combined annual financial statements and to prepare the 2015 financial statements of the new statutory corporation, SNCF Réseau.

Réseau 2020 corporate plan: SNCF Réseau's strategic challenges and policy guidelines

Réseau 2020 is a joint project put together by SNCF Infra, DCF and RFF. The future managers of SNCF Réseau have drawn the project's broad outlines and instituted a participatory process allowing all future employees to be involved.
Designed to dovetail with the SNCF Mobilités corporate project (Excellence 2020), Réseau 2020 sets out the strategy to be adopted by RFF, SNCF Infra and DCF over the 2015-2020 period in order to build and manage the network of tomorrow.

Built on three pillars, namely excellence in railway management, economic performance and cooperation, this project spells out SNCF Réseau's ambitions in a very concrete fashion: it describes the strategic and organisational challenges facing the network, identifies a priority project for each challenge and transforms them into roadmaps.

The project was informed by the grand network modernisation plan (*Grand plan de modernisation du réseau* – GPMR), deliverables from working groups and a participatory approach involving all managers and employees, as well as thinking within the four core businesses (network access, traffic management, works and maintenance, and engineering and projects) and the cross-cutting functions (HR, Finance, IT, communication) and contributions from the regions.

1.1.2 Corporate governance

RFF is a State-owned industrial and commercial corporation, the articles of incorporation and duties of which are set out in amended decree no. 97-444 of 5 May 1997, which implies certain specific features, notably in terms of:

- composition of the Board of Directors: seven government representatives, five people chosen on the basis of their competence, and six representatives elected by the company employees. The government representatives and the people chosen on the basis of their competence are appointed by decree subsequent to a report by the Minister for transport;

- independence of directors: in addition to the provisions of the decree, the charter of relations with the State Investment Agency (*Agence des participations de l'Etat* – APE) states that "a director is deemed to be independent when this person maintains no relations of any kind with the company, its group or its management that could compromise the performance of his/her freedom of judgment";

- compensation of directors: the Chairman's compensation is set by ministerial decision; the Chairman relies on three persons from the Board of Directors in setting the objectives of the Executive Committee members and conducting their annual appraisal;

- organisation of RFF's external oversight: as a State-owned corporation, RFF is subject to economic, financial and technical oversight by the government (Ministers for the economy and budget, Minister for transport) and by the public rail safety body (*Etablissement public de sécurité ferroviaire* – EPSF); it also falls within the scope of investigation of the Inspectorate General of Finance, and is subject to inspections by two independent administrative authorities: the Court of Auditors and the rail operations regulator (*Autorité de régulation des activités ferroviaires* – ARAF). Its financial statements are certified by statutory auditors.

The company's governance rules seek to ensure compliance with the provisions of the charter of relations with the APE and public undertakings.

Pursuant to Article L. 225-37 of the French Commercial Code, the Chairman of RFF's Board of Directors drafts a public report on the composition of the board and the application of the principle of the balanced representation of women and men within the Board, on the conditions for the preparation and organisation of the Board's work, and on the internal control and risk management procedures set up within the company. It also sets out the organisation and role of the company's various management bodies.[2]

[2] http://www.rff.fr/fr/mediatheque/publications/rapports-annuels

Pursuant to the law of 4 August 2014, the State-owned corporation known as Réseau Ferré de France will take the name SNCF Réseau as of 1 January 2015. RFF's governance arrangements, as explained above, will change in accordance with the implementing decrees of the abovementioned law.

1.1.3 Overall management of the sustainable government initiative

RFF's Environment and Sustainable Development department sets out the company's strategic orientations with regard to sustainable development. It has correspondents in all of the company's departments in order to implement the selected orientations and to promote best practices, both within the support or cross-cutting functions, and in the operational functions.

Focus: Creation of the Environment and Sustainable Development department

RFF's Deputy CEO signed the decision establishing the Environment and Sustainable Development department (ESDD) on 1 September 2014.

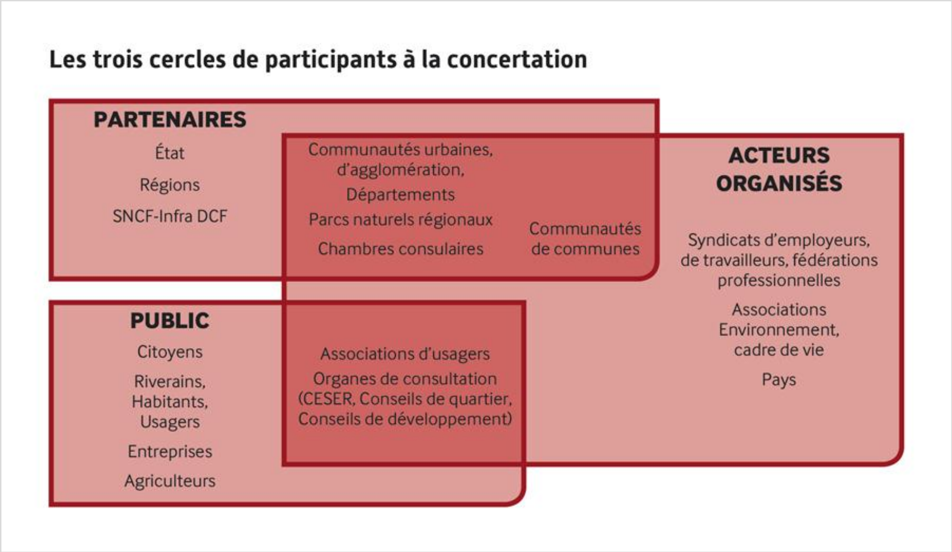
This decision reflects the company's determination to give environmental, corporate social responsibility (CSR) and sustainability issues a major place within its organisation. The creation of the ESDD will notably enhance the visibility of RFF and SNCF Réseau on sustainable development issues, both internally and externally. Starting in 2015, SNCF Réseau's Environment and Sustainable Development department will work closely with the SNCF Sustainable Development department to translate the Group's sustainability strategy into operational policies and to issue appropriate guidance on certain issues specific to SNCF Réseau.

Consisting of five people, the ESDD is a cross-cutting body within RFF, whose purpose is to encourage and support the company's overall performance. It will gradually establish environmental, CSR and sustainability strategies and policies. It will be involved in cross-cutting policies on issues with strong sustainability content, such as climate, energy efficiency in SNCF Réseau buildings, eco-design of infrastructure, reporting and relationships with external stakeholders. Its method will be to recommend, motivate, support and deploy. The ESDD will coordinate the work of the various business lines in their cross-business endeavours, building notably on an "ESD network" comprising representatives of the various departments and the regional offices. In conjunction with the Head of Communication, the new management will also promote sustainable development measures implemented both internally and externally.
Lastly, the ESDD will report to internal and external stakeholders through its non-financial management and reporting activities.

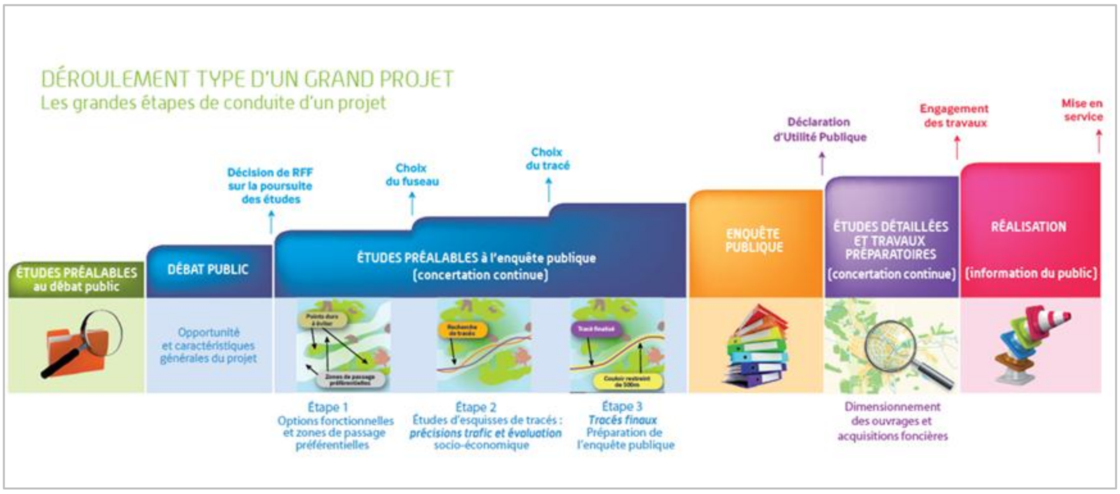
1.2 Consultations with external stakeholders

In the early 2000s, RFF initiated an ambitious consultation policy. This approach allows all relevant stakeholders (elected officials, whether partners or not, actors in socioeconomic bodies and NGOs), and indeed all citizens, to be consulted and involved in the elaboration of railway projects.

In a collaborative process, stakeholders in rail projects fall into three groups.



Fourteen public debates were organised on rail-related projects, and more than 75,000 people participated. In addition to its regulatory obligations, RFF undertook a consultation process as part of the preparatory studies for the public debates, followed by post-debate studies, and the preliminary inquiry for the declaration of public interest (*déclaration d'utilité publique* – DUP).



To this end, RFF has implemented innovative tools (local consultation charters, consultation guarantor, Internet sites for expressing views, etc.), devoting significant resources to them. At national level, it has set up a charter for carrying out consultations, which includes precise commitments aimed at ensuring that provisions for consensus building meet quality requirements.

These initiatives have been extended to projects outside new infrastructure, notably the development of railway rest stops, as well as the company's main departments, such as the preparation of schedules and work timeslots.

Focus: Consultation on the annual service

The term “annual service” refers to all work planned on the national rail network (NRN) for a given year. Part of the work schedule is changed in December every year to accommodate work requested by public transport authorities and railway companies to maintain and refurbish the network.
Consultation on the annual service is governed by Decree 2003-194 concerning the use of the national rail network, which requires RFF to submit a network reference document setting out the procedures used to allocate infrastructure capacity to its partners. In addition to these obligations, RFF holds consultation on the annual service for the benefit of all. As with all other types of projects, its objective is to foster dialogue and discussion between the various actors with a view to improving its plans, taking into account all expressions of need, better organising each activity (passenger, freight, works, etc.) and being able to satisfy all requests as far as possible.

Each year, RFF publishes a summary of its consultations with the public throughout France.

Examples of RFF’s interactions with stakeholders in 2014

With over 80 opinions published on its projects, Réseau Ferré de France is one of the main partners of the Environmental Authority of the General Council of the Environment and Sustainable Development (*Conseil général de l’environnement et du développement durable* – CGEDD). This independent body set up in 2009 has the following functions:

- to decide whether or not to organise an impact assessment for an investment project, pursuant to the examination procedure in each case;
- to issue independent opinions on impact studies relating to all investment projects, which are posted on the Internet and appended to the public inquiry file.

Focus: Seminar with the Environmental Authority and the Transport Infrastructure Department

On 23 October 2014, RFF held a joint seminar with the Environmental Authority and the Transport Infrastructure Department at its headquarters.

The main objectives of the seminar, which was attended by 30 people, were to strengthen dialogue with the Environmental Authority and to improve the environmental assessment process for rail projects.
The morning session was devoted to a review of four years of relations and the processes implemented. The afternoon workshops were devoted to thinking on areas for improvement.

The Environment and Sustainable Development department is actively involved in external networks, where the company meets with its peers to work on broadly based thinking and exchanges of good practice on the full range of sustainability issues. Thus, RFF is a member of Comité 21, Oree and the Sustainable Development Directors' Committee (C3D). It also takes an active part in various working groups and plenary sessions of the Public Enterprises and Institutions Sustainable Development Club (known in French as Club DD EEP).

Focus: Focus: Working Groups of the Public Enterprises and Institutions Sustainable Development Club

On 3 April 2008, RFF signed the sustainable development charter of public enterprises and institutions, along with 30 others. This committed it to conducting work to identify its specific sustainability issues, to share them and to set goals in its specific field of expertise.

To allow for cross-cutting thinking between the charter's signatories (nearly 70 State-owned bodies are currently members), they have established a "Public Enterprises and Institutions Sustainable Development Club" led by a sustainable development delegation. The purpose of this structure is to coordinate and propose ideas for the implementation of sustainable development strategies by State-owned bodies, notably on the basis of texts such as ISO 26000, the implementing decrees governing CSR reporting (225 and 226) and exemplary operations performed by specific bodies or companies.

RFF's membership of this club and its representation in the various working groups gives it the ability to monitor and shape CSR and sustainability developments, particularly regulatory change thanks to the presence of a government representative on each group.

2 Commitments and achievements

The challenges of sustainable mobility require a robust and high-quality rail network

The national rail network is a key component of any sustainable development policy, since it provides local regions and their populations with sustainable low-carbon mobility using a varied energy mix that has low dependency on oil, that is respectful of the environment, since it consumes less space and energy while being positive for biodiversity, and that is safe, high-performing in its service areas and accessible to all members of the public, including the most fragile members such as people with reduced mobility.

Sustainable mobility requires a quality infrastructure network that is present throughout France, that is able to accommodate new services, and that is capable of supporting, without incident, growing traffic with modern commercial practices in order to maximize value, with refurbished industrial processes that provide for cost control and compliance with environmental and social standards, and with a business model that is as balanced as possible in order to ensure its sustainability.

It therefore requires high-performing services that are differentiated in accordance with the needs of customers, travellers or shippers, adapted to the requirements of the various regions and people it serves. It controls its costs and is transparent in this regard, while being open to innovation in order to ensure the growth of traffic.

Improving the network's quality helps boost the traffic numbers, thereby ensuring more funding for the network

RFF strives to provide its customers (railway companies) with services that meet their needs, in order to encourage traffic growth, thereby increasing its revenue and as such improving network funding. To this end, the company carries out three types of actions:

- adaptation of the commercial offer to customer needs and enhancement of the competitiveness of rail versus other modes of transport;
- renewal and modernisation for safe and efficient management of the network;
- development in order to improve the accessibility of the various regions and promote balanced economic development.

2.1 Societal information: respond to the challenges of sustainable development for goods and persons

To meet the differing expectations of its customers, of local and regional communities, of Europe and more generally of stakeholders, RFF places research and innovation at the heart of its infrastructure development policy in order to develop and adapt the rail infrastructure of tomorrow. The aim is for the company to develop modern rail infrastructure that is respectful of the environment, socially responsible and economically viable, in order to:

- increase the competitiveness and attractiveness of rail services;
- transport a larger volume of passengers and merchandise;
- increase energy efficiency and reduce the environmental footprint of rail services;
- support regional development;
- harmonise infrastructure within Europe.

2.1.1 Offering a safe and quality of network to meet the expectations of customers and stakeholders

By placing sustainable development concerns at the very heart of its industrial and commercial activities, RFF confirms its desire to improve the quality of its service while meeting the expectations of its stakeholders.

2.1.1.1 Guaranteeing safety

RFF's role, as manager of the national rail network, is to design, develop, ensure the consistency and promote the value of the national rail network, on which many rail companies are now operating. Maintaining the high level of the safety of people on the national rail network is one of the company's main commitments. RFF's responsibility in the area of railway safety has resulted in three fundamental requirements:

- guarantee, in respect of the design, modernisation and maintenance of the network, infrastructure usage conditions that allow rail companies to circulate safely;
- provide rail transport operators with reliable and suitable information as regards the status of the infrastructure and its usage, as well as the operating documentation, allowing them to take this information into account or put it into practice in the safety procedures that are incumbent upon them, as part of the transport service they provide;
- ensure the safety of users, personnel, third parties, goods being transported and the environment by defining and implementing procedures and resources, both with regard to RFF and in terms of its choice of service providers and equipment suppliers.

Focus: Employee training on site safety

The training department, in connection with the Network Quality Management and Contractor department (NQMD) offers RFF employees the chance to attend training dedicated to safety on railway worksites.

Safety is a top priority for SNCF and RFF. It naturally extends to worksites, where work must be done in strict compliance with prevailing standards, specifications and legislation. As such, prevention is central to measures taken by RFF, with tailored training on railway worksite safety suitable for all employees.

"All employees may one day or another, in the course of their duties, have cause to visit a worksite. It is therefore important that they be aware of the risks and security issues on such sites," said the NQMD worksite safety officer.

Improving the safety of level crossings

As most accidents these days involve users of level crossings, as well as people authorised to circulate within railway rights of way, the policy implemented over recent years had notably aimed to improve or do away with level crossings, as well as to implement systems designed to prevent third parties from accessing railway rights of way. RFF also strives to ensure the protection of travellers in stations by ensuring that tracks can be crossed safely.

The national rail network includes approximately 15,000 level crossings open to road traffic. Ninety-eight percent of accidents between a vehicle or pedestrian and a train are attributable to failure to comply with the Highway Code and with basic road safety rules. Although the number of deaths is generally on a downward trend, the number of collisions regrettably increased in 2013 and 2014, and the number of serious injuries doubled in 2013-2014 compared with 2011-2012.

In recent years, the policy for improving level-crossing safety has revolved around the following main points:

- **improving the security of level crossings,** with a substantial financial effort: work to bring level crossings up to standard and to improve safety costs approximately €20 million per year;
- **prevention and communication:** in 2008, RFF initiated a national day devoted to road safety at level crossings in order to increase the awareness of road users to the dangers resulting from risky behaviour in the vicinity of level crossings. In 2009, the event was extended across Europe. It is now a global event, led by the International Union of Railways, with some 40 countries now focused on this challenge;
- **repression and dissuasion:** after work carried out by RFF, by the Road Safety and Circulation department and by the track managers, radars were installed alongside the level crossings included in the national safety programme in order to sanction roadway users who fail to stop at the flashing lights of a level crossing (crossing radars) or adhere to the speed limit when approaching level crossings (speed radars).

Focus: Vigilance on level crossings

3 June 2014 was France's seventh National Road Safety Day, with a major innovation: co-production of prevention messages with road users (http://www.securite-passageaniveau.fr/).

This year, the challenge was to build the safety messages of tomorrow based on input from users. The campaign was structured as follows:

- 1,000 billboards in cities in conjunction with the national road safety body;
- mobilisation on 3 June of approximately 300 participants from regional offices on 10 sites in France (road safety volunteers, SNCF employees, RFF employees, elected officials, government representatives, road safety bodies, etc.);
- direct interaction with road users on level crossings, led by road and rail safety employees;
- establishment of temporary level crossings in the heart of Marseille to reach new audiences and raise awareness on safety issues.

This policy, built on these pillars, has helped halve the number of accidents at level crossings over the course of the last 10 years. It is RFF's ambition to continue and to step up its policy of reducing the risk of accidents at level crossings. In line with the efforts described above, the Board of Directors validated new policies in December 2013, with the aim of rolling out a programme of actions based on the following principles and objectives:

- **Improved knowledge:**
    - of level crossings within the network and their environment, since the surroundings of level crossings can have a direct impact on the conditions for road users;
    - of the public's behaviour at level crossings, in order to adapt structures and adopt prevention/communications campaigns to help make users behave more safely;
    - of the location of level crossings, as part of a programme initiated in 2009, in order to further efforts to map level crossings for satellite navigation programs.
- **Better prevention**;
- **Increased security and improved risk control** in order to boost safety at all level crossings in a lasting manner (whether or not they are listed in the national safety programme). The safety problems seen at certain level crossings justify modifications of the infrastructure (road and rail) in order to prevent accidents. The radical solution involves removing the level crossing, changing the road layout or building an over- or underpass. When this is not possible, an in-depth assessment of the causes of accidents, near accidents or incidents, as well as analysis of user behaviour, makes it possible to modify the infrastructure in order to increase safety. The implementation of a national and regional master plan will ensure prioritisation and better monitoring of the work involved in the improvement or removal of level crossings.

The RFF and SNCF infrastructure management departments worked in 2014 to improve the security of the SNCF Réseau management system. The aim is to use the experience of both companies in respect of security in order to build a consistent and effective safety management system, at the very least preserving the existing level of safety of the national rail network.
The SNCF Réseau security accreditation request was submitted to France's public railway safety body (EPSF) in October 2014; approval is expected during the first half of 2015.

An action plan for the safety of the rail system

The French railway system's safety performance is good compared with that of other European countries. But it could nevertheless be improved: dramatic accidents at Brétigny-sur-Orge in 2013, and more recently at Denguin in July 2014 were regrettable reminders that rail safety is an ongoing battle, and that it requires the full mobilisation of all players across the railway sector, in accordance with their responsibilities.

The government accordingly commissioned a strategic audit on the safety of the railway system. The findings of the audit led to the implementation of a veritable action plan to improve the safety of the rail system.

The Minister for transport announced in September 2014 the creation of a committee to monitor implementation of the action plan for the safety of the rail system, which will meet once every year under his chairmanship and will address:

- monitoring and implementation of the recommendations of the Investigation Bureau of Land Transport Accidents (French acronym: BEA-TT);
- the implementation of the action plan for rail safety.

Focus: Vigirail, seven joint actions to improve network security

Among the measures taken in the wake of the Brétigny-sur-Orge accident, SNCF and RFF announced in early October 2013 a joint and unprecedented investment of €410 million over the 2014-2017 period to improve network safety.

Known as Vigirail, the plan represents an investment of €350 million for RFF, and a further €60 million in operating expenses borne by SNCF Infra.

Six key measures initially composed the acceleration of the modernisation plan designed to revolutionise network maintenance practices. In February 2014, Vigirail integrated a seventh avenue in response to the BEA-TT recommendations:

- Faster replacement of switching equipment, with 500 pieces of equipment changed each year, rather than 300 currently;
- Analysis and control of tracks by video through the deployment in January 2014 of automatic track surveillance gear;
- Full traceability and real-time monitoring of infrastructure thanks notably to the digitisation of the maintenance process: employees will download information from track equipment via connected tablets;
- Implementation of express warnings, a platform for reporting and dealing with anomalies observed by employees, customers and local residents;
- Reviews of employees' training through new technologies, including augmented reality;
- Reinforced and simplified maintenance frameworks;
- Work by an external firm to formulate recommendations in terms of design and/or maintenance of bolted assemblies.

2.1.1.2 Offering a reliable and quality infrastructure

RFF is managing, modernising and expanding a network at the heart of Europe. Continuously evolving for more than 150 years, this network requires constant adjustments in order to meet the travel requirements of both travellers and merchandise.

Since 2008, the company has been implementing a vast modernisation programme for the national network, signing a performance contract with the government relative to the modernisation effort, involving €13 billion in the years to 2015, leading to the replacement of 1,000 km of tracks per year, up from 500 km previously. Under the impetus of the government and the regional authorities, these significant efforts have served to stop the ageing of the network, but without sufficiently rejuvenating it to reach an optimal average age.

On 15 October 2012, RFF was asked to prepare a Grand Network Modernisation Plan by the Minister for transport, in conjunction with a study carried out by École Polytechnique Fédérale de Lausanne. This study was based on the implementation of the audit of the condition of the network performed in 2005, which resulted in the launch of the network renovation plan.

The proposed modernisation plan had six main aims, using four main levers.

Six main aims. The first is to ensure control of the technical condition of the network and an effective financial equilibrium so that the country's railway system consistently meets expectations. This objective constitutes the cornerstone of the modernisation plan.

It is accompanied by five longer-term aims:

- consolidate network safety;
- make service reliability central to the infrastructure manager's concerns;
- facilitate usage of trains;
- provide a response to the capacity challenge;
- contribute to the energy and ecological transition, and better integrate the network in its environment.

Four main levers. To respond to these challenges, four main levers have been identified:

- adopt a sustainable view of the network, shared with all stakeholders;
- implement an industrial infrastructure policy focused on renewal over maintenance, while pursuing productivity and service quality gains;
- modernise operations through automation using existing new technologies in order to increase reliability, savings and performance;
- guarantee the "system" approach by pursuing, along with SNCF and other rail companies, optimisation covering all components of the rail system.

Other avenues include innovation and comparison with the other major infrastructure managers. The rollout of the modernisation plan will take into account the network's considerable diversity and the long timeframes specific to the rail sector.

Four sub-networks. The network is mixed. It is therefore necessary to provide consistent responses that suit the challenges and needs of the four sub-networks that have been identified, namely:

- the Ile-de-France network, for which modernisation is a priority, and the major rail hubs;
- the high-speed network;
- the network backbone;
- extended service lines in certain regions.

Across the network, specific challenges have been identified with regard to freight.

Three timeframes. The proposal is to focus on three periods: the years to 2020, the years to 2025 and the longer term, and to update the plan every three years in order to maintain its pertinence.

To produce its proposals, RFF worked with its partners within the new unified infrastructure manager, namely DCF and SNCF-Infra. RFF also contacted SNCF and the other rail companies belonging to the Public Transport Union (*Union des transports publics* – UTP) and, more broadly, with the main stakeholders in the rail system.

Following the approval of the Grand Network Modernisation Plan by RFF's Board of Directors on 19 September 2013, the minister asked RFF to reinforce its action on three counts:

- the impact of the GPMR on the network's main routes;
- the analysis of the business model of the deployment of the ERTMS[3] on the conventional network;
- the modernisation of network operations.

This resulted in the production of approximately 20 master plans in 2014, prompting exchanges with stakeholders and the release of the initial railway hub master plan. Other approaches have been initiated, notably to streamline and better use service roads, to improve the operation of railway junctions, to develop tools to structure dialogue with stakeholders on network performance objectives and to develop a vision of possible scenarios of medium- to long-term change.

Moreover, the government explicitly referred to the GPMR in the mandates given to prefects for the 2014 negotiation for the establishment of the 2015-2020 State-Region Investment Plan, which is the main source of funding of work to modernise the existing network.

The Grand Network Modernisation Plan is expected to result in greater consistency in work on the network, improving the ability to anticipate and as such facilitating dialogue with stakeholders. It will require collective work within SNCF Réseau, with network users and, beyond them, with all stakeholders of the rail system.

The approach will be gradual. 2015 will see the identification of GPMR objectives for the coming years, in line with the strategic guidelines for the development of the network to be issued by the government, pursuant to the law of 4 August 2014. The work of applying the plan in the French regions will continue, with priority given to the production of master plans covering the rail network's main hubs.

2.1.1.3 Responding to a growing need for mobility

Companies and the general public want a modern and accessible network that dovetails seamlessly with other modes of transport and technical/commercial services, which are constantly adapting to their needs.

The rail reform of 4 August 2014 provides for the establishment of a Network Operators Committee to oversee consultation with stakeholders. This committee, composed of representatives of railway companies, operators of service facilities connected to the national rail network, authorities in charge of organising rail transport and bodies authorised to apply for railway infrastructure capacity, is the permanent forum for consultation and consultation between SNCF Réseau and its members.

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[3] **ERTMS: European Rail Traffic Management System**

On terms set by decree in the Council of State, the Committee will be required to adopt a network charter aimed at facilitating relations between SNCF Réseau and committee members, promoting optimal use of the national rail network, in the interests of economic and social efficiency, and improving the service provided to users. Pending the committee's establishment, SNCF Réseau has sought to lay down "operational rules of good conduct" in partnership with the Public Transport Union.
Since its creation, the company's aim has been to provide high-performing transport services that combine better usage of the network and consideration of the needs of its direct and indirect customers, i.e. network users. These needs relate to service continuity, frequency and reliability of travel times, as well as the consistency of the multimodal transport chain.

To meet this demand, the company is working to improve the fluidity of circulation, and to increase the competitiveness and attractiveness of rail services for the final customer, by increasing – with a constant network – the offer available to both travellers and freight. Many challenges must be met:

- work on the urban nodes, which are congested, notably within the Ile-de-France network, in order to make traffic more fluid and as such to accommodate more trains under better operating conditions;
- continue the rollout of optimised connections and good conditions for switching from one mode of transport to another;
- ensure balance between the allocation of track to customers and safeguarding the capacity for the maintenance and renewal work necessary to guarantee the network's safety and sustainability;
- harmonise infrastructure within Europe: the interoperability and harmonisation of national systems is an objective that infrastructure managers must meet in order to promote rail transport in Europe.

Focus: A marketing kit to present the Network Access offer to customers

RFF has developed a marketing kit to structure and strengthen the commercial approach to its new Network Access offer, to improve communication and to better inform players in the market chain, both at the company's headquarters and in the regions.

Several communication media were used: paper brochures initially, then a digital application. Featuring a seamless, comprehensive and segmented presentation of all documents related to Network Access, it is an interactive, personalised concept meeting the demands of each customer, with the possibility for everyone to enrich its database.
All sales staff at headquarters and in the regions received tablets last spring, allowing them to present the new range of services to their clients. The Marketing and Sales Department regularly updates the information contained in this application.

Focus: Customer satisfaction is central to our concerns

Customer satisfaction is an important measure of the network's performance. Since 2010, RFF has measured customer satisfaction through a biennial survey on the quality of its commercial relations (understanding of the organisation, management of customer demands, clarity of pricing, etc.). These surveys make it possible to measure improvement in overall customer satisfaction, with the score increasing from 5.5/10 in 2010 to 6.2/10 in 2012.

In 2013, against the backdrop of the rail reform, an ad hoc survey was carried out on perceptions regarding the unification of the infrastructure manager. Performed in September among 154 customers, the survey shows that while RFF is seen as “legitimate”, it remains “complex” in the eyes of customers. The survey showed that RFF’s customers generally saw the pending merger in a favourable light.
The next satisfaction survey will be conducted in late 2015. It will allow a comparison with the previous results using the same indicators in conjunction with the collection of customer and stakeholder expectations as part of the Réseau 2020 approach.

2.1.1.4 Considering the specific needs of people with reduced mobility

In the law of 11 February 2005 on equal rights and opportunities, participation and citizenship of people with disabilities, the legislator placed an obligation on leading public facilities, including owners of transport infrastructure, to make their equipment and infrastructure available to people with disabilities. Rail transport is an important link in this objective, in view of the growing number of people with disabilities or reduced mobility (PRM) using trains and stations every day. The Infrastructure Manager is accordingly responsible for implementing changes to platforms and platform access so as to actively contribute to the continuity of the entire mobility chain.
It is important to note that the resulting improvements, such as elevating equipment and ramps to platforms, do not solely benefit PMRs. They also facilitate access to trains for all travellers and increase the flow of traffic on the busiest lines.

2014 saw not only ongoing work to improve accessibility, whether as part of specific projects, more comprehensive station refits (modal interchanges) or the creation of new railway stops, but also significant changes in regulations. The publication of Order 2014-1090 of 26 September 2014 relating to accessibility of public access buildings, public transport, residential buildings and public roads to disabled people, accompanied by several orders issued in November, ushered in a new dynamic in which RFF and SNCF are both key players. This involves mapping of stations at which access is a priority, and the adoption of a broader approach to the treatment of disability.
2014 also saw the recasting of the European Commission regulation on the technical specifications for interoperability relative to the accessibility of the European Union railway system to disabled people and people with reduced mobility, known as PRM TSI. The new framework came into force on 1 January 2015 and complements the national regulations.

In the year ended 31 December 2014, Réseau Ferré de France carried out accessibility work on 330 stations. In addition, construction work or advanced studies were underway at a further 67 stations as of the same date, despite the funding difficulties facing the relevant public actors.

RFF's policy for funding investment, as approved by its Board of Directors in 2013, was applied on a small number of projects in 2014, and will continue to be applied in the coming years, particularly in the context of new master plans, known as the Programmed Accessibility Agenda (ARDS Ad'Ap) stemming from Order 2014-1090. These new regional master plans, put together under the aegis of the regional transport authorities, will, in the same way as the government's new national master plan, involve not only drawing up and approving lists of priority stations to be made accessible (and any accompanying measures), but also ensuring the arrangement of funding and the scheduling of the respective projects within the nine-year period set aside for the completion of all studies and work (three times three years). Accessibility investment amounted to €121 million in 2014.
Within this framework, the railway system set up in autumn 2014 an integrated organisation combining the infrastructure manager (Réseau Ferré de France), the station manager (Gares & Connexions) and units of SNCF, the carrier, to manage the implementation of the new regulatory framework, both at the regional level, with a dedicated project manager coordinator from one of the three players, and at the national level under the guidance of SNCF's Delegation for Accessibility for the Disabled Travellers.

Moreover, to strengthen its positioning, accessibility activity has changed scope and management structure within RFF, leaving the security scope (network security department) for the services scope (sales and marketing department).

The funding challenge remains significant for both the infrastructure manager and the railway system, not to mention the transport authorities, which are the biggest contributors. Thus, the overall cost of accessibility on the "RFF" scope of the stations listed in the SDNA Ad'Ap and SDRA Ad'Ap plans is around €4 billion. In Ile-de-France alone, the cost of improving accessibility at the 143 stations listed in the IDF SDRA is €1.3 billion euros for the infrastructure manager scope, 25% funded by RFF.

Focus: A joint RFF/SNCF stand at the Urbaccess fair

For the third edition of this trade fair devoted to accessibility, partners RFF and SNCF jointly presented their accessibility policy, their achievements and their combined plans to facilitate the mobility of people with disabilities.
On 12 and 13 February 2014, the fair's many visitors (professionals, institutions, associations) applauded the new approach, which allowed them to meet RFF and SNCF personnel and ask them about progress in accessibility, and more specifically the equipment and services in place.
The stand, facing the entrance, was equipped with many educational tools including several model stations and trains, as well as films on development work and dedicated services.

2.1.1.5 Protecting the population against noise pollution

Noise pollution related to railway traffic

Noise pollution is a concern for people residing near transport infrastructure. The noise generated by train traffic is caused primarily by irregular wheel-rail contact. In the vicinity of stations or metal bridges, other types of noise can be annoying. Even though the noise related to rail transport is limited compared with that generated by road or air traffic, noise pollution must be controlled in order to promote the network's best possible integration into the lives of local residents.

In Ile-de-France, where the issue of noise pollution is particularly pressing, coming to terms with rail noise within an “infrastructure system/rolling stock” vision is being promoted through the establishment of two-tiered governance:

- a regional railway noise committee, which aims to encourage exchanges and decision-making between stakeholders;
- a technical committee comprising the Regional and Interdepartemental Directorate for Equipment and Planning in Ile-de-France (*Direction Régionale et Interdépartementale de l’Équipement et de l’Aménagement Ile-de-France* – DRIEA), the Ile-de-France regional authority, RFF and SNCF, which meets on a regular basis to review the progress of operations and prioritise action.
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RFF complies with regulations limiting noise, as regards noise levels perceived in the vicinity of the infrastructure for which it is responsible.

In the development phases of new rail projects, the risk of noise pollution is taken into account by RFF in the early stages of project studies, so that the acoustic aspect is an integral part of the project design, notably by complying with the indicators and thresholds set by regulation.

On the existing network, RFF has established classification data for noisy tracks: these data are provided to prefects for the purposes of classifying the tracks in question and including them in local planning documents, so as to limit the development of residential zones along existing tracks. Pursuant to Article R. 571-48 of the French Environmental Code, RFF is required to comply with maximum noise levels authorised by means of work directly on the infrastructure or its immediate surroundings. If this is not economically or environmentally viable, treatment of neighbouring buildings “taking into account the actual usage of rooms exposed to noise”, such as acoustic insulation, is performed.

In compliance with the Grenelle objectives, the company has for many years also pledged to deal with railway Noise Black Spots (rNBS) on the existing network by implementing screen-type acoustic protection, or façade protections when the construction of screens is technically impossible or unreasonable in terms of cost. This represents a considerable investment: from 2008 to 2013, RFF committed a total of €140 million from all funding sources to dealing with some of the most critical areas. For illustration purposes, 1,197 buildings in railway Noise Black Spots have been treated or are in the process of treatment from 2008 to 2014, representing protective measures for the benefit of 18,327 people, and more than 10,000 metres of screens built.

Focus: The treatment of noise pollution in Ile-de-France and Rhône-Alpes

In Ile-de-France, the rNBS reduction programme continued:

- in Noisy-le-Sec and Bondy, 2,670 metres of screens of between 2 and 3 metres in height were erected, extending those erected in 2013, with additional reinforcement work on the façades of 250 residences (project funded 13% by RFF, 42% by ADEME, 20% by the national government, 20% by the regional authority, 2% by the Seine-Saint-Denis local authority, and 2% by the Noisy-le-Sec and 1% by the Bondy municipal authorities).
- in Asnieres-sur-Seine, a 3-metre-high screen of 155 metres in length was delivered (42% funded by ADEME, 13% by RFF, 20% by the national government, 22.5% by the IDF regional authority and 2.5% by the Asnieres-sur-Seine municipal authority),

- in Vaires-sur-Marne, the second phase of work began, with the start of the construction of 1,000 metres of noise barriers due to be completed in 2015 (60% funded by ADEME, 6% by RFF, 9% by the national government, 18% by the IDF regional authority, 5% by the Seine-et-Marne local authority, 1% by the Vaires-sur-Marne municipal authority and 1% by the Marne and Chantereine urban community).

In Rhône-Alpes, noise barriers with a combined length of 1,400 metres were built in 2014 alone, and six rNBS reduction projects were underway (Rhone Valley, Maurienne Valley, Lyon and Givors) for the benefit of 2,000 homes protected by noise insulation of their facades.

Noise pollution from worksites

The limitation of noise during the construction phase is framed by national legislation.

When the project is subject to environmental assessment, the project owner must provide prefects and the mayors of the towns in the area covered by the proposed works and site installations with a document entitled “consideration of noise during construction work”, which provides relevant information on the nature of the project, its anticipated duration, the expected noise and the measures taken to limit noise pollution. These regulations regarding “ambient noise” aim to ensure compliance with “normal usage” rules relating to equipment on construction sites.

In the specifications imposed on construction companies, RFF requires the use of approved construction equipment that complies with noise standards. These rules apply to all construction sites for projects subject to environmental assessment. On renewal and maintenance worksites, this initiative is part of a voluntary process, especially in dense urban zones.

Offering a safe and quality of network to meet the expectations of customers and stakeholders – key indicators

Indicators	2012	2013	2014
Arrival punctuality rate 5 minutes (%)	88.3	87.3	88
Number of minutes lost per 100 km by the RC (min): - for RC reasons - for IM and external causes	 NA NA	 1.95 1.20	 1.97 1.19
Investment expenses intended to improve service regularity (€m)	27.3	27.4	29
Share of freight commercial proceeds originating with railway companies other than Fret SNCF (%)	25	38	44
Customer satisfaction (score out of 10)	6.2	NC*	NC*
Amount of capitalised investment expenses for major development projects (€m)	2,531.5	4,150.4	2,921
Amount of capitalised investment expenses for regional development projects (€m)	708.0	995.2	781
Amount of capitalised investment expenses for network compliance upgrades (€m)	121.8	158.3	261
Amount of capitalised investment expenses for network renewal and performance (€m)	2,899.6	2,321.2	2,669
Amount of taxes and duties (€m)	81.2	85.5	86.2
Number of accidents involving people on the network (fatalities)	73	84	66
Number of accidents involving people on the network (serious injury)	37	64	73
Number of accidents involving people on the network (suicides)	356	288	301
Total safety investments (€m)	57.8	73.8	89
Level crossings on the national safety programme eliminated (number)	4	8	8
Investments devoted to dealing with rNBS, outside development and modernisation projects (€m)	8	9	15.2

NC: Not covered
NA: Not available
* The next satisfaction survey will be conducted in late 2015.

2.1.2 Promoting the balanced coverage of the regions and supporting planning policy

2.1.2.1 An interconnected and networked infrastructure, present throughout the coutnry

The core of RFF’s purpose – network access, the setting timetables and defining rail services, modernising infrastructure developing new lines – is the mobility of people and the circulation of goods. Mobility is always an issue in any major review of regional development, such as France’s integration into Europe, the nature of the relationships between cities and their areas of influence, areas of social and environmental fragility excluded from movements to combine cities.

As owner and manager of the national rail network, RFF works on these issues with all development stakeholders, be they national, regional or local. The company must ensure the coherence of the network, but at the same time must factor in the expectations of these actors. Stakeholders are very often partners, insofar as they are customers or participants in the funding of network modernisation (regional authorities, for instance).

However, RFF also aims to make development stakeholders aware that they cannot look to the rail network for everything. To ensure the greatest possible accessibility for the various regions, the complementary nature of the various transport networks must be envisaged while focusing efforts on areas where they are the most relevant. The size of the investment required for new lines is gradually leading to a reappraisal of the classical rationale: projects are no longer justified by the effects expected from a new line in terms of development; rather, the proposed new line is part of a development project, and its legitimacy hinges on the services it provides to the regions served.

To address these various dimensions, several actions were taken in 2014. They can be grouped into three broad categories:

- the increased quality of land-use studies, notably with engineering offices working on behalf of RFF, the project owner in the continuation of the actions undertaken in 2013;
- continued cooperation with Interministerial Delegation for Territorial Planning and Regional Attractiveness (D*élégation interministérielle à l'Aménagement du territoire et à l'attractivité régionale* – DATAR), now known as the General Commission for Territorial Equality, or (*Institut des hautes etudes de développement et d'aménagement des territoires en Europe* – IHEDATE);
- the involvement of development actors around these issues, with RFF as interface and driving force behind innovative approaches.

Focus: The IHEDATE partnership

In 2013, RFF partnered with IHEDATE. Created in 1999 on the initiative of DATAR, this Institute provides qualified professionals with training relative to:

- Develop an understanding among regional actors in France of the systemic economic, social and ecological issues facing towns and regions and to contribute to the debate about the conditions for sustainable development and planning;
- Raise awareness of strategic regional management among professionals in a position to act as intermediaries and integrators within their company, authority, association or ministerial structure.
- Build a network based on mutual understanding between stakeholders having to work together in the preparation of development strategies and on planning project (in 2014, the network of "veterans" had more than 500 people).

In 2014, for the second consecutive year, two auditors completed the cycle on the theme: "After Colbert, the regions?" This cycle speaks to a corporation such as RFF, which must develop a European and national vision of its rail networks without losing sight of the great diversity of the regions they serve. Both of RFF's auditors, one from headquarters and other from the Provence-Alpes-Côte d'Azur regional office, ensured a balanced representation of RFF in IHEDATE.

2.1.2.2 Enhancing the value of land assets to support regional development

As the second-largest landowner in France, RFF has a diversified portfolio of buildings and land, in rural and urban areas, covering approximately 103,000 hectares across France. It consists chiefly of railway rights of way (97,000 ha), with 50,000 km of tracks and 4.7 million square metres of buildings. The company must reconcile the future needs of the rail network with local development projects. In partnership with local authorities, it contributes to housing policy by releasing land to local authorities or the government for the installation of public facilities, eco-neighbourhoods and housing units, including social housing.

In general, RFF is rarely the source of any pollution on the land in its possession. The company does not conduct any operations on this land, and generally does not have the capacity of operator of installations classified for environmental protection. In case of the transfer of land, to inform the buyer in full and to secure the sale, RFF carries out soil testing at its expense, to determine the exact nature and scope of any pollution (historical and, if relevant, diagnostic surveys with sampling). Additional studies, which the buyer is free to perform, are intended to define remediation objectives based on future usage or the purchaser's plans, and the techniques to be used in order to reach these objectives. In the event of the discovery of soil or subsoil pollution, or in case of polluting waste on an allotment being sold, investigations are performed to determine the nature and scope of the pollution, its origin and causes (waste related to the absence of remediation by a previous operator, site on the dumping by third parties, etc.), and the persons responsible. These investigations also allow RFF to define the various actions to be implemented: waste removal, choice of the treatment method in accordance with the results of the assessment, and remediation works for potential pollution of ground and/or underground water.

Focus: Unused lines: use their local development potential while preserving reversibility

RFF owns 8,000 km of unused railway lines, few of which are likely to be reused as such in the medium or long term. These lines are often the focus of reuse projects by the local authorities (green spaces, tourism and recreation, etc.), with RFF helping by granting rights of way, thereby providing an immediate benefit to the community. RFF's role is to assess the compatibility of reuse projects with proposed network development and to recommend solutions to ensure the reversibility of any work carried out if necessary.

In 2014, a system for making these facilities available without surrendering them came into force with the signing of a management transfer agreement between RFF and the General Council of Seine-Maritime, which plans to create a 24-kilometre greenbelt between Dieppe and Fécamp. The General Council will develop and manage the greenbelt responsibly, while RFF will maintain ownership and the right to return the land to use in rail transport if a project of this nature were to come to fruition in the future.

In 2014, RFF also expanded its consultation with users' associations in the process of closing lines so as to take onboard their views about future mobility needs in the relevant area.

Promoting the balanced coverage of the regions and supporting planning policy – key indicators

Indicators	2012	2013	2014
Land sold during the year (ha)	271	220	438
Land sold during the year to create dwellings (ha)	8	14	20.5
Residential units to be constructed (number)	572	1 173	1,561
Social housing units to be constructed (number)	352	606	522 *
Share of the kilometres of lines closed during the year that have been the subject of protection of the right of way (%)	65	65	91

* The proportion of sales to “Public” purchasers fell from 78% in 2013 to 64% in 2014.

2.1.3 Helping improve the economic and social fabric

2.1.3.1 Towards a responsible purchasing policy

RFF and SNCF Infra have engaged with their suppliers with a view to building a responsible purchasing policy. On 3 April 2014, the RFF and SNCF Infra purchasing departments met with their various suppliers in Paris, negotiating their first-ever comprehensive agreement. Roughly 400 people from nearly 150 companies attended the meeting. The goal was to review the performance issues, both technical and economic, associated with upcoming network modernisation projects. Another goal was to discuss the contributions of the future unified infrastructure manager in terms of process simplification and better readability. The aim is for the unified infrastructure manager to completely overhaul purchasing policy through the establishment of branches, each with clearly identified managers, based on the existing regional organisation of purchases.

This agreement therefore marked the starting point of a new supplier relationship that is more simple and collaborative. Achieving the savings expected each year in purchasing means acting on all levers and being innovative, in terms of organisations, methods and technology alike, in coordination with the company’s industrial policy. Examples include the concept of “fast follow-up” specific to densely populated areas and the coming design of locomotives specific to the catenaries.

Focus: RFF-SNCF INFRA meetings and supplier partnerships

On 24 June, more than 70 suppliers met in Metz at the invitation of the RFF Regional Director for Alsace-Lorraine-Champagne-Ardenne and the SNCF Infra purchasing manager for Nord-Est-Normandie. This first RFF-SNCF supplier agreement showcased the RFF/SNCF purchasing approach and the main civil engineering projects planned for 2014-2017 in the three regions.

On 14 November 2014 in Marseille, the RFF Regional Director for Provence-Alpes-Côte-d’Azur (PACA) and the SNCF Infra regional purchasing department for the South-East Mediterranean, in collaboration with the national purchasing department, held the second edition of the regional convention of works suppliers. This meeting was also used to inform companies about railway reform and to present the new worksite security charter. Signed in July 2014, the charter commits regional offices to a reinforced approach to risk prevention and improvement of employees’ working conditions. It is fully in line with the process launched by the SNCF, under the banner “Running worksites safely”.

Lastly, the chairman of Emergences, an NGO dedicated to implementing a local plan for reinsertion into the job market, was invited to the meeting to look at the possibility of integrating reinsertion clauses into employment contracts.

Present in large numbers at the meeting (120 participants), PACA region public works companies expressed the desire to see this communication and dialogue continue and grow in the coming years.

On 7 October, the first suppliers' convention in the Nord-Pas-de-Calais and Picardie regions took place. More than 100 companies attended the suppliers' convention at the joint invitation of RFF's Regional Director for Nord-Pas-de-Calais-Picardie and the SNCF Infra Nord-Est-Normandie purchasing manager, also in the presence of the SNCF Infra purchasing director. The morning helped situate the procurement process in the reform and the running of the supplier qualification system, and provided a reminder of the challenges facing SNCF Réseau in terms of work and future construction in the 2015-2018 period. The portfolio currently contains over 217 projects: track work, earthwork, bridges and station renovations. The success of this event was the result of joint mobilisation of local RFF teams and the RFF and SNCF Infra purchasing departments.

2.1.3.2 Strong local presence

To assess its major infrastructure are projects, such as the construction of an LGV (high-speed line), network modernisation or electrification of railways, RFF carries out socioeconomic analysis on the basis of guidelines prepared by the government, in compliance with the French Transport Code (Articles L. 1511-1 and L. 1511-2).

For the project owner, it can nevertheless be difficult to measure the effects of railway equipment on regional development and planning. The effects are multiple: improving accessibility; improving the image or reputation of the newly serviced sites; effects on the economy; and local development via new economic, cultural or tourism activities.

The French Transport Code calls for the preparation of an "appraisal of the socioeconomic and social outcomes […] at the latest five years after [the] commissioning" of certain projects (Article L. 1511-6). Since the inland transport framework law and its implementing decree of 1984, some 40 ex-post assessments have been performed by the various project owners, including seven high-speed railway lines and the electrification of five existing lines. An analysis of these statutory assessments shows how difficult it is to put a value on a project's effects on the local economy, even though testimonies from users and local actors consistently confirm the positive contribution on the economic efficiency and sociocultural development of the communities in question.

Focus: Tours-Bordeaux and Le Mans-Rennes LGV Observatories, innovative approaches

The ongoing construction of two high-speed rail links (LGV) in western France (Tours-Bordeaux (SEA) and Le Mans-Rennes (BPL)) is being carried out within public-private partnerships. Réseau Ferré de France has asked the two concession holders to implement socioeconomic observatories with the purpose of better understanding the impact of a new line on mobility, as well as the various interactions between the new line and regional development. They are ongoing observatories, and will continue their work for several years after the two lines have come into service (currently scheduled for 2017).

The two observatories have a monitoring or strategy committee combining representatives of government, the project partners and local stakeholders, including those of the regions crossed by the links. These committees report on their activities to the observatories.

They also have scientific committees, both of which are chiefly composed of academics, experts in the field of transport or specialists on an issue of interest for the relevant observatory, such as tourism. The scientific committee contributes to the definition of the observatory's work programme, advises on research to be undertaken and evaluates completed reports. Some major avenues have been defined, including the effects of worksites, mobility, railway stations, urban dynamics and tourism.

A number of reports are already available. For example, the SEA Observatory has produced a report on "the effects induced by the construction of the SEA LGV for departments crossed: an intermediate analysis of lifestyles and consumption of Companions (*workers in the public works sector*)". Further studies are underway, including one undertaken by the Bretagne-Pays-de-la-Loire Observatory on "the effects of the LGV on the urban network in western France".

This work has led to innovative arrangements relying notably on university resources, closely linked with the partners involved in the project, such as collective Master projects linked to a local authority, combined work-study theses linking a university and the planning office, a partnership between a consultancy and a research unit. These arrangements allow the development of applied research that promotes links between the academic world, local authorities and development actors, as well as the building and construction sector companies in charge of concessions.

RFF is not directly responsible for these observatories, but it initiated the process and is carefully monitoring the work carried out. As contractor, it is essential that its existing or future plans for new lines, not to mention the growth of the existing network, be based on a thorough knowledge of the relationship between high-speed rail, mobility and the regions.

2.1.3.3 RFF supports the long-term unemployed

RFF makes an effort to consider social, environmental and societal criteria in its purchasing policy and the selection of its suppliers.
Project owner for the network's development, RFF entrusts infrastructure construction and modernisation work to companies that must meet its requirements in terms of societal development, notably with regard to solidarity, social integration or the knowledge transfer. Whether through direct project ownership or mandated project ownership, RFF strives to ensure that a share of hours under each contract is allocated to social integration jobs.
RFF also calls on companies specialised in large infrastructure projects when carrying out its major projects. Eiffage, Vinci and Bouygues, which are involved within the framework of partnerships of concession contracts, notably on LGV high-speed line projects, also apply RFF's CSR requirements.

Finally, pursuant to the law, and until 1 January 2015 (date on which the railway reform of 4 August 2014 takes effect), RFF delegates maintenance and renewal work on the existing network to SNCF Infra, which benefits from the SNCF's structured responsible purchasing policy. This ambitious policy has won acknowledgement: in May 2012, SNCF received a European Sustainable Development Award for its responsible purchasing policy.

Partnership agreements have been signed, in PACA for instance, with structures tasked with managing the multi-year deployment of local plans for reinsertion and employment (*Emergences* for the Marseille-Provence-Métropole conurbation and *Maison pour l'Emploi* for the Toulon-Provence-Méditerranée conurbation).

These agreements have the following objectives:

- advise RFF's regional office on the implementation of its social integration policy;
- promote the inclusion of employment integration clauses into contracts for work, services or intellectual services falling under the responsibility of RFF as the project owner or mandated party, in order to develop the integration and qualification offer within the region;
- provide a coherent response to partners in the broader economy;
- identify and act together as regards job offers generated by employment promotion clauses in RFF contracts;
- promote the integration of groups experiencing exclusion by implementing employment assistance measures, as well as through mobilisation and training actions;
- ensure the tracking and correct performance of employment promotion clauses by companies, and establish reporting for RFF.

Focus: Railway work as a lever for social integration

As the rail network is intended to provide much more than just a sustainable mode of transport, RFF has pledged to ensure that its investments in the development and maintenance of it network are levers for social integration.

The TTNC project – Tram-Train Nantes-Châteaubriant
In 2004, Nantes Métropole created a "Contractor reinsertion assistance" body tasked with assisting services, businesses, economic insertion structures and contractors in the implementation of mechanisms promoting reinsertion into the job market.
This body provided project assistance by defining, monitoring and assessing social clauses in contracts related to the Tram-Train Nantes-Châteaubriant project (TTNC) and throughout its course.

ALCA regional policy
The Alsace-Lorraine-Champagne-Ardenne regional office has since 2009 been carrying out a joint approach with SNCF to ensure that works contracts awarded incorporate a reinsertion clause wherever possible. Since 2009, 46 works contracts have been subject to this requirement.

EOLE, a Greater Paris project
The EOLE contractor has an ambitious integration policy, requiring companies to entrust a minimum number of hours of work to persons excluded from employment, and to train and assist them in preparing their permanent return to the job market. The first major "Works" consultation project covered civil engineering for the tunnel and the Porte Maillot station. This contract alone required the work of 140 full time equivalents.

“Green Worksites”
In 2014, three Green Worksites were conducted in Nord-Pas de Calais, PACA and Paris Rive Gauche. The principle is simple: reduce non-compliance represented by waste and illegal dumping by sorting and recycling materials whenever possible. In the former Garolille freight area, more than 4,000 tonnes of waste (wood, scrap metal, cable, etc.) were removed. This limited environmental pollution, health risks and malicious acts.

For its in-house operations, RFF has set targets for each regional office and the head office to promote the use of adapted enterprises. The agreement of 28 June 2013 relative to the employment of disabled workers sets objectives in terms of beneficiary units within the following priority sectors: general resources, communication, catering and room rental, digitisation/indexing/reprography.

Focus: Reserved contract for the POCL group

In the first half of 2014, the Paris-Orleans-Clermont-Lyon (POCL) group signed a reserved contract, pursuant to the provisions of section 16 of Order 2005-649 of 6 June 2005 applicable to RFF. The tender was reserved for companies employing a majority of disabled workers.
The contract covered design and layout services for two communication documents, namely a report on the consultation (110 pages) and a 12-page booklet summarising the report.
The contract was awarded to Troisième Acte, a graphic design and communications agency whose workforce predominantly comprises deaf or hearing-impaired people.
The work, which cost less than most offers received for equivalent work from “mainstream” communication agencies, was completely satisfactory, and represented 1.3 beneficiary units.
“We did not encounter any particular problems in terms of communication or comprehension of our expectations. Our contact, who was not hearing impaired, was responsible for passing our messages on to graphic designers. We were very happy with the quality of service and the finished products (schedule respected, formats and quality respected, good management of relationships with the printer, etc.). The job was carried out in the same way as it would have been with any of the other communication agencies with which we have worked,” said the head of the Environment and Sustainable Development project.

2.1.3.4 Partnerships and sponsorship

RFF has established relationships with all kinds of stakeholders, with are described throughout this report (France Nature Environnement, IHEDATE, etc.). Sponsorship activity is relatively limited. RFF supports the French Fencing Federation and all French fencing teams, and has renewed its partnership until 2016, an Olympic year, thereby helping to promote a sporting discipline that conveys shared values.

Helping improve the economic and social fabric" key indicators

Indicators	2012	2013	2014
Amount of the annual AGEFIPH tax (€k)	168.7	204.8	NA*
Amount of SNCF purchases allocated to the protected sector in the name and on behalf of RFF (€k)**	NA	82.9	108.8
Equivalent jobs obtained by the protected sector for the SNCF Infra activities carried out on behalf of RFF (number)**	NA	3.5	38
Contracts with social integration clauses over the total number of SNCF Infra activity contracts signed for RFF (number)**	NA	141/365	50/83
Number of social integration hours worked relative to the total number of integration contractual hours awarded by SNCF Infra on behalf of RFF (hours)**	NA	68,271/ 68,940	12,129/ 52,225

NA: Not available

* The advance of one month from the date of the meeting validating the accounts is not consistent with the statement to AGEFIPH, which is submitted on 1 March.
** These indicators are provided by the SNCF Purchasing department. Their scope is that of purchases made by the SNCF Infra activity on behalf of RFF. The data have been fine-tuned over the last two years. RFF also carries out independent action in support of the long-term unemployed.

2.1.4 Developing our activities while implementing best practices

RFF works exclusively in France, and accordingly monitors the application of the law in its activities. As project owner, RFF requires its various partners to undertake to comply with and ensure compliance, within their own sphere of influence, with international and European standards including the conventions of the International Labour Organization, the principles of the United Nations Global Compact and the Declaration of the Rights of Man and of the Citizen. Within the context of its geographical scope, issues relating to the elimination of forced or mandatory labour or the effective abolition of child labour are not major challenges for RFF. Issues relating to the freedom of association and the right to collective bargaining, and the elimination of discrimination in employment and profession are covered in part 2.3 "Social information" of this report.

2.1.4.1 Ethics and professional conduct

On matters of ethics and professional conduct, various documents call on employees to adopt correct behaviour when faced with specific situations. This set of documents forms the code of ethics, which was adopted in 2008 and is appended to the company's rules of procedure, laying down a number of ethical principles relative to the law and the respect for people, instructions relative to corporate gifts, a charter on the usage of information and communication technology resources, a memo relative to the conditions for covering hospitality expenses and, lastly, since October 2013, a charter governing use of social media.
In 2014, this set of documents was extended by a series of thematic information sheets available on Passerelles, the company intranet (see Focus).

RFF created a position of Ethics Officer in 2008, and an Ethics Committee in December 2012.

The Ethics Officer, appointed by the Chairman, has the status of director. Her role is to prevent risks of an ethical nature, to promote the implementation of ethical values, and to listen to RFF's employees and provide advice to them on these matters. If necessary, she can also be contacted by any employee in case of a question or doubt on the application of the conduct principles and rules in specific situations.

The Ethics Officer relies on an Ethics Committee, which sets and promotes ethics policy within RFF. It can issue recommendations and propose priorities for efforts in the deployment and development of the ethics programme. Each year, the Ethics Officer submits an annual activity report to the Chairman, which is presented to and discussed by the Executive committee.

In 2013, it was decided to strengthen the monitoring of compliance with the values and principles enshrined in the code of ethics. A supervised whistleblowing system has been established to allow employees to signal facts or questions deemed serious. The whistleblowing mechanism was designed as an automated process using a protected e-mail address alerte.deontologie[@]rff.fr, which can only be accessed by the Ethics Officer. This address has been operational since January 2014. Issues were referred to it on four occasions in 2014, in addition to matters referred directly to the Ethics Officer.

Focus: Information sheets: everyday benchmarks

Information sheets are available on the Ethics page of Passerelles, giving all employees shared foundations in respect of ethics and accountability. The sheets help better identify risk situations and provide assistance in finding an ethical response. They clarify the boundaries not to be crossed, based largely on real situations.

- Sheet 1: Conflicts of interest
- Sheet 2: Ethics alerts
- Sheet 3: Workplace relations:
    - I – Psychological harassment
    - II – Sexual harassment
    - III – Discrimination

2.1.4.2 Preventing corruption and conflicts of interest

Various oversight mechanisms have been implemented or strengthened, particularly relating to the oversight of contracts and purchasing policy, following work dedicated to preventing fraud and corruption, the conclusions of which were presented in 2005.

More specifically with regard to procurement contracts, the procurement contract quality verification service within the Finance and Purchasing department contributes, primarily by means of preliminary examination, to securing the awarding of procurement contracts and the management of contracts. It facilitates the performance of its duties by the Procurement Contracts and Purchasing Panel (*Commission des marchés et des achats* – COMA), by means of a preliminary examination of questions subject to its opinion, as well as the coordination and selection of points to be investigated. Chaired by a Chief Counsellor at the Court of Auditors, representing the Chairman of the Board of Directors, the COMA has eight other members: four directors evenly split between directors appointed by the Board among personalities chosen for their competence and those representing employees, and four civil servants respectively appointed by the ministers for the economy, the budget, competition and transport.

The Government Commissioner and the head of the Economic and Financial Transport Inspectorate, or their representatives, also sit on the panel.

The panel gives a preliminary opinion on the awarding of any procurement contract in an amount greater than a threshold set by order of the Minister for transport, which varies depending on whether or not the contract covers works, supplies or services.

In addition, since 2012, the company has offered specific legal training on compliance with procedures over and above those of the contracts manual, which also includes an appendix on "ethical principles applicable with regard to signing contracts and relations with suppliers" (Chairman's report on the company's governance and risk management).

RFF promotes vigilance on situations potentially resulting in conflicts of interest. The company has a Director's charter on conflicts of interest, which is appended to the Board of Directors' rules of procedure. The ethics code also devotes a specific chapter to conflicts of interest and prohibits any RFF employee from handling any contracts in which s/he has a direct or indirect personal, family or financial interest that could compromise his/her independence.

Developing our activities while implementing best practices – key indicators

Indicators	2012	2013	2014
Referrals to the Ethics Officer (number)	6	3	4

2.2 Environmental information: developing the ecological management of the national rail network

In terms of its environmental performances, notably with regard to reducing greenhouse gas emissions, energy efficiency and the consumption of space, rail transport represents a true opportunity for the community, provided that its environmental footprint can be limited. Present throughout France in view of the linear nature of its infrastructure, RFF strives constantly to promote the best possible integration of its facilities into the environment, at a cost that is economically acceptable for the community. Overall environmental management of the infrastructure is the main challenge, which entails reducing the environmental footprint, controlling energy consumption, contributing to the preservation of biodiversity, water quality and aquatic environments.

In principle, as the owner and manager of the national rail network, RFF must report on the environmental impact of all the activities and sites under its control. In 2014, the legal and ownership separation between the rail network manager, RFF, and the incumbent operator, SNCF, not to mention the delegation to SNCF Infra of the maintenance and renewal of the network, complicates data access. Thus, for RFF's 2014 reporting, it was decided to reproduce the information released to the public by SNCF with regard to raw material purchases that unambiguously involve the infrastructure (purchases of ballast and track ties). The approach adopted by SNCF Réseau in 2015 will be reviewed in its entirety.

2.2.1 Managing environmental challenges

The Environment and Sustainable Development Department (ESDD) was established in September 2014 taking into account the integration into SNCF Réseau in 2015. An industrial activity, the operation of a rail network generates impacts on the natural environment that must be controlled.

The control of environmental risks associated with RFF's activities is guaranteed by the fully accountable supervision of various issues by RFF's departments, backed up by central or regional support structures (such as the legal department).
Environment and Sustainable Development departments will be set up within SNCF Réseau's future regional offices to communicate the company's ESD policy and to ensure the implementation and achievement of business line objectives.

Focus: Launch of a business space devoted to sustainable development

A special "Sustainability Activity" space was opened on Passerelles, the RFF intranet, on 1 September 2014, to strengthen links between internal environment and sustainable development actors.

The purpose of this tool is to open sustainability and CSR initiatives up to all RFF employees, and to allow those who wish to do so to participate and become more involved in these processes. The dedicated sustainability and CSR space combines:

- Educational resources, so that every employee can gain a broad understanding of sustainable development and CSR issues, and their implications for the company (RFF today, SNCF Réseau tomorrow), and a grasp of environmental and CSR issues and associated tools;
- Updated information (from the headquarters and regions) so as to report to internal stakeholders on steps/actions taken (including those taken at local level) and enhance sustainability skills;
- Sharing of information and best practices so as to bring together the various approaches, actions and experiments and thus create a real "environment and sustainability" community within the infrastructure manager.

The "Sustainability Activity" space is designed to be interactive and lively: as such, each employee who wishes to do so (whether by personal or professional interest) can make a contribution in the form of reactions, comments and/or questions, proposals and innovative ideas.

Focus: An Environment and Sustainable Development seminar in unified infrastructure manager mode

At the initiative of the four regional offices in Rhône-Alpes-Auvergne, Bourgogne-Franche-Comté, PACA and Languedoc-Roussillon, and SNCF Infra's Southeast Production Territory (TPSE), 50 RFF and SNCF employees met in Lyon on 11 and 12 June 2014 to discuss the joint monitoring of environmental and sustainable development (ESD) issues within the future unified infrastructure manager.
Department heads and ESD project managers of the four regional offices, and ESD actors of TPSE institutions and entities were accompanied by the Rhône-Alpes-Auvergne and PACA regional director, and the TPSE director.

The seminar included a wide variety of presentations of problems shared by both companies (vegetation control, management of hydraulic structures) and joint projects (green worksites, recycling of removed products). Exchanges and discussions on the future unified infrastructure manager continued around a buffet served by a workshop operating in the protected sector.

During the seminar, many amicable and professional relations were forged or consolidated between employees of the two companies, all keen to factor environment and sustainable development issues into their various departments. The two-day event confirmed that sustainable development is a global performance issue (regularity, recycling of certain materials, brand image of the future company, etc.) thanks to collaborative work and the complementarity fit of all environment and sustainable development stakeholders.

Environmental management system

RFF is not involved in a certification process, as such certification is not an objective in and of itself for the company. On the other hand, the quality management and environmental management procedures used by RFF in its capacity as project owner draw their inspiration from ISO 9001 “Quality management systems – Requirements”, version 2008, and ISO 14001 “Environmental Management Systems”, version 2004.

More specifically with regard to a project’s environmental aspects, RFF ensures:

- that the main contractors necessarily submit, with their company consultation file, an Environmental Respect Notification, which is notably intended to define the provisions that each company must take in terms of environmental management and sustainable development within the framework of its contract, to clarify the points having to be taken into account by each company relative to the disruption related to the performance of the work, on the basis of the sensitive nature of the sites in question;
- that each company performing works prepares a Compliance Plan for Environmental and Sustainable Development Commitments, which notably contains a description of the sensitivity and constraints related to the sites involved in the worksite and the implemented resources, the tasks that are part of the worksites and their impact on the environment, as well as the provisions imposed on each company and subcontractor, along with the environmental protection systems;
- that each company prepares Special Environment Procedures when specific works have to be performed, describing the potential disruption that can be generated by the work, and the provisions adopted in order to avoid them.

All environmental damage is handled as non-compliance, and each company must remedy, at its expense and as quickly as possible, any damage to the environment as a result of its actions.

An eco-responsible internal policy

- The management of waste from RFF’s “life at the office”

In 2007, RFF began selective sorting in the offices have its headquarters and then, in 2012-2013, in the offices of its second Paris building. This action has been completed by various recovery and recycling programmes for other consumables: used batteries since 2007, consumables from copiers, lights and neon tubes since 2011 and, most recently, two machines for recycling cans, and plastic bottles and cups on one of two Paris sites. This can recycling system made it possible to make a donation to the association Bouée d’espoir, a mutual assistance association (€1,400 in 2013; €4,600 in 2014). This action will be extended to the head office building in January 2015. Selective sorting is also carried out within the regional department, with containers for household waste, paper recycling, cardboard and glass.

To continue with this progressive initiative for the better management of raw materials and waste, the company is preparing to implement sorting and recovery of bio-waste in the two Parisian company restaurants pursuant to Article L. 541-21-1 of the French Environmental Code.

- Print rationalisation

An initiative to regulate printing was undertaken several years ago, as well as more recently as an experiment in certain regional departments. This action has a threefold objective: decreasing paper consumption, generating savings, and securing/ensuring the confidentiality of printouts relative to people outside the company, and even internally for certain documents.
As such, while the workforce increased, RFF personnel consumed the same amount of paper. In addition, 12 copiers were removed and not replaced.

On 1 October 2013, the system was completed by the establishment of an integrated reprographic centre with the objective of:

- improving the service;
- reducing the number of photocopiers and of wasted photocopies;
- renegotiating the cost of paper (-8%);
- rationalising the stock of individual printers;
- securing copies and printouts (use of badges);
- setting up a "routing" policy for printouts.

In place for the benefit of the occupants of both Paris buildings, this service will be progressively deployed throughout the region in 2015.

Focus: Energy audit and BREEAM in Use* certification at the Equinox building

Réseau Ferré de France, tenant and sole occupant of the Equinoxe site, is taking part in a process led by the owner, Caisse Nationale RSI (national social security insurance fund for self-employed people) to reduce energy consumption, improve energy efficiency and cut the building's emissions of greenhouse gases in order to obtain BREEAM in Use certification.

Based on an energy audit of the Equinoxe site performed by an external consultant, RFF, which is supporting the approach taken by the owner, set up an action plan in 2014 covering water (implementation of hydro-efficient equipment, automatic leak detection, etc.), the work environment (acoustic comfort, renewal of technical equipment, carpets) and management of the approach (satisfaction survey, information of occupants on energy performance, display campaign, implementation of qualitative and quantitative objectives).

* The "BRE Environmental Assessment Method" is the world's oldest and most widely used framework in the field of sustainable construction, and has become the assessment method used to describe the environmental performance of a building. http://www.breeam.org/page.jsp?id=146

- Reduction of travel

As in the regional department, recent years have focused on reducing the need for travel. In addition to encouraging the usage of videoconferencing and audioconferences, most RFF sites worked on setting up a company travel plan, mapping of home-work commutes, information initiatives on gentler methods (public transit), bicycling workshops and training in city driving. To illustrate, in Midi-Pyrénées, the regional office pays the annual subscription to “Vél’O Toulouse”, with its self-serve bicycle rentals, or in Lyon where the regional management has requested the installation of a self-service bike terminal near its premises.

Moreover, 43% of the 140-car vehicle fleet emits less than 100g of CO_2 per kilometre, with a target of 57% in 2015. Lastly, SNCF Réseau will purchase its third electric vehicle in 2015.

Managing environmental challenges – key indicators

Indicators	2012	2013	2014
Noise training			
RFF agents provided with training in environmental subjects (number)	33	No session in 2013	14
Environmental training provided (hours)	231		196
Nature protection training			
RFF agents provided with training in environmental subjects (number)	19	5*	No session in 2014
Environmental training provided (hours)	133	35	
Water act training			
RFF agents provided with training in environmental subjects (number)	64	9*	18
Environmental training provided (hours)	84	63	126

*These modules have already been taken by nearly the entire target public.

2.2.2 Reducing our pressure on natural resources and decreasing our environmental footprint

Economic and demographic development is exerting increasing pressure on raw materials, ecosystems, the ground, the air and the water. In RFF’s activity, the renewal of railway infrastructure results in an inevitable drain on the planet’s resources, and generates significant volumes of waste to be treated. As such, to help preserve these natural resources, the company strives to optimise their usage while pursuing innovative solutions in which the waste and used products, re-inserted into the value-creation circuits through recycling and reclamation, become true resources. They include rails, ballast, concrete sleepers, etc.

Moving from a linear economy to a circular involving waste and its recycling is the challenge that must be met by 2020, by focusing efforts on the search for new techniques that will make it possible to lengthen the lifespan of the infrastructure’s components.

Focus: RFF/SNCF study on industrialising the reclamation of removal products

Steered by RFF and SNCF and carried out by SNCF Consulting in 2013, this study produced a map of what already exists regarding the reclamation practices for ten selected removal products (track and signalling) with the aim of defining a target reclamation process for each, along with an economic model. The study brought to light the best practices to pursue, action sheets and experiments to be implemented in order to industrialise certain practices.
A number of actions were taken in 2014: the study was presented to all the actors involved in the issue, and a schedule of activities was established. A "removal products" project manager was appointed on 1 October 2014 to implement the three-year action plan and roll it out at the regional level, notably through awareness raising among all stakeholders.

2.2.2.1 Sourcing of raw materials

The management of removal products from the national rail network is part of this constant improvement initiative that firstly targets preventing the production of waste, with recycling being the first choice in treating waste. The main materials involved in RFF's activity cycle consumes significant quantities of raw materials, such as:

- ballast, crushed stones on which the railway track is laid: 2,030 thousand tonnes purchased in 2014;*
- sleepers: wood or concrete elements placed across tracks under the rails, to maintain spacing and inclination,
    - wooden sleepers: 320,000 units purchased in 2014,* i.e. 25,600 tonnes;
    - concrete sleepers: 1,600,000 units purchased in 2014,* i.e. 480,000 tonnes;
- rail, a profiled steel component: 155,000 tonnes purchased in 2014.*

* The amounts of purchases disclosed above fall within the SNCF Infra scope excluding subcontractors.

2.2.2.2 Optimisation of the waste management, towards a circular economy

To better control the pressure on these resources, RFF reuses its used products or recycle its waste whenever technically, legally and economically feasible, whether during its "day-to-day" activities or as part of its activity as the infrastructure manager, in compliance with the hierarchy of treatment methods defined by the regulations (Articles L. 541-1 *et seq*. of the French Environmental Code: preparation for the purposes of reuse, recycling, reclamation, notably waste-to-energy conversion, elimination). The aim is for the company to better manage and reclaim its waste through an industrial approach based on the reuse of its materials that have been disposed of, the implementation of waste treatment platforms, etc.

Steel rails are reused as long as their level of wear permits, which is notably the case for rails from the high-speed lines, offering more use for low traffic lines or even service tracks. Otherwise, it is recycled through local steel works, being sold for recasting.

Ballast is partly reused for rail purposes, after screening and even reprocessing. A portion of the cleaned but non-reused ballast is sold, notably for roadwork.

Creosote-treated wooden sleepers still in good technical condition are reused as soon as possible (need for immediate outlets for a rail operation) and in compliance with regulatory requirements. Two master contracts have been signed by RFF by SNCF Infra, one relating to sleepers coming from the day-to-day upkeep and from the legacy stock, i.e. sleepers spread randomly throughout the country and often in poor condition, and the other relating to track renewal operations, meaning greater quantities in a more specific area, in order to send sleepers that have reached their end-of-life to approved operators to be converted into energy.

To seek out a long-term solution that will serve to safeguard the process for eliminating sleepers, while further increasing traceability, and optimising economic equilibrium, a call for applications for the reuse of creosote-treated wooden sleepers was made among industrial players, and the contract is expected to be awarded after negotiations in 2015.

2.2.2.3 The usage of agrochemicals

Agrochemicals are used within the national rail network for the weeding of 70,000 km of railways (95,000 ha), to prevent and/or destroy any and all vegetation on the tracks within its network. Though necessary to ensure circulation safety and reliability, the use of agrochemicals is a major challenge in terms of safeguarding water tables and surface water. As such, in 20 years, RFF and SNCF Infra have cut the quantity of products purchased by nearly 40%. RFF and SNCF Infra are working to overhaul their industrial practices regarding the management and control of vegetation, by developing alternative methods to the use of agrochemicals in sensitive areas, such as laying anti-vegetation netting or eco-grassing. In 2013, 111 tonnes of agrochemicals were purchased, compared with 108 in 2012 (134 in 2011). Although 2013 saw a slight increase, multi-year herbicide consumption was down, partly due to the reduction in unit quantities of active substances (g/ha) stemming from the introduction of effective new molecules with lower weight, and partly from changing practices.

The outsourcing of the vegetation treatment for the infrastructure's "green areas", i.e. the immediate vicinity that extends on average more than 3 m beyond the tracks, is currently in the experimentation stage in three test regions. Three contracts have been signed with a service provider specialising in vegetation maintenance: they undertake to subsequently define a master plan and management plans that will guarantee vegetation control that respects the environment and that is compatible with the network's operation.

Focus: Railway weeding: an innovation combining safety and respect for the environment

To ensure traffic safety, chemical weed control and mechanical brush clearing is needed on tracks and their surroundings. SNCF has developed a tool for a more efficient and environmentally friendly treatment of vegetation.

Vegetation can alter rail infrastructure and undermine traffic safety. It can for instance create deformations, causing braking and skidding problems, and can also result in fires during summer. It must therefore be kept under control.

On 14 June 2013, RFF and SNCF Infra signed an agreement with the ministries of the environment (MEDDE), agriculture (MAAF) and health (MASS). The SIGMA application (geographical information system for vegetation management), in conjunction with agricultural GPS suited to treating railway tracks, is part of this approach. In early 2014, these innovative devices were installed on the 54 weed control trains and weed control trucks operated by SNCF Infra.

More information is available on www.rff.fr.[4]

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[4] http://www.rff.fr/fr/gestion-page-d-accueil/actualites/desherbage-des-voies-ferrees-une-innovation-qui-allie-securite-et-respect-de-l-environnement

Despite the technical and organisational difficulties in an activity performed throughout the country, dependent on weather and constrained by the specific hazards involved in working on active railway lines, SNCF plans to continue improving its environmental performance in the field of vegetation control, including chemical treatments.
The direction of this improvement as regards the removal of weeds from railway tracks is currently wide open.
The next step will be to improve the management of green spaces, in terms of economic performance, impact on traffic flows, and the risk to water, the landscape and biodiversity.

Focus: Sustainable pasture management: a green solution for track maintenance

Four pasture management projects have been launched by the RFF's Centre-Limousin regional office to maintain railway rights of way in five boroughs in the Orléans area.

Controlling the vegetation in rights of way and between and around the platforms as well as unused tracks is essential for railway, personnel and fire safety requirements. In the last two years, the Centre-Limousin regional office has joined forces with the SNCF to find ways of diversifying the methods used to maintain the rail network in compliance with safety requirements to offer maximum protection to the surrounding environmental areas.

In 2014, sheep, donkeys and ponies were able to graze next to several tracks in the Loiret *département*. Over a seven-month period, almost 30km of unused track on the Orléans, Gien/Orléans and Boiscommun lines were maintained by almost 60 animals not used for meat production selected on the basis of the surrounding vegetation. Two shepherds appointed by Ecozoone visited the animals on a daily basis to take care of them.

Sustainable pasture management experiments are also being carried out in a number of other regions.

RFF must improve knowledge of its water consumption. Over and above the water consumed by its staff, RFF is keen to learn more about the water consumed for spreading agrochemicals as well as that consumed by its industrial buildings.

Accidental worksite spills

To the best of our knowledge, there were no significant accidental spills of products that could be harmful to the environment in 2014.

Reducing pressure on natural resources and decreasing our environmental footprint – key indicators

Indicators	2012	2013	2014
Volume of waste produced: creosote-treated wooden sleepers (tonnes)	78,000	82,988	76,089*
Volume of waste produced: asbestos removed from the building stock (tonnes)	121	207**	605***

* In 2014, sleepers laid on the SNCF Infra (excluding third-party mandates) network were valued on a historical inventory basis of 33,197 tonnes of wooden sleepers and 39,480 tonnes of investment.
** 72% of the 207 tonnes of asbestos removed from the RFF building stock was vitrified for use as a sub-layer for roads, with the remaining 28% removed to specialised waste treatment installations.
*** Sharp increase in the asbestos tonnage treated in 2014 (the 632 tonnes treated in 2011 were mainly attributable to the huge Bordeaux St Jean project). Of the 605 tonnes treated in 2014, 507 tonnes were vitrified which removes the associated waste risk and makes reuse in sub-layers for road construction possible.

2.2.3 Promoting energy transition, combating climate change

RFF is fully aware that rail transport has a key role to play in reducing GHG emissions. To comply with the Factor 4 objectives (national goal to cut GHG emissions four-fold between 1990 and 2050), it must play as big a role as possible in policies to reduce greenhouse gas emissions, particularly those related to consumption, and to maximise energy savings. The total electrical power consumed by the national rail network (RFN) accounted for almost 2%[5] of the total amount of energy consumed on French soil (8 TWh vs 450 TWh).
Rail transport is one of the most efficient and sustainable ways of transporting goods and passengers due to its reduced dependence on fossil fuels. While rail transport offers one of the more viable alternatives vis-à-vis climate change policies, this does not make the company exempt from taking steps to decrease its own GHG emissions and drawing up a climate policy for 2015 (when the UNFCCC COP 21 will be held).

2.2.3.1 Decreasing our carbon footprint

RFF's "life at the office" carbon footprint

Pursuant to Article 75 of the Grenelle II Act of 12 July 2010, RFF produces its "life at the office" GHG assessment every three years; it was last prepared in 2012 using 2011 data. Over the next few years, RFF is committed to making progress in this area so that it will be able to measure the GHG emissions of its tertiary activities on an annual basis.

[5] Transport accounts for 35% of energy consumption in France; rail transport for 2.8%. Figures taken from the 2014 publication on environmental trends in France ("*L'environnement en France, les grandes tendances*".

The 2009-2011 assessment shows that the emissions from RFF head office and regional departments increased alongside the growth in staff numbers, increasing from 5,900 tonnes of CO2 equivalent in 2008-2009 to 6,900 tonnes in 2011, i.e. up 17%. However, GHG emissions per staff member fell from 5.2 tonnes in 2008-2009 to 5.1 tonnes in 2011, i.e. a drop of 2%. RFF has set itself the target of reducing GHG emissions per staff member by around 10% in 2013-2015. SNCF Network's next report on its GHG emissions will be based on its new scope in 2015.

Carbon footprint of LGV programmes and of projects to modernise existing lines under RFF supervision

The carbon footprint of major railway infrastructure projects confirms not only that rail transport is one of the most sustainable methods of transport but that it is one of the most effective in combating climate change. The carbon footprint of an LGV project takes into consideration the entire useful life of the transport system (from design through to construction and operation), as well as that of the related infrastructure, stations and rolling stock. In so doing, it is used to identify the main sources of emissions related to construction projects, such as operating worksite machinery, transporting equipment, or the techniques used to build embankments, and to limit the effects thereof through the introduction of an action plan and related measures to reduce or minimise these emissions.

In terms of global warming, if we look at the emissions related to operating a new railway line as well as those avoided by switching from road or air to rail transport, the advantages of rail are clear. For example, a journey made by high-speed train (TGV) issues 30 times less GHG than the same journey made by aeroplane, while a journey made in a regional train issues three times less GHG than the same journey made by car.

2.2.3.2 Controlling our energy consumption

Eighty per cent of the energy consumed on the rail network is used to power trains. Although some of this use cannot be avoided, it is worth looking for potential energy savings. While some activities are clearly within the remit of railway companies, such as ecodriving training, others are the responsibility of the infrastructure manager, such as the infrastructure design or power supply installations with regenerative braking systems. Any improvements made, however, must be implemented on a system-wide basis within the framework of suitable governance procedures.

In 2013, work was carried out to convert the catenary between Bellegarde and La-Plaine-Genève from 1,500 V to 25 kV, reflecting the network manager's decision to focus on power systems that offer outputs up to three times higher. This line came into service in 2014.

Energy savings can also be made by the unified infrastructure manager's buildings. Measuring the amount of energy consumed is of central importance.

The network manager's wider scope means that it will have a more complete view of the GHG emissions related to its tertiary activities in the future. As a result, it will be able to introduce a more virtuous cycle of more effectively identifying priority areas where reductions need to be made.

2.2.3.3 Developing renewable energies: RFF promotes green electricity production

In 2011, RFF entered into the Airefsol Energies joint venture with EOLFI (a subsidiary of Veolia Environnement, purchased by the ASAH group in 2012). The goal is to design and develop green electricity production plants. As part of the venture, RFF provides access to land not used for railway activities to install solar energy parks, and Eolfi contributes its expertise in renewable energies.

In 2014, the joint venture signed its first contract to build a solar energy park with capacity of 3.51 MWP[6] located in Pujaut in the Gard *département,* as well as a 25-year lease with the investor. The park came into service in the last quarter of 2014.

Focus: The Pujaut solar energy park, a new approach to land recycling

The Pujaut site is a former embankment built by RFF as part of a TGV construction project. Previously used as an industrial waste site, it now hosts a 3.51 MWP solar energy park that came into service in October 2014 after less than five months of work.
The park is one of the first in France to use state-of-the-art tracker technology to optimise the power generated by its solar panels by keeping them facing the sun constantly.

With high-yield panels designed and manufactured by the French company Sunpower, the park is a shining example of the French solar industry's expertise from design through to operation, and boasts the most up-to-date technologies.

Générale du Solaire, a French company specialising in the development, engineering, construction and operation of solar panels located on the ground or on roofs of buildings, in France and abroad, supervised the park's engineering and construction works. The company, also an electricity producer employing some 50 staff, will be responsible for the park's maintenance.
The client, *Sova Solair*e, is a 50-50 subsidiary of *Générale du Solaire* and *Sovafim*, a government-owned company responsible for generating value from government-owned land and property assets. Since it was founded, *Sovafim* has generated over €1.2bn.

The park will produce electricity for over 2,000 homes, equivalent to a reduction in annual CO_2 emissions of over 1,300 tonnes.

2.2.3.4 Adapting to the consequences of climate change

During the seminar organised in June 2013 by the Transport Ministry on the National Climate Change Adaptation Plan (French acronym: PNACC), RFF and SNCF presented studies assessing the railway system's resilience and ability to adapt to climate change, namely the "Résilience" study by RFF and the "ClimatD'Rail study by SNCF.

[6] Watt-peak (Wp) is a unit of measurement. In a solar energy park, it is used to measure the maximum power output of a solar panel under standard conditions.

Both studies found that construction standards and network maintenance procedures were key factors going forward. The PNACC not only focuses on the immediate impact of climate change, i.e. the risks posed to infrastructure, but also on the more long-term consequences.

Focus: Impact of climate change, a few examples
(SNCF article that appeared in the publication entitled "Les entreprises et l'adaptation au changement climatique", EPE-ONERC, April 2014)

During the summer, if there is a heatwave or a significant difference in temperature in a short space of time, the rail network may be affected. For example, the tracks may be distorted, leading to speed limits being imposed, or lines may lose tension leading to power cuts.
To avoid deterioration of this nature caused by climate change, inspections are carried out to ensure that track safety rules are being complied with. In accordance with an RFF-approved framework, special inspections are carried out as soon as the track temperature is at risk of exceeding 45°C to detect any maintenance discrepancies and correct them before periods of hot weather. If the problems identified cannot be solved, specific inspection measures are introduced.

Promoting energy transition and combating climate change – key indicators

Indicators	2012	2013	2014
GHG emissions specific to RFF activities (in TeqCO2)	6,900	NA	NA*
GHG emissions from rail network management -in TeqCO2 -in keqCO2 per furrow-km	354,000 0.65	ND	350,000 0.65
Electricity consumption specific to the national rail network (MWh)	784	783	759
Percentage of trains with electric traction (%)	77.1	77.4**	77.3***

NA: Not applicable
ND: No data

* RFF produces its carbon footprint report in compliance with Article 75 of the Grenelle II Act which stipulates that a GHG emissions report must be produced every three years.
** By activity: TGV (high speed trains): 100%; TGL (main line trains): 80.9%; TER (regional express trains):55%; Transilien: 96.9 %; Freight: 74. 6%
*** By activity: TGV (high speed trains): 100% - TGL (main line trains): 81% - TER: 55% - Transilien: 97% - Freight: 75% (Provisional December data)

2.2.4 Preserving biodiversity and improving our environmental footprint

The policy of preserving biodiversity in France is based on two goals:

- strengthening the protection of natural habitats;
- limiting the deterioration of habitats and the disruption of species.

RFF is particularly interested in preserving biodiversity. Railway lines can modify the ecological continuity of the surrounding environment and reduce contact between species. However, they can also serve as ecological corridors, or provide refuge or a passing place for certain species. As a socially responsible, public corporation, RFF places ecological performance at the heart of its new rail track projects and management of the existing network. As this is often a local or regional issue that benefits everyone, and because it is possible to strike a balance between railway projects and protecting biodiversity, RFF has made the latter one of its key goals across the entire network and the main focus of all RFF projects to upgrade the existing rail network or develop new lines.

Focus: RFF Languedoc Roussillon regional office wins the "*Infrastructures pour la Mobilité et Biodiversité*" award ("Infrastructures for Mobility and Biodiversity") for its Vidourle River fish ladder project

On 8 October 2014, the Languedoc Roussillon regional office was awarded first prize at Lyon EUREXPO in the "Environmental Engineering" category for its stone fish ladder project under a railway bridge crossing the Vidourle River. The project was completed in September 2014.
The prize, created in 2010 by the IDRRIM, is awarded each year to the best projects for mobility infrastructure design, construction, maintenance, layout, reclassification or use. The project must also focus on preserving, restoring or promoting biodiversity and the surrounding ecosystems.
The jury, chaired by Mauricette Steinfelder (a permanent member of CGEDD – Departmental Council for the Environment and Sustainable Development), comprises recognised experts in infrastructure mobility and the environment. Awards are given to the best projects in the following seven categories: Ecological Continuity, Environmental Engineering, Biodiversity and Landscaping, Raising Awareness and Communication, Clever Initiatives, International Initiatives and Research Theses.

2.2.4.1 Incorporating biodiversity into all projects

For the company, considering the environment as part of its studies for railway projects involves an iterative process of dialogue, consultation with all services, specialists, experts in the field in keeping with the definition and design of the project, with increasing scales of accuracy. As the infrastructure manager and project owner, RFF focuses primarily on avoiding impacts on natural settings as of the very start of the design of projects.

This continuous environmental assessment initiative begins with the initial study phases and continues through to the completion of the work and beyond, with a follow-up of the impact and measures taken once the structure is commissioned. At each project step, avoiding areas that are important in terms of biodiversity is a priority. If they cannot be completely avoided, then steps are taken to reduce the project's impact on them, e.g. by building passageways for animals or hydraulic structures for crossing watercourses. As a last resort, steps are taken to make up for any damage caused, e.g. habitats for protected species are created or restored (ponds, management agreements signed with companies to manage natural meadows), trees are planted, or contracts are signed with farmers to adopt farming methods that protect the environment, etc. Some accompanying measures could also, for example, promote sites of ecological interest near to new lines.

The focus on promoting biodiversity extends to concession holders who must agree to comply with the very strict requirements written into their contracts.

These measures are the outcome of 30 years of experience in progress in terms of environmental engineering. In order to integrate a constantly more demanding sustainable development initiative in all of its projects, RFF is also developing its own tools and guidelines in addition to the ones imposed by law (impact studies, socio-economic analysis). Two specific guidelines for the environmental management system on worksites have been drawn up: assessment tool for investments from the viewpoint of their contribution to sustainable development, known as the "RFF investment projects sustainable development quotation" tool, and management plan for investment projects.

RFF is working to make the most of this extensive experience in order to optimise its network modernisation, renewal and maintenance policy while striving to manage, reduce and/or anticipate the risks generated by these industrial activities.

Focus: Research projects to gain a clearer understanding of our environmental impact

RFF, Ecosphère, the French National Museum of Natural History and the CEREMA (Ministry for Ecology) have co-piloted an award-winning research project which was launched after a call to tender organised as part of the National Strategy for Biodiversity. This three-year project focusing on four sections of standard TGV lines helped to fine-tune innovative techniques used to assess the overall environmental transparency of railway lines (combining landscape genetics for a beetle, amphibian and a butterfly, data from indices and trapping photos for terrestrial wildlife and bats), i.e. the impact on several groups of species across the entire network. The results were then compared for all four sections to establish whether or not there was ecological continuity.
The work performed is currently being analysed and the results will be published at the start of 2015. They are expected to show that the railway infrastructure, particularly open sections, make it possible for numerous species to cross the tracks outside areas designed specifically for this purpose, and that the tracks do not lead to the isolation of wildlife populations. These results apply for the species studied in the sectors covered by the project.

Focus: "*Victoire du Paysage*" award for the east-European high-speed rail line (*LGV Est européenne*)

The "*Victoires des Paysages*" awards were created by industry professionals in 2008 to reward clients for their outstanding landscaping projects.

At the 2014 awards ceremony under the patronage of the Ministry for the Environment, RFF received top prize for its "LGV Est" project in the "Predominantly Natural Areas" category in recognition of the quality of its landscaping, environmental protection and measures implemented to guarantee the sustainability of the landscaping via the contracts established for their upkeep.

Three hectares of wetlands have been landscaped around the Marne flood overflow basin, comprising a wet meadow, a dry meadow and a stopover site for migratory species. Since 2009, lesser kestrels, foxes, palmate newts, praying mantis and even emperor dragonfly have been spotted at the site. The creation of these sites to promote and protect biodiversity is a clear example of the Group's sustainable development policy.

2.2.4.2 *Integrating the Green and Blue Belt concept into existing network management*

To decrease regional habitat fragmentation, the state ordered the creation of a Green and Blue Belt (GBF) by end-2012. As the flagship initiative of the Grenelle Environment Roundtable, which aims to halt the decline in biodiversity by preserving and restoring ecological continuity, this initiative is a regional development tool designed to re-establish ecological consistency across the entire rail network to allow plants and animals to move around freely, find food, reproduce and rest.

The canal, railway and energy transport infrastructures that cover the country interact with the surrounding environment. Consequently, they were initially identified as potential sources of regional habitat fragmentation. However, they can also be transformed into biodiversity reservoirs and, in certain cases, into ecological corridors if they are correctly set up and maintained.

RFF's goal is to support implementation of the Green and Blue Belt as and when the environmental requirements fit in with the network's operations. Similarly, it must take into account regional plans for ecological continuity. It must first and foremost assess to what extent the railway infrastructure contributes towards habitat fragmentation or harms ecological continuity. It must then determine how the infrastructure can help provide refuge to certain species, or encourage them to spread or move around.

Several research projects have recently been launched to further examine these two questions, with the medium-term objective of obtaining indicators to assess the impact on biodiversity as accurately as possible. For example, in an effort to further its knowledge of the relations between ordinary biodiversity and the existing rail network, RFF carried out two studies as part of a CIFRE doctoral thesis, one relating to ordinary biodiversity in and around the RFF rights of way along a standard line (TER) and a high speed line (LGV) in the Seine-et-Marne *département*, the other relating to railway rights of way as habitat/hunting grounds for common bats. These two studies indicate that the existing network can be part of a framework for "ordinary" biodiversity depending on the organisms and species present and the surrounding landscape, and that it does not have to be simply a barrier to biodiversity.

2.2.5 Improving knowledge of the environment and promoting innovation

RFF is becoming a major player in environmental innovation through the measures it has introduced in conjunction with local nature conservation associations, or through its involvement in national research projects and partnerships.

As part of their partnership, France Nature Environnement (FNE) and RFF are working together to improve the integration of biodiversity within the existing network and within the rail development projects, to reflect on the stakes and impacts of railway lines on the layout and accessibility of the territories, and to protect the rights of way not used by RFF by giving priority to usage by the railway sector over any other possible reuse.

RFF is also a founding member of CILB (Linear Infrastructure and Biodiversity Club) comprising ERDF, RTE, GRTgaz, TIGF, LISEA, Eiffage Concession, ASFA and VNF. Numerous events occurred in 2014, including:

- The signature of a partnership with the French Natural History Museum (MNHN) to share environmental data.

- The launch of a call for research projects in conjunction with the Ministry of Ecology (ITTECOP programme) and the FRB (Foundation for Biodiversity Research) which has provided support for 16 exploration and strategic research projects;
- A conference organised with the support of IUCN France was attended by 170 participants from a wide range of backgrounds who exchanged their views and discussed possible answers to the question of whether or not infrastructure corridors can also be ecological corridors.

Focus: What contribution is made by linear transport infrastructure and how will it influence ecological continuity?

This is the question that was asked at the conference held at the FNTP (National Public Works Federation) organised on 3 November, 2014 by the CILB and IUCN France (International Union for Conservation of Nature).

France's linear transport infrastructure networks are lined with several hundreds of thousands of hectares of green space comprising ditches, hard shoulders or verges, embankments, banks, abandoned spaces, etc. It is important to examine how these spaces can or could be used to help protect biodiversity, the evolution of animal and plant life and how they can contribute towards helping ecosystems adapt to global change, and if so, on what scale, involving what players and with what means, while ensuring their safe and effective operation.

The conference therefore presented the opportunity to raise this question with ecologists and managers of protected areas and encourage them to mull over this complex and controversial question; they attempted to reach a conclusion as to whether or not transport infrastructure can play some kind of role in ecological continuity. The 170 attendees included biodiversity and environmental experts, researchers, managers of natural areas, NGO environmentalists, regional stakeholders, environmental protectionists, government and public authority representatives and infrastructure management companies. Everyone participated in the question and answer sessions and worked collectively.

Improving its environmental knowledge will also allow the company to invest in more innovative and environmentally-friendly solutions. By taking an environmentally responsible approach to railway development for everyone, RFF is providing access to a method of transport that respects people, the land and the environment.

Improving knowledge of the environment and promoting innovation – key indicators

Indicators	2012	2013	2014
Total environmental provisions (€m)	116.7	115.1	107.5
R&D research projects (number)	21	21	21
Total R&D investments devoted to the environment (€k)	134	342	229

2.3 Social information: striving for excellence in human resources management and development

RFF must focus on staff satisfaction and qualifications. It must invest in employee development programmes to get the most from its one genuine productive resource which has a pivotal role to play in the company's performance.

The Group has taken various measures to put in place a proactive and preventive human resources management approach. In addition, it has taken steps to ensure the rules and principles contained in the Labour Code and the fundamental conventions of the ILO are strictly adhered to, and that the fundamental values of corporate social responsibility (combating discrimination in relation to certain jobs or professions, promoting diversity, improving industrial relations, employee health and safety, etc.) are upheld.

RFF operates in France in compliance with the French Labour Code.

Focus: A framework agreement signed by RFF to support railway reform

The Government has initiated railway reform in an effort to modernise the public service provided, to make it more efficient and less expensive, for the benefit of everyone in France. The reform proposes creating an integrated public corporation that would combine the carrier and the unified infrastructure manager into a single entity with a single management policy, industrial synergies and genuine social unity.
The draft law was presented to the Cabinet on 16 October 2013, and examined by Parliament in the spring of 2014.
The reform proposes the creation of a single infrastructure manager to combine the various companies currently in charge of the infrastructure that are poorly coordinated (RFF, SNCF Infra and the SNCF rail traffic department).

The success of this reform will depend on RFF's ability to ensure that all of its employees fully back the initiative. This means ensuring that everyone has an overview of the project, that their personal safety is guaranteed and their skills are brought to the fore, enabling everyone to play a full role in implementing reform.

With this in mind, RFF management and the three trade union organisations represented within the company (CFDT, UNSA RFF and CFE-CGC) signed a framework agreement on 23 July 2013 to support the current railway reform project. The agreement includes a commitment by management to guarantee and improve RFF's current social framework, safeguard jobs, improve career paths, improve the value placed on skills and improve consultation with employee representative bodies throughout the entire reform period from set-up through to implementation. The agreement also contains provisions for additional support from a social and human resources perspective, including by management, by providing a framework for the secondment of personnel between RFF and SNCF and the working methods that will be implemented during the transition phase. Lastly, a social monitoring service has been set up for the entire transitional period that will enable employees to escalate and handle any difficulties encountered.
In addition to the framework agreement, management unilaterally drew up guidelines on 30 December 2014 for social policy within the group and established a certain number of provisions aimed at dealing with staff switching over to the new *SNCF Réseau* corporation, including help choosing a new position, support for technical/supervisory staff and appointing a staff mediator to deal with specific difficulties or conflicts.

2.3.1 Implementing a proactive policy to promote long-term lasting employment and well-being at work

A company's long-term success depends on the skills and expertise of its staff members and how much effort they invest in the company. It also depends on both sides gaining from the arrangement. RFF strives to offer its employees bright prospects for the future in an environment that promotes professional development.

The Human Resources Department (DRH) supports this strategy by developing the Group's human resources in line with the commitments and priorities set while providing departments with the resources they need (human resources and facilities) to fulfil their tasks and reach their objectives. It draws up and implements an employment and skills strategy that is consistent with the strategic direction taken by the Group in line with the payroll budget set. It oversees industrial relations with the Human and Social Development Department (DDSH), and signs joint agreements.

An initiative to map HR risks was launched in 2013 with the help and methodology of the Audit and Risks Department. The Human Resources and Human and Social Development Departments (DRH/DDSH) merged in 2014 to prepare a common risk control plan.

2.3.1.1 Personnel

As at 31 December 2014, total RFF personnel stood at 1,678 (present), including 111 seconded. The growth rate was maintained in 2014 (approximately 5%), although the company's growth slowed somewhat; this should be looked at in the context of the creation of the unified infrastructure manager.

Over the course of the year, RFF also hired an average of 15 employees per month on fixed term contracts. Seventy-five of the employees hired in 2014 were under the age of 25 (total of open-ended contracts, fixed term contracts and secondments) while 33 were over the age of 50.

Given their low numbers, layoffs are not a major issue for RFF.

Focus: Job maintenance agreement

Group management signed a framework agreement on 23 July 2013 to maintain all employees in employment for the entire term of the agreement. It was signed in light of the unknown legal, organisational and social implications of the ongoing changes in the railway sector. This means that no change to the organisation made as part of the railway reform project, even for experimental purposes, and leading to a change in the employment contract, can be imposed on an RFF employee. This includes possible contract terminations, geographical mobility or a change in job function.

2.3.1.2 Compensation

In terms of compensation, RFF aims to be fair, transparent and clear in relation to all employees' salaries.

General and individual salary increases are carried out on a regular basis. In 2014, Group management decided to help the lowest paid staff members by awarding them a general increase on top of individual annual pay rises. It prepared a wage policy based on the following principles:

- A budget of 0.7% for eligible staff members earning a gross salary of less than or equal to €35K on 1 January 2014;
- A budget equivalent to 1% of the payroll set aside for the directors on 1 April 2014 to be distributed at their discretion to award individual pay increases and reward performance based on results targets met. In 2014, 91% of those eligible received a pay rise;
- A GPEC (forecast for jobs and skills required) budget set at 0.5% of the total payroll managed by the Human Resources Department earmarked for promotions and a wage gap reduction policy.

Individual performance is compensated by means of a salary supplement. Approximately 180 employees (senior executives and department heads in the regional offices) are also eligible for a variable salary paid on the basis of individual performance targets being met.

The collective performance of all employees is also rewarded through profit sharing. The third profit-sharing agreement was signed by labour and management representatives for the 2012-2014 period. The amount of profit sharing in 2014 was 3% of the 2013 gross annual salary figure.

The reduction in wage gaps for two employees or a man and woman doing the same job is one of RFF's objectives included in the agreement on gender equality that was signed by labour and management representatives in 2012.

Promotions are accompanied by wage increases spread over time as and when the new position is taken on.

Focus: company savings scheme

This agreement, signed on 23 December 2011 between RFF and the trade unions (CFDT, CFE-CGC, UNSA RF) for an indefinite term, allows the employees to set up a medium or long term savings plan (PEE or PERCO) with matching contributions from the company. It outlines the general and specific terms for opening or adding to the accounts, as well as the matching contribution rates.

All RFF employees and their dependents are covered by life insurance and healthcare insurance.

2.3.1.3 Employment relations

Group management has always stressed the importance of a sound employment relations policy. Open discussions between labour and management representatives based on a relationship of mutual trust along with the allocation of suitable resources to staff representatives has made it possible to establish a constructive partnership to support the Group's economic and social development. This situation formed the backdrop to the railway reform outlined in the Act of 4 August 2014.

The procedures used to inform or consult the Works Council (CE), the Workplace Health and Safety Committee (CHSCT), the collective bargaining agreements signed during the period and the Chairman's unilateral commitment at end-2014 are all proof of the policy's success.

Agreements signed with trade union organisations

The quality of the Group's industrial relations can be measured by looking at the agreements signed with trade union organisations.

In-depth talks were held with the trade unions in 2014 regarding the issues surrounding the creation of the new Group. This led to the signature of an agreement between management and the trade unions regarding the availability of SNCF staff in addition to the legal terms outlined in the collective bargaining agreement signed.
Furthermore, a commitment made by the Chairman on 30 December 2014 aims to protect individual positions, increase the resources available to staff representatives in a tougher social climate to enable them to play a full and active role in the decision-making process, and introduce new measures on an ad hoc basis, e.g. the appointment of a staff mediator, support for technical/supervisory staff, etc.

Works Council

The importance of the role played by the Works Council was also reiterated in the framework agreement of 23 July 2013. This agreement significantly bolsters the Works Council information and consultation procedures if there is a minor change within the organisation, or if tests or preparatory workshops were to be carried out prior to railway reform. The resources set aside for the information/consultation process in relation to the creation of the new Group were increased until the next round of Works Council/Employee Representative elections to give the Works Council the necessary time and resources required to fully comply with its designated economic, financial and social responsibilities.

Health, Safety and Working Conditions Committee (CHSCT)

The Health, Safety and Working Conditions Committee (CHSCT). Although this type of Committee is only compulsory if a company boasts 50 or more employees, each RFF establishment (head office, the building where head office departments are located, the Île-de-France regional office and the 11 other regional offices) has had its own CHSCT since 2009.

A Coordination Committee was established in 2014 to improve employment relations as part of the railway reform and enable the 13 Committees to improve the coordination of their tasks. It will continue to fulfil its remit in 2015.

2.3.1.4 Well-being at the workplace, a major goal

For the company, quality of life at work is closely related to employee health. The general policy rolled out by the Group aims to bring about a constant improvement in employees' working conditions, and more generally in their "well-being" at the workplace.

Organisation of working hours

Twenty-seven days of paid leave are allocated per year. According to the agreement on reducing and adapting working hours signed by RFF and the trade union organisations in 2002, amended in 2012 (for an indefinite term), reducing the number of working hours applies to all RFF personnel except senior executives.

The reduction in the number of working hours is calculated on the following basis:

- the number of working hours per year is 1,583 hours (instead of the legal maximum of 1,607 hours); employees can choose to work 37 hours and 17 minutes per week or 38 hours and 20 minutes per week (if they select this option, they are awarded 6 days off as compensation).
- regardless of the weekly hours chosen, every employee has 10 "RTT" (reduction in working hours) days off per year;
- the company closes for two days per year.
-

This results in a total of 45 days of paid leave excluding special days off for family events, which are listed in the collective bargaining agreement.

Finally, it should be noted that employees have a certain degree of flexibility regarding their timetable. There are two time slots: they can start work between 7:30am and 10:30am and leave between 4:00pm and 7:30pm (or between 3.00pm and 6.00pm on a Friday or days before a public holidays).

Part-time work

Of the 1,678 employees in 2014, 106 had chosen to work part-time. The Parenthood Charter signed in May 2009 underlines the company's goal of providing support for parents. The company approves all requests for part-time work submitted by a mother or father to take care of one child or more.

Teleworking

Pursuant to the company policy in favour of the quality of life at the workplace, and following on from a telecommuting experiment carried out in 2013 to measure the impact of this new organisational method on improving the working conditions of RFF employees, a teleworking agreement was signed on 20 March 2014 that came into effect on 4 April 2014. Based on the positive results of six months of teleworking (enhanced performance, improved quality of working life), the signatory parties agreed to make some changes to the initial agreement, which resulted in another agreement being signed on 30 December 2014.

Staff immediately embraced this new policy, with many asking to benefit from it. In the first month, 58 requests were made, falling to an average of between 12 and 20 per month thereafter.

The agreement enables workers to work from home for one or two days per week (or three days if justified by a doctor's certificate). Half-days are authorised for staff working four-and-a-half day weeks. They are authorised to telework on their half day if they so choose, and can telework one day every two weeks.

Managers must authorise teleworking requests, and an interview must be held to establish the formalities and record the manager's official response. Once the manager approves the request, he/she must hold a meeting every six months with the staff member.

Disabled workers can request authorisation to telework if their working conditions would be improved as a result. The company doctor, manager for disable staff and teleworking manager must deal with this type of request.

Lastly, teleworking can be used occasionally to deal with certain medical situations. For example, a member of staff can ask for permission to work at home for up to five days over a maximum two month period if he/she is recovering from illness (company doctor's authorisation required) or if they wish to provide support to a member of their family during a hospital stay, for example. In both cases, travel to and from work is no longer necessary. Five staff members were able to take advantage of this scheme in 2014.

Focus: Teleworking: improving staff's well-being and overall company performance

This agreement, which made immediate teleworking possible for RFF staff members, outlines the principles for its successful implementation:

- Eligibility criteria for staff and job functions/business areas;
- Procedures for approving requests, particularly the line manager's role;
- Boosting awareness of the teleworking policy to improve staff's knowledge of the scheme and minimise misconceptions or misunderstandings;
- Training teleworkers and their managers as soon as teleworking begins;
- Close monitoring of the teleworking scheme.

To ensure the scheme is a success, a significant amount of effort has gone into outlining the support procedures for teleworkers and their managers covering:

- The meetings that should be held between teleworkers and their managers, particularly midway through the teleworking period, to ensure the work is organised properly;
- The compulsory training sessions that teleworkers and line managers must attend before teleworking begins when it represents a significant change in working practices and management approach;
- The email address for specific use by teleworkers, line managers and teleworking managers for communication purposes (teletravail@rff.fr);
- Information and discussion forums on the "Gateway" (*Passerelles*) site, and two "Discussion Thursdays" for teleworkers and managers to meet and discuss specific teleworking issues. Line manager working groups have also been set up to deal with any difficulties that may arise.

A procedure for monitoring the implementation of teleworking has also been set up as part of the agreement:

After six months of teleworking, the advantages are clear in terms of the improvement seen in staff performance and the quality of working life it offers. Following on from this successful start, the decision was taken to improve on some of the points outlined in the 28 March 2014 agreement and to modify some of the provisions.

One hundred and fifteen employees currently benefit from teleworking arrangements and more are set to joint them in 2015.

Both teleworking employees and line managers have sung the praises of this new policy. Teleworkers feel as though they have been given greater responsibility. They feel more autonomous and free to organise their own work as they see fit. Managers also appreciate the greater work-life balance offered by teleworking and point to the improvement in individual performance and the better quality of work produced.

Focus: Internal barometer throughout the entire railway reform period

The internal barometer is an integral part of the social monitoring system in place within the company. As part of the railway reform process, RFF's management has promised to meet with social representatives on a regular basis, particularly as per the conditions stipulated in the railway reform framework agreement of 23 July 2013 which applies to the period of transition to a single unified management structure.
Throughout 2014, the social and human resources development department set up an internal barometer for RFF along similar lines to the barometer set up in September 2012. Some of the original questions were maintained to make it easy to quickly identify any major differences.

The 2014 barometer was rolled out in three stages (February, June and October). Some eight hundred staff were surveyed (1/3 of HQ staff and all regional office staff). Inergie, a company that specialises in conducting in-house surveys, set up three groups to ensure that a representative sample of staff was consulted and to measure the change in results throughout the entire duration of the process.

A questionnaire comprising 30 questions was sent by email to participants. The questions covered ground already covered in 2012, with a particular focus on areas that may have been affected by the current changes taking place, namely:

- Work on a daily basis
- Professional development
- Relationships with line managers
- Opinion of the changes occurring within the company
- Internal communication

The results were distributed to all directors and led to several steps being introduced, particularly in communication, the results of which have been measured.

2.3.1.5 Work-life balance, a major goal

RFF strives to ensure that working conditions are optimal and sustainable to ensure employees are comfortable and satisfied on a daily basis and that they can strike the correct work-life balance.

To this end, the trade unions and RFF signed an agreement on working hours and work-life balance in November 2011. The agreement includes time off to compensate abnormally long travel between home and the workplace, a new organisation in relation to meetings scheduled, as well as other measures such as more days off for family events to support employees with disabled or ill relatives. This agreement also includes an innovative measure in favour of parents, with paternity leave raised to 31 days compared to the legal maximum of 11 days.

The Charter on email use at the workplace establishes rules for correct use of email to encourage more personal contact and more group work to bring about an overall improvement in working relations. This Charter was published in September 2013 and given to all RFF employees, in response to:

- management's commitment as part of the company agreement of 22 November 2011 on working hours and the work-life balance, which issues a reminder that emails must only be sent outside of working hours for very urgent matters only and must not leave the employee in a difficult position if he/she is unable to reply;
- the recommendation from employee healthcare specialists after a survey carried out in 2011 on the use of email within RFF.

The goal is to raise employees' awareness of the issues at stake and to encourage a change in behaviour. It is a preventive measure used by many companies as part of their employee healthcare policy.

2.3.1.6 RFF is continuing the fight against casual employment

Of the company's 1,678 employees on 31 December 2014, 106 were on fixed-term contracts (CDD). The policy against casual employment resulted in 30 fixed-term contracts being transformed into permanent contracts, as well as limited recourse to temp work, with a 13% decrease in the average number of temp workers between 2013 and 2014.

Implementing a proactive policy to promote long-term lasting employment and well-being at work – key indicators

Indicators	2012	2013	2014
Total number of employees at 31/12	1,495	1,600	1,678
Breakdown of staff by qualification • Executives • ETS (Employees, Technicians and Supervisors)	 1,255 240	 1,364 236	 1,437 241
• Geographical distribution of staff • Paris • Region	 905 590	 976 624	 1,035 643
Share of part-time personnel (%)	6.29	6.06	6.32
Number of resignations	44	30	30
Personnel expenses (€m)	114.8	123.1	121.2
Number of ordinary Works Council meetings during the year	14	11	11
Number of extraordinary Works Council meetings during the year	ND	4	8
Number of ordinary meetings of the 13 CHSCT	52	52	52
Number of extraordinary meetings of the 13 CHSCT	11	8	15
Number of meetings with personnel delegates	109	143	137
Number of meetings with trade union delegates	21	24	21
Absenteeism rate (%)	2.28	1.77	2.92

* The method used to calculate the rate of absenteeism is based on the number of calendar days of absence for illness divided by the annual number of staff multiplied by the number of theoretical working days multiplied by 100.

2.3.2 Implementing a comprehensive policy to manage physical and psychosocial risks

The overall prevention policy for professional risks is intended both to prevent physical risks and psychosocial risks (stress, resulting illnesses, etc.), to ensure the safety and protect the physical and mental health of employees, while improving their conditions at work.

2.3.2.1 A comprehensive policy for employee health and safety

As indicated in the relevant legislation, each company's Assessment of Occupational Hazards documents (DUERP) are updated on a regular basis to maintain a clear overview of the risks faced by RFF employees and to adjust the related action plans if necessary.

In addition to helping update the DUERP, the DDHS supports management's organisational strategy and provides assistance with any changes implemented. In 2013, administrative and financial services managers were trained in how to fill out DUERP forms to ensure that supervision of this initiative by regional managers is as close as possible to the establishment director.

In compliance with the applicable regulations and working with the CHSCT, staff are trained in the use of safety procedures and first aid.
They can become First Aid Officers (EPI) or Work Safety Officers (SST), and each site has a dedicated officer.

No occupational illness has been identified at present. The agreements signed with the trade unions or employee representatives covering employee health and safety involve:

- how the CHSCTs are organised, with the signing on 21 February 2013 of an amendment to the collective agreement.
- work-life balance, with the November 2011 agreement relative to working hours and work-life balance.

2.3.2.2 Preventing psychosocial risks

Measures to prevent psychosocial risks

Psychosocial risks and their prevention have become a major concern in the field of psychological health at the workplace, as reflected in the addition of the regulation on psychological harassment to the French Labour Code. This raises many relational, behavioural and organisational questions that are difficult to judge due to their subjective nature and varying impact on individuals or groups, making it difficult to assess, prevent or take action against this type of problem.

In compliance with Article L. 232-2 of the French Labour Code, RFF has prepared a Single Safety Document (DUS) for each of its sites (head office and 12 regional offices) outlining the professional risks, existing measures in place and areas requiring improvement.
In 2012, the company launched an initiative involving the participation of employees at all 13 sites. The aim was to prepare a list of the psychosocial risks to which employees are exposed and draw up a methodology to establish a common approach for assessing and describing the risks outlined in the DUS in order to produce a diagnosis and action plan for each site.

In 2013, the very first policy for preventing psychosocial risks was finalised for all RFF companies. Overseen by the Human and Social Development Department (DDSH), the policy was rolled out in two phases. Risk and protection factors are assessed first of all and then a prevention plan is implemented. This plan, designed to introduce corrective measures, is established on four main principles:

- helping employees understand why they have been assigned certain tasks and providing them with support to complete them;
- regulating employees' workload and improving working conditions;
- acknowledging and developing skills;
- anticipating crisis situations and establishing social ties.

This work was carried out by groups representing the various business units, to ensure that the process was based on discussions between employees and their managers and that a satisfactory cross-section of employees took part. In 2014, each site's action plan was presented to the CHSCT.

Implementing a comprehensive policy to manage physical and psychosocial risks – key indicators

Indicators	2012	2013	2014
Frequency of accidents at the workplace or when commuting	4.66	6.58	4.98
Seriousness of accidents	0.02	0.003	0.025

2.3.3 Supporting career development, training and internal mobility

2.3.3.1 Career guidance for employees

RFF works on a daily basis to ensure that the entire workforce is striving to reach the sustainable development goals set for the company as a whole. It is gradually helping employees to adapt to the industry's changing requirements to ensure that they have the requisite skills to cope with new challenges over time. To this end, the Group relies on a proactive social policy based on the performance and professionalism of its employees, as well as promoting openness and diversity.

2.3.3.2 From HR management to skills-based management

The company places a significant amount of importance on quality of life at the workplace, training, support for change and team management. In particular, RFF invests significantly in maintaining and developing employee skills as part of its professional development policy, the cornerstone of which is the 2010 agreement on forward planning in jobs and skills to support the change in RFF's business lines, anticipate skill requirements and provide each employee with a clear view of possible career paths in relation to the changes driven by railway reform.

2.3.3.3 Customised career and talent management

The "Cassiopée" HR information system is used to manage employee training and annual appraisals, career development interviews, as well as professional interviews (career interview coordinated by staff that oversee the various career paths within the company) and "professional passports" (company CV). A recruitment module was added in 2013 to provide access to internal jobs. The system can also send out email alerts to employees if and when new jobs in their field of interest become available.

The company launched a skills/job function initiative to provide each employee with motivating career prospects, while responding to new employees' aspirations, dealing with the appearance of new business lines and encouraging longer careers. Job functions are now organised into 34 benchmark occupations and 87 standard jobs to more clearly identify job descriptions and career paths, encourage internal mobility and career progress.
The introduction of the agreement on forward planning in jobs and skills meant that the company was able to play catch up during a three-year period and improve on its historically weak performance in terms of employee promotions. An executive promotion programme was also introduced on 31 December 2012.

Several measures are in place to promote access to training, including training schemes, individual training entitlements, professional orientation courses, skills certification programmes, individual training leave and individual skills appraisals. The internal mobility intranet site contains:

- up-to-date information on internal job offers;
- a detailed description of each offer (tasks, profile required, location, etc.);
- a search engine by keyword, contract type and business line;
- a mobility alert enabling employees to receive offers by email corresponding to their search criteria.

Job offers are advertised on various websites (www.rff.fr, Monster, Keljob, APEC, etc) to optimise the external recruitment process.

Focus: Mobility between RFF and SNCF

In 2014, internal mobility between RFF and SNCF increased (in 2013, 18 RFF employees moved to SNCF and 32 SNCF staff switched to RFF), with 104 staff members taking advantage of the policy: 67 moved from RFF to SNCF and 37 from SNCF to RFF, reflecting the preparations underway for railway reform and the creation of SNCF Réseau.

2.3.3.4 Significant investment in training

By developing its training programme and offering long-term career paths to employees, RFF is helping to safeguard the company's long-term performance while boosting efficiency, job satisfaction and individual/collective career progress.

Efforts have been stepped up in the last five years, including the launch of two three-year training programmes. In 2014, €5.4 million was invested in training, up 108% on 2010. The total number of training hours increased by 72% on 2010, equivalent to 45,000 hours of training.

Internal training programmes more than tripled (up 244%), rising from 50 training courses at end-2010 to 172 at end-2014.

To capitalise on in-house knowledge and boost employee cohesion, a significant portion of training (almost 30%) is provided by current employees. The number of internal trainers quadrupled from 20 at end-2010 to 80 at end-2014, proof of the significant levels of motivation among staff to pass on their knowledge to co-workers.

The number of internships soared by 127% from 1,543 at end-2010 to almost 3,500 at end-2014.

New arrivals follow a comprehensive training programme, starting with an introduction to basic facts (institutional and European environment, overview of corporate business and financial situation, basic railway and sales training, etc.) through to certified training in how to manage construction projects (in partnership with the *Ecole Nationale des Ponts et Chaussées*). Employees can develop their skills in a wide range of areas throughout their career. The Group training catalogue contains 172 different courses in the following fields: law, administrative skills, finance, railways, languages, IT tools, management and personal development. In 2014, 67% of employees received training.

The company is also taking steps to develop management training through customised, tailor-made programmes (management workshops with 6-8 participants), seminars and personalised coaching.

Supporting career development, training and internal mobility – key indicators

Indicators	2012	2013	2014
Number of annual training hours provided (h)	37,578	44,026	45,000*
Share of the payroll devoted to vocational training (%)	5.86	5.96	5.96*

* Estimated data. Training data is consolidated in July and communicated to the Works Council in September.

2.3.4 Promoting diversity and equal opportunity

The company is strongly committed towards promoting diversity in the form of multiple employee profiles, backgrounds and career paths. It also champions gender equality, an executive promotions programme, disabled workers' programmes and support for younger and older staff members.

The company has launched a programme for older staff members in compliance with regulations (Social Security Budget Bill). For the last three years, it has also run a scheme called "*Réseau J*" that provides four days for younger workers to discuss topics that affect them specifically. It is aimed at the 25-30 age group and is for employees that have been with the company for at least two years.

With 83 interns and 20 students on work placement schemes in 2014, RFF is also playing its part in the efforts being made to train and include young people; most trainees are engineers. Ninety per cent of the students on work placement schemes receive a diploma (tertiary level or masters students or engineering students).

RFF is taking steps to reduce the wage gap between male and female employees in identical positions, a goal outlined in the equal opportunity at the workplace agreement signed in 2012 by labour and management representatives.

The company is making an effort to improve the salaries of the lowest paid workers. The ratio between the average 10% of the highest salaries and the average 10% of the lowest salaries stood at 4.06 in 2013 compared to 4.39 in 2012 (2014 figure not yet available). In 2014, employees earning an annual gross salary of less than or equal to €35K on 1 January 2014 were awarded a 0.7% increase.

Focus: The national "Jobs for the Future" Programme within RFF

A framework agreement relating to jobs for the future introduced by the Act of 26 October 2012, which aims to help young people with little or no qualifications or that live in less well-off areas to join the labour market, was signed on 13 November 2013 by RFF. It provides for the recruitment of 15 young people as part of this Programme. By providing tailor-made support, training certificates and professional qualifications, the Programme aims to provide these young people with long-term employment. One contract was signed in 2013, and four in 2014.

2.3.4.1 Reasserting the commitment to gender equality at the workplace

The company is continuing the efforts initiated in the last few years to improve the staff gender mix, employ more women and change attitudes by updating its gender equality policy.

The agreement on gender equality signed on 1 October 2012 sets out clear and specific targets for female applicants, as well as access to executive and management positions. The agreement also calls for other measures to reduce the male-female wage gap or for employees doing identical jobs, to recruit more women (HR must put forward at least one female candidate for every job opening) and to promote more women to executive positions.

RFF will strive to gradually change the composition of its Board of Directors that currently includes 13 men and 5 women to bring it into line with the provisions of Act no. 2011-103 of 27 January 2011 relating to balanced male-female representation at Board level and gender equality at the workplace, once these laws take effect. Each year, the Chairman reports to the Board of Directors concerning the Board's composition, compliance with the principle of balanced male-female representation at Board level, the conditions for preparing and organising the Board's work, and the internal controls and risk management procedures set up within the company.

2.3.4.2 Supporting the employment of disabled workers

Since 2008, the company has focused on hiring and nurturing disabled workers to ensure their long-term employment. It has also taken steps to raise awareness of disablement among staff members as stipulated in the company's collective bargaining agreement of 22 April 2009 in keeping with the spirit of the Act of 11 February 2005 by which RFF must ensure that 6% of its employees are disabled.

On 28 June 2013, RFF management and trade unions signed a new collective bargaining agreement in favour of disabled workers. This agreement consolidates previous agreements and steps up the efforts taken so far. The company is aiming to have 4.5% disabled staff members by 2015.

To this end, a five-pronged action plan has been introduced. In particular, it serves to strengthen the support for disabled workers, by ensuring that they will be able to put their skills into practice, with appropriate arrangements if necessary. It includes guarantees that they will not lose their job, particularly if their disability is discovered or deteriorates while they are employed by the Group.

An amendment to the agreement aimed at improving disabled employees' access to teleworking, and organising their working hours to better suit their requirements was signed in September 2014. Twenty per cent of disabled employees have taken advantage of the teleworking policy.

In 2014, in compliance with the company agreement, 3 people were hired on open-ended contracts and the total number of disabled workers in 2014 stood at 50.

In addition to this policy, the company has signed a partnership agreement with the GESAT non-profit organisation to help more disabled people into work.

Focus: Disabled workers and solidarity-based markets: RFF joins forces with the GESAT network

The GESAT network, which signed an agreement with RFF on 10 March 2014, provides assistance in launching calls to tender, i.e. it provides access to a database, market analysis, helps draw up the specifications and provides assistance in putting the tender process online.

Companies that form part of the GESAT network can provide the following services: meal trays, room rentals, document indexation/scanning, audio-visual production units, mailshots/email campaigns, disposal of electrical/electronic waste. The GESAT network boasts 2,000 companies in the protected sector: 1,400 ESAT (organisations that help disabled people back to work/work-based support centres) and 600 EA (sheltered workshops).

This partnership complies with the commitments made by general management in the agreement concerning the employment of disabled workers.

Lastly, to raise employees' and managers' awareness of this issue, a diversity training programme has been drawn up with the help of several RFF interest groups. This awareness day is part of the 2015 training programme and is part of the more general aims of improving the quality of working life and fighting discrimination.

Focus: Disabled workers' week

RFF once again placed the focus on disabled workers by holding a disabled week from 14-23 November 2014. Videos about the working day of disabled staff members were shown, with a particular focus on invisible disabilities, which are still relatively unknown. The videos won awards at two corporate film festivals.

Promoting diversity and equal opportunity – key indicators

Indicators	2012	2013	2014
Male/female ratio within total staff (%)			
• Female	45.0	45.4	46.2
• Male	54.9	54.6	53.8
Male/female ratio within executive staff (%)			
• Female	31.1	32.3	33.3
• Male	52.9	52.9	52.4
Male/female ratio within employees/technicians/supervisors (%)			
• Female	13.9	13.1	12.9
• Male	2.1	1.7	1.4
Number of workers with disabilities	44	46	50
Portion of salaried personnel with a disability (%)	3.4	3.3	3.4
Number of employees < 25	28	15	20
Number of employees > 50	253	313	336

3 Extra-financial reporting

3.1 Methodology

3.1.1 Regulatory environment

RFF decided to report its annual results relating to social, environmental and societal responsibility as of 2012 despite the fact that the implementing decree of Article 226 of the Grenelle II Act applicable to public corporations and companies had not yet been published. As RFF issues securities on a regulated market to manage its debt, the company has already decided of its own accord to prepare a report on the impact of its activities under the format stipulated in Article 225 of the Grenelle II Act.

This voluntary initiative reflects RFF's desire to carry out its industrial and commercial activities while pursuing progress and sustainable development goals. Lawmakers have identified RFF as a major player in sustainable development. Article 1 of the Act of 3 February 1997 that established RFF states that its purpose is "*the development, harmonisation and enhancement of the national rail network, while adhering to the principles of public service and promoting rail transport in France, while supporting sustainable development*."

Following the adoption of the Railway Reform Act no. 2014-872 of 4 August 2014, according to which SNCF, SNCF Réseau and SNCF Mobilités form the basis of the public railway group within the national railway system, this report is the last to be published by RFF as a statutory corporation. We have included as much information as possible concerning the factors that will make the transition between Réseau Ferré de France and SNCF Réseau possible.

3.1.2 Reporting principles

RFF's social, environmental and corporate societal reporting initiative is based on the reporting requirement indicated in Articles L. 225-102-1 and R. 225-104 to R. 225-105 of the French Commercial Code. It is inspired by international standards and norms, notably:

- the transparency principles of the Global Reporting Initiative (GRI 3) that RFF has used as a reporting framework since its 2009 sustainable development report.
- ISO 26000 standard on the Societal Responsibility of Organisations.

3.1.3 2014 initiative

By including a CSR section in its management report in compliance with the Grenelle II Act, RFF is now making its data available for verification by independent third parties while responding to demands for greater transparency vis-à-vis its CSR performance.

RFF has presented the data as truthfully as possible, selecting indicators that comply with the following three criteria:

- *materiality:* impact of the indicator on RFF's strategy and financial health;
- *sector specifics:* illustration of issues specific to the sectors and to RFF itself, with sector-specific initiatives;
- *stakeholder expectations:* degree of expectation of the stakeholders, particularly from the viewpoint of civil society.

Every corporate department took part in the initiative, helping to:

- select the quantitative and qualitative information to be reported;
- prepare a reporting protocol to guarantee data quality and traceability;
- draft the CSR section of the management report.

3.1.4 Governance of the initiative

The 2013 governance review of non-financial reporting was carried out by a steering committee comprising RFF deputy directors general or their representatives and CSR representatives appointed by members of the steering committee in their particular field of competence. A specific governance process to work on setting up a reliable, sustainable and reproducible reporting procedure was approved by a committee meeting (CNC) of the single unified management structure on 12 November 2013.

As the details to be included in the reporting process and the procedure for collecting them were clearly outlined in 2013 through this specific process, a proposal was made to update qualitative and quantitative data at beginning-2014. This approach was approved by the members of the general management committee to maintain continuity in 2014 and ensure the ongoing involvement of internal stakeholders, including senior management.

Governance of the 2014 management report is therefore based on:

- **a project team in charge of supervising the initiative**, outlining the scope and information to be reported by the CSR representatives for each business unit (depending on availability and relevance), organising and coordinating their work, defining the scope and consolidating the social, societal and environmental data to be reported.

- **CSR business unit representatives** coordinating the business units, overseeing those in charge of establishing, calculating and collecting indicators within their area of expertise ("benchmark forms") as well as the parties responsible for writing the management report.

Appointed by the steering committee for 2013, the CSR business unit representatives (contributors and/or validators) are responsible for establishing one or more indicator within their domain, and for its traceability. It is up to each CSR representative to involve the appropriate or interested parties.

3.1.5 2013/2014 calendar

- 21 November 2014: presentation of the policy approach by the general management committee-launch

- 24 November 2014: launch of the initiative framework memorandum sent to CSR representatives.

- 5 December-15 January 2015: collection of quantitative and qualitative data

- 2 February 2015: approval of the report by the executive committee and presentation to employee directors on the executive board
- 4 February 2015: approval by the statutory auditors

- Audit Committee approves the financial statements and management report of 17 February 2015.

- Board of Directors for approval of the financial statements and management report on 19 February 2015.

3.1.6 Data collection process

Each indicator has an associated contributor who collects, verifies and consolidates the data within his/her reporting scope. The indicators then undergo a first validation by the validator in charge of producing the indicator for his/her activity.

Quantitative and qualitative data were collected over seven weeks in December and January, using an Excel file collection grid provided to the validators by email or via the network.

All data is collected and consolidated centrally by the administrator in RFF's Environment and Sustainable Development Department, who checks the data for consistency, as well as compliance with the calculation methods and the reporting scope.

The protocol establishes checkpoints along the Contributor-Editor-Administrator chain to limit the risk of error when data is transferred, thereby increasing the reliability of the indicators produced. All of the participants in the reporting initiative will be provided with a copy of the document for each reporting period.

Data history and changes

When collecting data, the validator must inform the general consolidation supervisor of any change in methodology that could influence the comparability of the reported data from one year to the next, any event that may have an impact on the reported data, or any other information required to assess the data's quality.

Data is presented over three years. Where appropriate, comments are provided to explain a change (e.g. discrepancies or stability).
For some indicators, the scope may have changed compared to 2012, or data may not be available. If this is the case, particularly for new indicators, data from 2013 or 2014 will be used as the benchmark going forward.

Specific methodology for certain indicators

Greenhouse gas emissions

The Greenhouse Gas (GHG) assessments intended to comply with the company's obligations under Article 75 of Act no. 2010-788 of 12 July 2010 and conveyed to the prefects in December 2012 were produced on the basis of 2011 data. The GHG emissions report for activities specific to RFF (head office and regional offices) was produced in compliance with Article 75 of the Grenelle II Act on scopes 1 and 2 (mandatory) as well as on certain elements of scope 3 (optional): purchasing, freight, real estate, waste, travel (residence-work/professional/visitors).

Emissions are calculated in compliance with the methodological guide published by the Ministry for Ecology, Sustainable Development, Transport and Housing.

The emission factors used are taken from the Carbon Database (Base Carbone®) or, failing that, from recognised national sources. The list of these factors is available in the emission inventories published on the Internet site.

Greenhouse gas emissions in 2014 by the national rail network are mentioned in this report based on:

- activities specific to RFF;
- activities carried out by SNCF Infra (including DCF) on behalf of RFF as part of network management (excluding possible investment operations);
- electricity purchased by RFF to offset losses in the IFTE (1).[7]

Data on consumption

The consumption of water, electricity and natural gas can be assessed by reading meters or based on amounts invoiced. Should none of the above data be available, the previous year's value is used as a last recourse.

[7] Fixed electric traction installations

Accidents involving individuals

According to the terms of Article 17 of Decree no. 2006-1279 relating to the information requirements of the national rail network infrastructure manager, RFF produces an annual report on the safety activities of RFF, the delegated maintenance manager and DCF. This annual safety report, prepared in compliance with Article 18 of Directive 2004/49/EC of the European Parliament, is sent to the EPSF before 30 June. NB: Data on accidents at the time of the February publication of the present report must be considered as provisional.

Internal training

Training-related data is consolidated in July for communication to the Works Council in September. Data on training at the time of the February publication of the present report must be considered as provisional.

Absenteeism rate

The method used to calculate the rate of absenteeism is based on the number of calendar days of absence for illness divided by the annual number of staff multiplied by the number of theoretical working days multiplied by 100.

Number of minutes lost by rail companies on the national rail network

The Performance Improvement System (PIS) indicator, which keeps track of the number of minutes lost per 100 km, is measured for the infrastructure manager and the rail companies included within the PIS scope over a reference period of 12 months (1 July year-N - 1 to 30 June year-N).

Financial indicators

The reporting methodology for financial data is outlined in detail in the consolidated financial statements as at 31 December year-N, in Note 3, “Summary of the accounting and assessment principles and methods” in the financial report.

3.1.7 Reporting scope

General scope

The report relates to all RFF activities likely to have social, environmental and societal consequences, including the organisation of traffic on the rail network, improvements to the network’s quality and appeal (maintenance, modernisation), development of new lines, and management of land and property.

The report should cover all of the activities and sites that RFF controls as owner and manager of the national rail network. However, the separation of legal entities and property that occurred in 2014 between RFF and SNCF, and the allocation of tasks traditionally carried out by RFF to SNCF, has complicated the issue.

In 2012, social, environmental and societal data was reported across the RFF organisational and functional scope, excluding the activities of SNCF Infra and DCF.

In 2013 and 2014, as part of the rail reform and in anticipation of the unification of the infrastructure manager, RFF extended the functional scope of report 225 to include certain environmental and societal data gathered from SNCF Infra within its infrastructure maintenance and upkeep activities. The HR scope remains strictly specific to RFF.
Since 2013, SNCF has shared its new automated sustainable development reporting tools and databases with RFF to harmonise the indicators, processes and tools that will be used by the future unified infrastructure manager.

All of these activities are carried out in mainland France.

Social scope

Social reporting relates to all RFF personnel. In 2014, this included a head office (located at two sites) and 12 regional offices throughout France.

The consolidated HR data for RFF is prepared using the same definitions and calculation bases as the data in RFF's balance sheet and cover all RFF employees.

Environmental scope

In compliance with the Environmental Code, and notably the provisions relating to liability for damages caused to the environment as indicated in Articles L. 160-1 et seq., RFF assumes liability as owner and manager of the national rail network, which includes setting the management principles and goals of the designated infrastructure manager, and supervising delegated tasks (legal and property separation between RFF, the railway infrastructure manager, and SNCF, the historical operator, and the allocation of tasks traditionally carried out by RFF to SNCF).

As part of the rail reform and in anticipation of the creation of the unified infrastructure manager, the functional scope of RFF's 2014 report includes data from SNCF Infra on waste volumes produced (creosote-treated wooden sleepers).
A reliable and relevant indicator on the quantity of raw materials purchased/consumed, including agrochemicals, by the unified network manager is being prepared. The quantities of purchased resources shown below apply to SNCF Infra excluding third-party mandates.

Societal scope

As part of railway reform and in anticipation of the creation of the unified infrastructure manager, the functional scope of RFF's 2013 report includes data from SNCF Infra on inclusive purchases and contracts signed by SNCF Infra on RFF's behalf, including:

- the amount of purchases allocated to the protected sector in the name and on behalf of RFF;
- equivalent jobs obtained by the protected sector for SNCF Infra activities carried out on behalf of RFF;
- the number of social integration hours worked relative to the total number of integration hours contracted by SNCF Infra on behalf of RFF;
- the number of contracts with social integration clauses over the total number of SNCF Infra activity contracts signed for RFF.

These indicators are provided by the SNCF Purchasing Department. Moreover, RFF carries out its own actions in support of the long-term unemployed. Reliable and relevant indicators to report on this are being prepared.

3.1.8 External verification

RFF has tasked its statutory auditors with performing checks to ensure all of the information stipulated in Article R. 225-105-1 is included in the 2014 management report while identifying, if relevant, any omitted information not provided with the explanations stipulated in the third sub-paragraph of article R. 225-105.

If you have any questions, please contact: Developpement@rff.fr.

3.2 Table of the indicators

ND: No data
NC: Not covered
NA: Not applicable

3.2.1 Societal indicators

Indicators	2012	2013	2014
Arrival punctuality rate (within 5 min)	88.3	87.3	88
Number of minutes lost per 100 km by rail operators (RO): - rail operator reasons - infrastructure manager (IM) or external reasons	ND ND	1.95 1.20	1.97 1.19
Investment expenses intended to improve regularity (€m)	27.3	27.4	29
Share of freight commercial proceeds originating with RO other than Fret SNCF	25	38	44
Customer satisfaction (out of 10)	6.2	NC	NC
Investment expenses for major development projects (€m)	2,531.5	4,150.4	2,921
Investment expenses for regional development projects (€m)	708.0	995.2	781
Investment expenses for network compliance upgrades (€m)	121.8	158.3	261
Investment expenses for network renewal and performance (€m)	2,899.6	2,321.2	2,669
Duties and taxes (€m)	81.2	85.5	86.2
Number of accidents involving people on the network: number of persons killed	73	84	66
Number of accidents involving people on the network: number of people seriously injured	37	64	73
Number of accidents involving people on the network: number of suicides	356	288	301
Total safety investments (€m)	57.77	73.8	89
Number of LC on the national safety programme that have been eliminated	4	8	8
Investments devoted to dealing with NBS outside of development and modernisation projects (€m)	8	9	15.2
Land sold during the year (ha)	271	220	438
Land sold during the year to build homes (ha)	8	14	19
Number of homes built	572	1,173	1,061
Number of social housing units built	352	606	373
Kilometres of lines closed during the year that have been the subject of right of way protection (%)	65	67	91
Annual AGEFIPH tax (€k)	168.7	204.8	ND
SNCF purchases allocated to the protected sector in the name and on behalf of RFF (€)	ND	82.9	108.8
Equivalent in number of jobs obtained by the protected sector for SNCF Infra activity carried out on behalf of RFF	ND	3.51	38
Number of contracts with social integration clauses over the total number of SNCF Infra contracts signed for RFF	ND	141/365	50/83
Number of social integration hours worked relative to the total number of integration hours contracted by SNCF Infra on behalf of RFF	ND	68,271/ 68,940	12,129/52,225
Number of referrals to the ethics officer	6	3	4

3.2.2 Environmental indicators

Indicators	2012	2013	2014
Noise training Number of RFF officers provided with training in environmental subjects Number of hours of environment training provided (hours)	33 231	No session in 2013	14 196
Nature protection training Number of RFF officers provided with training in environmental subjects Number of hours of environment training provided (hours)	19 133	5 35	No session in 2014
Water law training Number of RFF officers provided with training in environmental subjects Number of hours of environment training provided (hours)	64 84	9 63	18 126
Volume of waste produced: Creosote-treated wooden sleepers (tonnes)	78,000	82,988	72,451
Volume of waste produced: Asbestos removed from building stock (tonnes)	121	207	605
GHG emissions specific to RFF activities (in TeqCO2)	6,900	NA	NA
GHG emissions from management of rail network – in TeqCO2 – in keqCO2 per furrow-km	354,000 0.65	ND	350,000 0.65
Electricity consumption specific to rail network (MWH)	784	783	759
Share of circulating trains with electric traction (%)	77.1	77.4	77.3
Overall environmental provisions (€m)	116.7	115.1	107.5
Number of R&D research projects	21	21	21
Amount of R&D investments devoted to the environment (€k)	134	342	229

3.2.3 Social indicators

Indicators	2012	2013	2014
Total number of employees on 31/12	1,495	1,600	1,678
Breakdown of staff by qualification • Executives • ETS (Employees, Technicians and Supervisors)	1,255 240	1,364 236	1,437 241
• Geographical distribution of staff • Paris • Region	905 590	976 624	1 035 643
Share of part-time personnel (%)	6.29	6.06	6.32
Number of resignations	44	30	30
Personnel expenses (€m)	114.8	123.1	121.2
Number of ordinary works council meetings during the year	14	11	11
Number of extraordinary works council meetings during the year	ND	4	8
Number of ordinary meetings of the 13 CHSCT	52	52	52
Number of extraordinary meetings of the 13 CHSCT	11	8	15
Number of meetings with personnel delegates	109	143	137
Number of meetings with trade union delegates	21	24	21
Absenteeism rate (%)	2.28	1.77	2.92
Frequency of workplace and commuting accidents	4.66	6.58	4.98
Severity of workplace accidents	0.02	0.003	0.025
Number of training hours provided during the year (h)	37,578	44,026	45.000
Share of the payroll devoted to vocational training (%)	5.82	5.86	5.96
Male/female breakdown of overall staff (as a %)			
• Female	45.0	45.4	46.2
• Male	54.9	54.6	53.8
Distribution of male/female executives (as a %)			
• Female	31.1	32.3	33.3
• Male	52.9	52.9	52.4
Male/female distribution of ETS (as a %)			
• Female	13.9	13.1	12.9
• Male	2.1	1.7	1.4
Number of workers with disabilities	44	46	50
Share of salaried personnel with a disability (%)	3.4	3.3	3.4
Number of employees < 25	28	15	20
Number of employees > 50	253	313	336

3.3 RFF CSR indicators in relation to Article 225 of the implementing decree

	TOPIC ART. 225	LIST OF RFF CSR INDICATORS	TICKET CODE	GRI 3	ISO 26000
Corporate Governance	1st sub-paragraph of article R. 225-105	Corporate governance and risk management		1.1 - 1.2 - 4.1 - 4.5 - 4.8 à 4.12	6.2
		Overall steering of the sustainable development initiative			6.2
		Raising of employee awareness regarding sustainable development			6.2
SOCIETAL INFORMATION					
Regional, economic and social impact	**I-3°-a)** Regional, economic and social impact of the company's activity -on employment and regional development -on neighbouring or local populations.	Amount of investment expenses capitalised by major development projects (€m)	SOCT03	EC8 - SO1	6.8.9
		Amount of investment expenses capitalised by regional development projects (€m)	SOCT04	EC8 - SO1	6.8.9
		Amount of investment expenses capitalised by network compliance upgrades (€m)	SOCT05	EC8 - SO1	6.8.9
		Amount of investment expenses capitalised for renewal and performance of existing network (€m)	SOCT06	EC8 - SO1	6.8.9
		Amount of duties and taxes	SOCT07	EC8 - SO1	6.8.9
		Arrival punctuality rate at 5 minutes (punctuality of the trains)	SOCT08a	SO1	6.7.8 - 6.8.3
		Number of minutes lost per 100 km by the RO: - RO reasons; - IM and external reasons.	SOCT08b	SO1	6.7.8 - 6.8.3
		Investment intended to improve service regularity	SOCT09	EC8 - SO1	6.8.3
		Investments devoted to dealing with NBS, outside of development and modernisation projects (€m)	SOCT11	EC8 - SO1	6.8.3
		Number of R&D research projects	SOCT18	EC8 - SO1	6.8.6
		Number of social integration hours worked relative to total number of contracted integration hours; by SNCF Infra activity on behalf of RFF	SOCT22	EC7	6.8.5
		Amount of annual AGEFIPH tax	SOCT24	EC1	6.8.5
Relations with stakeholders	**I-3°-b)** Relations maintained with persons or organisations interested in the company's activity, notably integration associations, teaching establishments, environmental protection associations, consumer associations and neighbouring residents: -terms of dialogue with these persons or organisations; -partnership or sponsorship actions.	*Qualitative information*		EC1	6.8.9
Subcontracting & suppliers	**I-3°-c)** Subcontracting and suppliers: – consideration of social and environmental stakes in the purchasing policy; - importance of subcontracting and the consideration, in relations with suppliers and subcontractors, of their social and environmental responsibility.	*Qualitative information*			
		Share of freight commercial proceeds originating with railway companies other than Fret SNCF	SOCT14	EC1	6.8.3
		Customer satisfaction	SOCT16	PR5	6.7.6
		Amount of SNCF purchases allocated to the protected sector in the name and on behalf of RFF (€)	SOCT20	LA13	6.8.5
		Equivalent jobs obtained by the protected sector for SNCF Infra activities carried out on behalf of RFF	SOCT21	LA13	6.8.5

		Number of contracts with social integration clauses over the total of SNCF Infra contracts signed for RFF	SOCT23	LA13	6.8.5
Fair practices	**II-3°-d)** Fair practices: – measures taken to prevent corruption; – measures taken in favour of consumer health and safety.	Number of referrals to the ethics officer	SOC09	HR4 - LA13 - LA14	6.3.10
		Number of accidents involving people on the network: • number of persons killed (excluding suicides and attempted suicides); • number of persons seriously injured (excluding suicides and attempted suicides); • number of suicides	SECU01	PR2	6.7.3
		LC (level crossings) included in the national safety programme that have been eliminated	SECU03	PR2	6.7.3
		Total safety investments (€m)	SECU04	PR2	6.7.3
Other actions undertaken in favour of human rights	**II-3°-e)** Other actions undertaken in favour of human rights	*Qualitative information*		HR3 - HR9 - HR10 - HR11 - SO	4.4 - 4.6 - 4.7 - 4.8 - 6.3 - 6.6
ENVIRONMENTAL INFORMATION					
General policy	**I-2°-a)** General policy with regard to environmental matters: – company organisation to deal with environmental questions and, if relevant, assessment or certification initiatives relating to the environment; – employee training and information actions undertaken with regard to environmental protection; – resources devoted to preventing environmental risks and pollution. **II-2°-a)** amount of provisions and guarantees relating to the environment, provided that this information would not seriously harm the company in the event of ongoing litigation	Number of RFF officers provided with training in environmental subjects Number of hours of environment training provided *(Noise training, Nature protection training, Water law training)*	ENV03	LA10	6.5
		Amount of overall environmental provisions (€m)	ENV01	EN28 - EN30	6.5.1 - 6.5.7
		Amount of R&D investments devoted to the environment (€k)	ENV15	EN28 - EN30	6.5.6
Pollution and waste management	**I-2°-b)** Pollution and waste management: – measures for preventing, reducing or remedying any discharges into the air, water and soil that would seriously affect the environment; – waste prevention, recycling and disposal measures.	Volume of waste produced - creosote-treated wooden sleepers (tonnes) Volume of waste produced - asbestos removed from the building stock (tonnes)	ENV06	EN22	6.5.4
	-consideration of noise pollution and of any other form of pollution specific to an activity	NBS programme (*cf. I-3°-a) Territorial impact*)		EN29	

Sustainable use of resources	**I-2°-c) Sustainable use of resources:** – water consumption and water procurement on the basis of local constraints; – consumption of raw materials and measures taken to improve the efficiency of their use; – energy consumption, measures taken to improve energy efficiency and recourse to renewable energies.	*Qualitative information*			
		Electricity consumption specific to the railway network	ENV10	EN3	6.5.4
		Share of circulating trains with electric traction, by activity	ENV17	EN3	6.5.4
	II-2°-c) Sustainable use of resources: – land use	• Land sold during the year (hectares) including land sold during the year to build residences (hectares) • Number of residences created including number of social housing units built	ENV16 b	EN26	6.5.4
		Kilometres of lines closed during the year that have been the subject of right of way protection	ENV16c	EN26	6.5.4
Climate change	**I-2°-d)** Climate change: greenhouse gas emissions	GHG emissions specific to RFF activities (head office and RD)	ENV09 a	EN16 - EN18	6.5.5
		GHG emissions from management of the national rail network (TeqCO2 and keqCO2 furrow-km)	ENV09 b	EN16 - EN18	6.5.5
	II-2°-d) Climate change: adaptation to the consequences of climate change	*Qualitative information*		EC2 - EN16 - EN17 - EN18	6.5.5
Protection of biodiversity	**I-2°-e)** Protection of biodiversity: measures taken to safeguard or develop biodiversity	*Qualitative information*		EN11 à EN15 - EN25	6.5.6
SOCIAL INFORMATION					
Employment	**I-1°-a)** Employment: – total personnel and breakdown of by gender, age and geographical area;	Total number of employees (on 31 December)	SOC02	LA1	
		Breakdown of staff by qualification (Executive/ETS), geographical area	SOC02	LA1	6.4.3
		Number of employees -25 years and number of employees +50 years	SOC02	LA1	6.4.3
		Part-time personnel	SOC15	LA1	
	-new hires and layoffs;	*Qualitative information*			
		Number of resignations	SOC14	LA2	6.4.3
	- wages and their evolution.	*Qualitative information*			
		Personnel expenses (€m)	SOC01	4.5 - LA1	6.4.3
Work organisation	**I-1°-b)** Work organisation: organisation of working hours	*Qualitative information*		LA7	6.4.3
	II-1°-b) Absenteeism	Absenteeism rate	SOC06	LA7	6.4.4
Social relations	**I-1°-c)** Social relations: – organisation of labour/management relations, particularly information and consultation procedures for personnel and negotiation with the latter;	Number of Works Council meetings during year (ordinary and extraordinary)	SOC04	LA5	6.4.5
		Number of meetings of the 13 Health, Safety and Working Conditions committees during the year (ordinary and extraordinary)	SOC04	LA5	6.4.5
		Number of meetings with personnel delegates	SOC04	LA5	6.4.5
		Number of meetings with trade union delegates	SOC04	LA5	6.4.5
	- report on collective agreements.	*Qualitative information*		LA4 - LA5 - LA9	6.4.5

Health & safety	**I-1°-d)** Health and safety: – employee health and safety conditions; – report on agreements signed with trade union organisations or personnel representatives with regard to occupational health and safety. II-1°-d) Workplace accidents, notably their frequency and severity, as well as occupational illnesses	*Qualitative information*		LA7	6.4.6
		Frequency of workplace and commuting accidents	SOC05	LA7	6.4.6
		Severity of workplace accidents	SOC05	LA7	6.4.6
Training	**I-1°-e)** Training: - policies implemented with regard to training; – total number of training hours.	Share of the payroll dedicated to training	SOC03	LA10 - LA11	6.4.7
		Number of training hours provided during the year	SOC16	LA10 - LA11	6.4.7
Gender equality	**I-1°-f)** Gender equality: – measures to promote gender equality; – measures taken in favour of the employment and integration of disabled persons; – policy for combating discrimination.	Share of women and men in the total staff (Executives/ETS)	SOC02	LA13	6.3.7
		Number of workers with disabilities	SOC07	LA13	6.3.7
		Share of salaried personnel with a disability	SOC07	LA13 - HR4	6.3.7
Promotion & compliance with ILO conventions	**II-1°-g)** Promoting and respecting the provisions of the International Labour Organisation fundamental conventions relative to: – freedom of association and the right to collective bargaining; – elimination of discrimination regarding employment and professionals; – elimination of forced or mandatory labour; – effective abolition of child labour.	*Qualitative information*		HR 4 - HR5 - HR6 - HR7 - HR8 - LA13	6.3.10

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Groupe SNCF Réseau

(formerly Réseau ferré de France)

Consolidated financial statements for the year ended

31 December 2014

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Unless otherwise stated, all figures are presented in millions of euro

Balance sheet - Assets

(in millions of euros)	*Notes*	31/12/2014	31/12/2013
Intangible assets	*4.1*	98.4	72.4
Investment property	*4.2*	354.7	375.7
Property, plant and equipment	*4.3*	61,383.7	56,113.5
Non-current financial assets	*4.4*	1,181.1	596.0
Derivative instruments	*4.13*	1,176.6	780.6
Deferred tax	*4.5*	3,800.7	3,675.1
Non-current assets		**67,995.7**	**61,613.2**
Trade receivables	*4.6*	839.1	824.0
Other receivables	*4.7*	891.9	792.9
Grants receivable	*4.8*	2,359.8	2,048.3
Current financial assets	*4.4*	466.5	715.8
Derivative instruments	*4.13*	262.9	73.0
Cash and cash equivalents	*4.9*	2,864.3	3,255.0
Assets held for sale	*4.10*	0.6	0.3
Current assets		**7,685.1**	**7,709.2**
Total assets		**75,680.8**	**69,322.4**

Balance sheet - Equity and liabilities

(in millions of euros)	*Notes*	**31/12/2014**	**31/12/2013**
Capital injections		9,764.6	9,764.6
Reserves and accumulated deficit		(11,661.4)	(11,108.1)
Equity attributable to owners of the Company		**(1,896.8)**	**(1,343.5)**
Minority interests		0.0	0.0
Total equity		**(1,896.8)**	**(1,343.5)**
Non-current provisions	*4.12*	445.6	407.5
Grants	*4.11.1*	24,221.6	21,748.5
Non-current borrowings	*4.13*	39,544.7	35,043.3
Derivative instruments	*4.13*	2,000.6	1,674.2
Deferred tax		0.0	0.0
Right of use granted to the concession holder	*4.20*	1,946.5	1,571.7
Other non-current liabilities	*4.16*	91.1	87.0
Non-current liabilities		**68,250.1**	**60,532.2**
Current provisions	*4.12*	24.5	13.8
Trade payables	*4.17*	321.8	345.8
Grants	*4.11.4*	1,815.9	2,087.9
Other payables	*4.18*	901.6	871.2
Current borrowings	*4.13*	4,089.6	4,425.9
Other current financial liabilities	*4.19*	1,943.8	2,245.2
Derivative instruments	*4.13*	227.7	141.4
Liabilities directly associated with assets held for sale	*4.10*	2.5	2.5
Current liabilities		**9,327.4**	**10,133.8**
TOTAL EQUITY AND LIABILITIES		**75,680.8**	**69,322.5**

Income Statement

(in millions of euros)	*Notes*	31/12/2014 *(12 months)*	31/12/2013 *(12 months)*
Revenue	*5.1*	5,917.0	5,690.2
Operating grants	*5.2*	149.5	165.3
Delegated management fees	*5.3*	(3,218.5)	(3,193.3)
Other network expenses	*5.4*	(160.2)	(168.9)
Taxes other than on income	*5.5*	(86.2)	(85.5)
Other operating expenses	*5.6*	(504.3)	(473.7)
Depreciation, amortisation and impairment, net		(1,568.9)	(1,331.8)
Net charge to current asset provisions		(14.8)	(8.7)
Investment grants released to profit or loss	*5.7*	582.4	469.4
Other current income	*5.8*	146.7	168.7
Other current expenses	*5.8*	(90.8)	(23.6)
Current operating profit		**1,151.9**	**1,208.1**
Non-current income		0.0	0.0
Non-current expenses		(0.0)	(0.0)
Operating profit		**1,151.9**	**1,208.1**
Gross borrowing costs	*5.9*	(1,308.2)	(1,199.8)
Income from cash and cash equivalents	*5.9*	7.0	4.4
Net borrowing costs	*5.9*	(1,301.1)	(1,195.3)
Other financial income	*5.10*	7.7	1.2
Other financial expenses	*5.10*	(5.3)	(2.6)
Net finance costs		**(1,298.7)**	**(1,196.8)**
Income tax expense	*5.11*	(66.5)	(71.2)
Share of profits of associates		0.4	0.3
Net loss for the year		**(212.9)**	**(59.6)**
Minority interests		**0.0**	**0.0**
Net loss attributable to equity holders of the parent		**(212.9)**	**(59.6)**

Other Comprehensive Income

(in millions of euros)	31/12/2014	31/12/2013
Net loss for the year	**(212.9)**	**(59.6)**
Fair value gains (losses) on cash flow hedges	(516.4)	116.2
Income tax on components of other comprehensive income	170.2	(39.4)
Total gains (losses) recognised directly in equity	**(346.2)**	**76.9**
Comprehensive income	**(559.1)**	**17.3**
Attributable to equity holders of the parent	(559.1)	17.3
Attributable to minority interests	0.0	0.0

Gains and losses recognised directly in equity are intended to be released in full to profit or loss.

Cash Flow Statement

(in millions of euros)	*Notes*	31/12/2014	31/12/2013
		(12 months)	*(12 months)*
Cash flow from operating activities			
Net loss for the year		(212.9)	(59.6)
Share of profit of associates		(0.4)	(0.3)
Capital gains (losses) on disposal		(87.9)	(136.2)
Depreciation, amortisation, impairment and charges to provisions, net		1,567.4	1,365.8
Investment grants released to profit or loss		(582.4)	(469.4)
Other non-cash income and expenses		25.0	(38.8)
Net borrowing costs	*5.9*	1,301.1	1,195.3
Income tax expense (including deferred tax)	*5.11*	66.5	71.2
Operating cash flow before changes in working capital, net borrowing costs and income tax		2,076.4	1,928.0
Current income tax		(22.0)	(12.4)
Change in working capital	*4.21.1*	63.6	246.0
Net cash from operating activities		**2,118.1**	**2,161.6**
Cash flow from investing activities			
Cash outflow on acquisitions	*4.21.2*	(5,990.6)	(5,047.2)
Investment grants	*4.21.2*	1,887.6	1,836.3
Change in other non-current financial assets		0.3	(0.2)
Disposals / reductions in non-current assets		130.4	108.0
Net cash used in investing activities		**(3,972.3)**	**(3,102.9)**
Cash flow from financing activities			
Principal payments on borrowings		(4,952.6)	(4,150.1)
New borrowings		7,596.5	7,453.8
Net interest paid		(1,440.3)	(1,561.7)
Change in deposits and guarantees		15.6	(124.7)
Change in investments		235.6	89.9
Net cash from financing activities		**1,454.8**	**1,707.2**
Net increase (decrease) in cash and cash equivalents		**(399.5)**	**765.9**
Net cash and cash equivalents at the beginning of the year		3,250.8	2,484.9
Net cash and cash equivalents at the end of the year		2,851.3	3,250.8
Net increase (decrease) in cash and cash equivalents		**(399.5)**	**765.9**

Statement of Changes in Equity

(in millions of euros)	Capital injections	Reserves and accumulated deficit	Actuarial gains (losses) on employee benefits (1)	Income and expenses recognised directly in equity	Equity attributable to equity holders of the parent	Minority interests	Total equity
Equity as at 1 January 2013	**9,764.6**	**(10,411.4)**	**1.9**	**(715.9)**	**(1,360.8)**	**0.0**	**(1,360.8)**
Comprehensive income		(52.3)	1.0	76.9	25.6	0.0	25.6
Other changes			(2.3)	0.0	(2.3)	0.0	(2.3)
Equity as at 31 December 2013	**9,764.6**	**(10,463.8)**	**0.6**	**(639.0)**	**(1,337.5)**	**0.0**	**(1,337.5)**

(1) 2013 figures have been restated for the impact of retrospective application of IFRIC 21 "Levies".

(in millions of euros)	Capital injections	Reserves and accumulated deficit	Actuarial gains (losses) on employee benefits	Income and expenses recognised directly in equity	Equity attributable to equity holders of the parent	Minority interests	Total equity
Equity as at 1 January 2014	**9,764.6**	**(10,463.8)**	**0.6**	**(639.0)**	**(1,337.5)**	**0.0**	**(1,337.5)**
Comprehensive income		(209.7)	(2.5)	(346.2)	(558.4)	0.0	(558.4)
Other changes			(0.7)		(0.7)	0.0	(0.7)
Equity as at 31 December 2014	**9,764.6**	**(10,673.5)**	**(2.5)**	**(985.2)**	**(1,896.6)**	**0.0**	**(1,896.6)**

Notes to the consolidated financial statements

The Group consolidated financial statements were approved by the Board of Directors on 19 February 2015.

Note 1 - Presentation of the Public Corporation SNCF Réseau

Réseau ferré de France (RFF), a State-owned industrial and commercial institution (EPIC), was created by Law no. 97-135 of 13 February 1997 with retroactive effect to 1 January 1997.

This law and its implementing decrees nos. 97-444, 97-445 and 97-446 created RFF in the form of an independent entity, as the owner of the French railway infrastructures previously allocated to the SNCF. The decree of 6 December 2006 confirmed RFF's tasks while clarifying the conditions under which they could be delegated to the SNCF.

As at 1 January 2015, the date on which the French rail reform came into effect (see Note 2.2 below), RFF adopted the name SNCF Réseau.

The SNCF Réseau head office is located at 92 avenue de France, Paris 75013.

Note 2 - Comparability of the financial statements

2.1 Change in accounting method

<u>Early application from 1 January 2014 of IFRIC 21 "Levies", adopted by the European Union on 13 June 2014</u>

IFRIC 21 provides guidance on the application of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". It is applicable retrospectively from 1 January 2014. It redefines the obligating event that gives rise to the recognition in the accounts of levies falling within the scope of IAS 37. Pursuant to this interpretation, a liability is recognised when the obligating event to pay a levy is triggered.

The retrospective application of this interpretation impacted equity in the amount of +€5.9 million as at 1 January 2014.

The impact on the net loss for the year ended 31 December 2014 is not material.

Presentation of the impacts on the Balance Sheet and Equity as at 1 January 2014:

Impact on Balance Sheet - Assets

(in millions of euros)	31/12/2013 Published	IFRIC 21 impacts	31/12/2013 Restated
Intangible assets	72.4		72.4
Investment property	375.7		375.7
Property, plant and equipment	56,113.5		56,113.5
Non-current financial assets	596.0		596.0
Derivative instruments	780.6		780.6
Deferred tax	3,675.1	(3.0)	3,672.1
Non-current assets	**61,613.2**	**(3.0)**	**61,610.2**
Trade receivables	824.0		824.0
Other receivables	792.9		792.9
Grants receivable	2,048.3		2,048.3
Current financial assets	715.8		715.8
Derivative instruments	73.0		73.0
Cash and cash equivalents	3,255.0		3,255.0
Assets held for sale	0.3		0.3
Current assets	**7,709.2**	**0.0**	**7,709.2**
Total assets	**69,322.4**	**(3.0)**	**69,319.5**

Impact on Balance Sheet - Equity and Liabilities

(in millions of euros)	31/12/2013 Published	IFRIC 21 impacts	31/12/2013 Restated
Capital injections	9,764.6		9,764.6
Reserves and accumulated deficit	(11,108.1)	6.0	(11,102.1)
Equity attributable to equity holders of the parer	**(1,343.5)**	**6.0**	**(1,337.5)**
Total equity	**(1,343.5)**	**6.0**	**(1,337.5)**
Non-current provisions	407.5		407.5
Grants	21,748.5		21,748.5
Non-current borrowings	35,043.3		35,043.3
Derivative instruments	1,674.2		1,674.2
Deferred tax	0.0		0.0
Right of use granted to the concession holder	1,571.7		1,571.7
Other non-current liabilities	87.0		87.0
Non-current liabilities	**60,532.2**	**0.0**	**60,532.2**
Current provisions	13.8		13.8
Trade payables	345.8		345.8
Grants	2,087.9		2,087.9
Other payables	871.2	(9.0)	862.2
Current borrowings	4,425.9		4,425.9
Other current financial liabilities	2,245.2		2,245.2
Derivative instruments	141.4		141.4
Liabilities directly associated with assets held for sale	2.5		2.5
Current liabilities	**10,133.8**	**(9.0)**	**10,124.8**
TOTAL EQUITY AND LIABILITIES	**69,322.5**	**(3.0)**	**69,319.5**

Impact on the Statement of Changes in Equity

Published Statement as at 31 December 2013:

(in millions of euros)	Capital injections	Reserves and accumulated deficit	Actuarial gains (losses) on employee benefits	Income and expenses recognised directly in equity	Equity attributable to equity holders of the parent	Minority interests	Total equity
Equity as at 1 January 2013	**9,764.6**	**(10,411.4)**	**1.9**	**(715.9)**	**(1,360.8)**	**0.0**	**(1,360.8)**
Comprehensive income		(58.3)	1.0	76.9	19.6	0.0	19.6
Other changes			(2.3)	0.0	(2.3)	0.0	(2.3)
Equity as at 31 December 2013	**9,764.6**	**(10,469.8)**	**0.6**	**(639.0)**	**(1,343.5)**	**0.0**	**(1,343.5)**

Restated Statement as at 31 December 2013:

(in millions of euros)	Capital injections	Reserves and accumulated deficit (1)	Actuarial gains (losses) on employee benefits	Income and expenses recognised directly in equity	Equity attributable to equity holders of the parent	Minority interests	Total equity
Equity as at 1 January 2013	**9,764.6**	**(10,411.4)**	**1.9**	**(715.9)**	**(1,360.8)**	**0.0**	**(1,360.8)**
Comprehensive income		(52.3)	1.0	76.9	25.6	0.0	25.6
Other changes			(2.3)	0.0	(2.3)	0.0	(2.3)
Equity as at 31 December 2013	**9,764.6**	**(10,463.8)**	**0.6**	**(639.0)**	**(1,337.5)**	**0.0**	**(1,337.5)**

(1) 2013 figures have been restated for the impact of retrospective application of IFRIC 21 "Levies".

2.2 Significant events and transactions

Rail reform

The rail reform law definitively adopted on 22 July 2014 and enacted by the President of the French Republic on 4 August 2014, under number 2014-872, is based on five objectives:

- Confirmation of a public service that is strengthened and better managed;
- Creation of an integrated public industrial group;
- Introduction of a national agreement to ensure the financial future of the public service;
- Creation of a labour framework for all rail sector players by maintaining the status of railway employees and unifying their group;
- Greater regulatory authority to guarantee the impartiality of network accessibility.

The current organisation of the French rail system and specifically the State-owned industrial and commercial institution (or EPIC) Réseau ferré de France was profoundly changed as at 1 January 2015, the effective date of the law, with the creation of a group organised according to three economically integrated EPICs:

- The current EPIC Société Nationale des Chemins de fer Français (SNCF until 30 November 2014), became SNCF Mobilités and will continue to carry out all the transport activities for the SNCF Proximités, SNCF Voyages and SNCF Logistics (formerly SNCF Geodis) divisions, and manage the stations of the Gares & Connexions division.
- The current Réseau Ferré de France (RFF) became SNCF Réseau and will unify all the infrastructure management functions by combining SNCF Infra and Rail network operation and management currently part of the SNCF Infra division. It will guarantee fair access to the network for all rail companies.
- A “parent” EPIC, created on 1 December 2014 as part of the reform and called SNCF, will be responsible for strategic control and steering, economic coherence, and the public rail group’s industrial integration and social unity.

The application decrees were published in the French Official Journal on 11 February 2015.
Application in full of the reform will be completed by 1 July 2015 at the latest.

This reform has no impact on the financial statements of SNCF Réseau Group (formerly RFF) for the year ended 31 December 2014.

Correction of the impact of delays in commissioning of projects delegated to the SNCF

The automated system for the commissioning of projects in the accounts encountered implementation and then operating difficulties related to the information systems from April 2012. These difficulties prevented the commissioning of projects in the accounts which should have been performed in the information systems from 2011.
Since that date, additional accounting entries have been posted at the different period ends to ensure that the financial statements fairly present the economic reality of commissioning. At the same time, significant work was undertaken to correct the information systems and to regularise the commissioning of projects in the accounts.

As at 31 December 2014, this work was completed and the commissioning of projects in the accounts fully corrected in the information systems.

Reclassification of a portion of SNCF Réseau debt

As part of the reorganisation of government debt as defined by the Maastricht Treaty, the French State included a portion of RFF debt in the amount of €10.4 billion in 2012.

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 current practices.

Note 3 - Summary of significant accounting policies and measurement methods

3.1 *Basis of presentation of the financial statements*

Pursuant to European regulation 1606/2002 of 19 July 2002, the consolidated financial statements of the SNCF Réseau Group have been prepared in accordance with IFRS accounting standards.

The 2014 consolidated financial statements were prepared in accordance with the standards adopted by the European Union and of mandatory application, as known at the present time and available on the site http://ec.europa.eu/internal-market/accounting/ias-fr.htm #adopted-commission.

The accounting principles and methods adopted in the annual financial statements for the year ended 31 December 2014 are identical to those adopted in the annual financial statements for the year ended 31 December 2013, with the exception of:

- the first-time adoption of the new version of IFRIC 21 “Taxes” in June 2014.

IFRIC 21 provides guidance on the application of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. It is applicable retrospectively from 1 January 2014. It redefines the obligating event that gives rise to the recognition in the accounts of levies falling within the scope of IAS 37. Pursuant to this interpretation, a liability is recognised when the obligating event to pay a levy is triggered.

The impact of this change is presented in detail in Note 2.1.

3.2 *Use of estimates*

The preparation of financial statements in accordance with IFRS requires the use of certain significant accounting estimates. SNCF Réseau management is also required to exercise its judgment when applying the Group’s accounting policies.

Depending on the economic situation or adjustments to any of these assumptions, the amounts recognised in future financial statements could differ from current estimates. The financial statements presented have been prepared using best possible estimates, based on the information available at the balance sheet date.

The resulting accounting estimates impact the following line items in particular:

- provision for decontamination: the provision amount represents the estimated risk for the Group, in respect of assets identified as requiring decontamination and based on information available at the balance sheet date, pending an exhaustive inventory of the technical installations and buildings requiring decontamination;
- fair value of derivatives and other financial instruments: the fair value of all financial assets and liabilities is determined at the balance sheet date either for recognition purposes or for disclosure purposes in the notes to the financial statements (see Note 4.15).

  Fair value is determined:

  based on quoted prices in an active market (level 1 according to IFRS 7); or

  using internal valuation techniques based on standard mathematical calculation methods and integrating observable market data (forward prices, yield curves, etc.) (level 2 according to IFRS 7); or

  using internal valuation techniques integrating parameters estimated by the Group in the absence of observable data (level 3 according to IFRS 7).

  Quoted prices in an active market

  If quoted prices in an active market are available, they are used in preference to other methods in determining market value. Marketable securities and certain quoted bond issues are valued in this manner.

  Fair values determined using models integrating observable market data

  Most derivative instruments (swaps, caps, floors, etc.) are traded on over-the-counter markets in which there are no quoted prices. Consequently, they are valued based on models commonly used by market participants to assess these financial instruments.

  Valuations for derivative instruments calculated in-house are tested every six months for consistency with the valuations provided by our counterparties.

  The fair value of quoted debt is calculated by discounting contractual flows at the market interest rate.

  For debts and liabilities maturing in less than one year and certain floating rate debts and liabilities, the carrying amount is considered to be a reasonable approximation of fair value given the short settlement periods used by the Group.
- recoverable amount of property, plant and equipment: the value in use of infrastructure assets is determined by discounting future cash flows, which requires the use of estimates and long-term assumptions;
- earned grants: income from earned grants is calculated in line with the percentage completion of work. This is estimated on the basis of expenses incurred and the forecast cost of the projects;
- investment properties: these assets are identified in conjunction with experts from the property and real estate department;
- deferred tax asset: the recoverable nature of this deferred tax asset is assessed on the basis of long-term assumptions available at the balance sheet date.

3.3 *Consolidation scope and methods*

Entity	% interest	% control	Consolidation method
SNCF Réseau	100	100	Parent company
CDG Express Etudes	33.33	33.33	Joint operation
SAS AIREFSOL Energies	33	33	Equity associate

CDG Express Etudes SAS, owned 33% by the Group and in respect of which a shareholders' agreement was signed on 28 May 2014, entered the scope of consolidation in 2014. The primary activity of this company is to study the implementation of a direct line between Paris and Charles de Gaulle airport.

This company is accounted for as a joint operation in accordance with IFRS 11. An analysis of the facts and circumstances shows the duration of the company to be limited to the performance of studies performed solely for the three partners and financed exclusively and directly by the three partners.

3.4 *Segment reporting*

SNCF Réseau's activity consists in managing the entire French national rail network which it owns. The company does not operate in any sectors other than the rail sector.

Segment reporting is not therefore pertinent.

3.5 *Translation of foreign-currency denominated transactions*

The consolidated financial statements are presented in euros, the presentation currency of the SNCF Réseau financial statements. Foreign-currency denominated transactions are translated into the functional currency at the exchange rate prevailing at the transaction date, with any gains or losses arising on settlement recognised through profit or loss.

Foreign currency monetary assets and liabilities are translated at the year-end exchange rate and any translation gains or losses are recognised through profit or loss.

3.6 *Related parties*

All entities under the control or significant influence of the French State and their management are considered related parties.

3.7 *Structure of the Balance Sheet, Income Statement and Cash Flow Statement*

Balance Sheet structure

Assets and liabilities generated by the normal operational cycle and with a maturity of less than one year at the balance sheet date are classified as current. Cash and equivalents and bank overdrafts are also classified as current.

All assets and liabilities that do not meet the above criteria are classified as non-current.

Non-current assets and liabilities held for sale are presented on a separate line of assets and liabilities.

Income Statement structure

The Income Statement is presented by type of income and expense and is structured around the following indicators:

Current operating profit

This item includes the income and expenses directly relating to the entity's activities. The headings "operating grants" and "other operating expenses" are isolated in order to highlight the contribution of the French State and local authorities to net profit and the Group's operating expenses (employee benefits expense, studies and other operating expenses).

Operating profit

Operating profit is equal to current operating profit after material non-recurring income and expenses that do not arise in the context of the company's current activities.

Finance costs

Finance costs are equal to net borrowing costs adjusted for "other financial income and expenses".

Net borrowing costs consist of all income and expenses relating to borrowing components during the period, including gains and losses on interest rate and currency hedges:

- interest expenses on financing operations;
- gains and losses on interest rate and foreign currency hedges on borrowings.

Structure of the Cash Flow Statement

The Cash Flow Statement is structured around cash flow from operations before changes in working capital, net borrowing costs and income tax.

The objective of this statement is to analyse the year-on-year change in net cash recognised in the balance sheet. To this end, the company's activities are divided into three major components: operating activities, investment activities and financing activities.

Operating activities correspond to the business of operating the infrastructure assets.

Investing activities comprise the flows relating to investments performed and investment grants collected during the period.

Financing activities comprise the flows relating to financial activities (short, medium and long term) and borrowing costs disbursed. Cash presented in the Cash Flow Statement is equal to cash and cash equivalents, less any bank overdrafts.

3.8 *Intangible assets*

Intangible assets include purchased and internally-developed software.

Software purchased for valuable consideration is recognised at acquisition cost, that is the purchase price plus any incidental expenses necessary to put them into service. These costs are amortised on a straight-line basis over the estimated useful life of the software, i.e. 12 months.

Internally-developed software is recognised in assets at production cost where it meets the corresponding IAS 38 criteria and is amortised on a straight-line basis over its estimated useful life, i.e. three years.

Subsequent expenditure is capitalised if it increases the future economic benefits of the specific asset to which it relates, and if this cost can be reliably allocated to the asset. Costs associated with development activities prior to the detailed design stage and costs associated with maintaining software in operation are expensed in the period incurred.

3.9 *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 their respective useful lives.

On the first-time application of IFRS, the carrying amount of investment properties was determined using the most appropriate estimate based on the total value of the land and buildings.

This amount has since been depreciated, and decreased for the value of disposals.

3.10 *Property, plant and equipment*

Property, plant and equipment primarily consist of French national rail network infrastructures. They are valued at acquisition or production cost.

Investments through acquisitions are relatively immaterial.

On the creation of RFF on 1 January 1997, property, plant and equipment contributed by the SNCF were recognised in the amount of €22.5 billion.

3.10.1 Production cost

The production cost of projects is capitalised in assets from the “pre-project” phase, with preliminary studies expensed in the period incurred.

The production cost of operations carried out under a mandate from SNCF Réseau consists of amounts invoiced by companies performing the work, plus prime contractor and project management costs.

The production cost of operations carried out directly by SNCF Réseau includes the cost of studies, work, real estate acquisitions and compensation, as well as direct operating costs.

The production cost of work carried out under 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 partners or the concession holder plus the present value of future fees payable, multiplied by the percentage completion.

3.10.2 Depreciation of property, plant and equipment

For the infrastructure domain, SNCF Réseau has established a list of components. This list has eleven families comprising approximately 100 components. In addition, tracks are classified based on International Union of Railways (UIC) line traffic indicators.

SNCF Réseau has defined useful lives for each component in its list. Depreciation is calculated on a straight-line basis over periods defined in accordance with the recommendations of technical experts in the relevant field, as follows:

Asset type	Useful life
Land	Not depreciated
Improvements to land	30 years
Buildings	15 to 50 years
Improvements to buildings	10 years
Earthworks	10 years
Tracks	20 to 100 years
Electricity supply equipment	10 to 75 years
Signalling equipment	15 to 50 years
Telecommunications	5 to 30 years
Level crossings	15 years
Civil engineering structures	30 to 70 years

Operating property, plant and equipment are depreciated on a straight-line basis over the following periods:

Asset type	Useful life
Fixtures and fittings	10 years
Furniture and office equipment	5 to 7 years
IT and telecommunications	3 to 5 years
Vehicles	5 years

3.11 *Impairment of non-financial assets*

Assets are grouped into Cash Generating Units (CGU). A CGU is defined as the smallest group of identifiable assets whose use generates cash flows that are largely independent.

SNCF Réseau has identified two CGUs: the “Infrastructure” CGU and the “Property” CGU.

3.11.1 Impairment of infrastructure in operational use (Infrastructure CGU)

At each balance sheet date, SNCF Réseau assesses whether there is any indication that assets have lost or gained value. An impairment test is carried out where appropriate.

Indications of loss in value (or reversal)

SNCF Réseau considers the following indicators of loss in value:

- change in market interest rates;
- obsolescence or physical deterioration of assets that was not foreseen in the depreciation schedule;
- material change in the extent or manner in which the asset is used;
- material change in the performance of the asset.

Changes in these indicators are compared with changes in:

- SNCF Réseau’s financing rate and therefore its discount rate;
- the amount of future maintenance or renewal expenses;
- the amount of future tolls;
- the amount of future costs associated with management agreements, or other operating grants;
- the average residual useful life of the assets.

The impairment test involves comparing (i) the net carrying amount of assets, less grants on commissioned assets not yet released to profit or loss, plus deferred tax assets, the balance of assets being upgraded net of grants and operating working capital, and (ii) the present value of future cash flows to be generated by these assets plus their residual value.

The recoverable amount of the assets of the Infrastructure CGU consists of their value in use (there is no net selling price for these assets), i.e. the present value of estimated future cash flows expected from the continuous use of these assets and their exit at the end of their useful life.

The multi-year budget construction period allows SNCF Réseau to prepare cash flow projections based on three budget years. Beyond that, cash flows are based on the last year’s data extrapolated to 2030, the year in which the network will be considered stable following the completion of delayed upgrades.

The cash flows also take into account the data contained in the amendment to the performance contract for the 2013 and 2014 periods approved by the Supervisory Ministries as well as the 3-year draft Finance Act for 2013-2015.

The selected discount rate is determined based on the cost of resources and the risks faced by other regulated infrastructure managers comparable to SNCF Réseau; this rate is also corroborated by a financial asset valuation model that is applied to a target structure towards which SNCF Réseau could evolve.

An impairment is recognised if the net carrying amount of the Infrastructure CGU exceeds the present value. This impairment is allocated to each of the assets comprising the CGU, in proportion to their net carrying amounts.

If the net carrying amount of the CGU is lower than the present value of future cash flows and an impairment has previously been recognised, this impairment is reversed to the extent of the lower of:

- its recoverable amount, and
- the carrying amount that would have been recorded (net of depreciation) if no impairment loss had been recognised during previous periods.

3.11.2 Impairment of assets under construction

SNCF Réseau carries out annual impairment tests on assets under construction, by comparing their carrying amount with their recoverable amount, corresponding to their value in use. The objective is to identify the risk of non-completion of the project which could result in costs being capitalised with no assets ultimately created.

When investment on a project is stopped, the expenditure recognised is written down to its recoverable amount.

If an exceptional event calls project completion into question, the expenses are impaired in full.

Impairment is calculated net of earned grants relating to the projects in question.

3.11.3 Impairment of investment property (Property CGU)

The recoverable amount of the assets of the Property CGU is equal to the greater of fair value less costs to sell and value in use.

The assets of this CGU include both land and buildings. The land (including freight yards) is owned by SNCF Réseau but is not used in rail activities. This land includes bare and build-on land. Fair value less costs to sell is estimated based on:

- the geographic location of the land;

- a market value per m^2, that takes account of the probable use of the land after disposal.

At each balance sheet date, SNCF Réseau assesses whether there is any indication that assets have lost value. Where this is the case, an impairment test is performed and a provision recognised if relevant.

Indication of a potential loss in value of a CGU is assessed based on forecast realisation values for the assets in question, taken from the business plan.

Once calculated and allocated, the impairment modifies the future depreciation schedule for the assets.

If the test leads to a net carrying amount for the CGU that is lower than the recoverable amount and impairment has previously been recognised, this impairment is reversed to the extent of the recoverable amount.

3.12 *Recognition and measurement of financial assets*

Pursuant to IAS 39, the Group's financial assets are classified into one of the four following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. This classification is dependent on the reasons underlying their acquisition.

On initial recognition, financial assets are measured at fair value plus directly attributable transaction costs. For assets valued at fair value through profit or loss, transaction costs are expensed directly in profit or loss.

Financial assets are recognised on the transaction date.

Financial assets at fair value through profit or loss

This category includes:

a) money market UCITS, negotiable debt instruments and other treasury market products designated at fair value. This designation is justified by the fact that these instruments are managed at fair value, and that the result of this management is reported to general management;

b) derivatives not designated as hedging instruments (trading derivatives). These derivatives are acquired to hedge interest rate and currency risks, but do not meet the effectiveness criteria imposed by IAS 39 (see Note 3.13.4).

These financial assets are measured at fair value with any gains or losses recognised through profit or loss.

Loans and receivables

This category includes non-derivative financial assets that have fixed and determined payments, and that are not quoted in an active market. In the Group, they comprise operating receivables as well as deposits and guarantees paid.

Short-term receivables are recognised at fair value, corresponding to the present value of estimated future cash flows. Fair value is equal to the nominal value of receivables if the effect of discounting is not considered material.

Long-term receivables are recognised in the balance sheet at fair value and subsequently measured using the effective interest method. Where the effect of discounting remains immaterial, these receivables are treated in the same manner as short-term receivables, with possible recognition of a provision for impairment should the carrying amount exceed the estimated recoverable amount. A provision reversal is possible where there is objective indication of an improvement. Note 3.15 provides additional information on the calculation of provisions for impairment.

These receivables are recognised in the balance sheet in trade receivables and related accounts and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets include non-consolidated investments. They are measured at fair value, with unrealised capital gains and losses recognised in equity until disposal.

However, where there is objective indication of permanent impairment of an available-for-sale financial asset, the total loss is released to profit or loss and cannot be reversed for equity instruments.

If the fair value of investments not quoted in an active market cannot be reliably estimated, they remain recognised at acquisition cost less any permanent impairment. Impairment of investments measured at cost is recognised in profit or loss and cannot be reversed.

These investments are recognised in the balance sheet in “Non-current financial assets”.

Held-to-maturity financial assets

These assets are exclusively securities with fixed or determinable payments, other than loans and receivables, that are acquired with the intention of retaining them until maturity, and that SNCF Réseau is able to retain until this date. After initial measurement at fair value, they are recognised and measured at amortised cost using the effective interest method.

As at 31 December 2014, SNCF Réseau had no financial assets in this category.

3.13 *Asset and liability derivative instruments*

3.13.1 Application scope

SNCF Réseau manages the market risks related to fluctuations in interest rates and exchange rates through the use of derivative instruments and particularly interest rate swaps, swaptions, forward currency contracts, currency swaps and currency options.

3.13.2 Recognition and measurement

Derivative instruments are recognised in the balance sheet at fair value with gains and losses taken to profit or loss, except in the case of derivatives designated as cash flow hedges.

Fair value is determined based on market data from external sources, or on models developed internally and recognised by market participants.

The method of recognising fair value gains or losses arising at the balance sheet date depends on whether the derivative is designated as a hedge.

Derivative instruments designated as a hedge are broken down between current and non-current assets or liabilities according to their maturity. Derivative instruments not designated as a hedge are presented in current financial assets and current financial liabilities.

3.13.3 Derivatives designated as hedges

The Group applies hedge accounting when the hedging transaction is a designated derivative whose fair value or cash flows are expected to offset the fair value or cash flow movements in the hedged item. The hedging relationship is clearly defined and documented at the transaction date and its highly effective nature is demonstrated by tests at each balance sheet date for as long as it remains in effect. From the inception of the hedge and throughout the period of the hedging relationship, the documentation is updated at each balance sheet date thereby ensuring it remains highly effective.

Derivative instruments designated as hedges are broken down between current and non-current assets or liabilities according to their maturities.

The Group uses two types of hedges: fair value hedges and cash flow hedges.

Fair value hedges

Fair value hedges seek to hedge exposure to the risk of a change in the fair value of an asset, a liability or a firm commitment that would impact net profit.
Changes in the fair value of the hedged item are recognised in profit or loss and offset by matching changes in the fair value of the derivative instrument. The net impact on profit or loss thereby reflects the ineffective portion of the hedge.

Cash flow hedges

Cash flow hedges seek to hedge changes in future flows attached to existing assets or liabilities or to a highly probable future transaction that would impact net profit. The derivative serves to "set" the exchange rate or interest rate that was initially likely to vary.

The portion of the gain or loss on the derivative considered to be effective is recognised in equity and released to profit or loss when the hedged items impacts the Income Statement. The ineffective portion of the hedge, corresponding to the excess of fair value changes in the hedging instrument over fair value changes in the hedged item, is recognised immediately in profit or loss.

The hedging relationship ends immediately when:

- the classification criteria are no longer met;

- the derivative instrument is sold or expires;

- the Group decides to discontinue the hedge designation after a management decision;

- for cash flow hedges, the future expected transaction ceases to be probable.

3.13.4 Derivatives not designated as hedges

The Group primarily uses derivative instruments to protect against the risks to which it is exposed, in compliance with the risk management policy authorised by the SNCF Réseau Board of Directors.

Derivatives not designated as hedges consist partly of instruments that are hedges for management purposes, but that are not designated as such due to a management decision, in order to simplify the accounting treatment. This is the case for forward currency contracts hedging short-term debt. Similarly, certain embedded derivatives cannot be designated as hedging instruments. Most of them, however, provide an economic hedge. Finally, certain transactions originally designated as hedges no longer meet the hedging criteria as they reach maturity and the designation is cancelled.

These derivative instruments are measured at fair value and presented in other assets or financial liabilities, with fair value gains and losses recognised immediately in profit or loss.

3.13.5 Embedded derivatives

An embedded derivative is a component of a contract that meets the definition of a derivative, whose economic characteristics are not closely related to those of the host contract. An embedded derivative must be separated from its host contract and recognised in accordance with the rules applicable to derivatives if and only if the three following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- the embedded derivative meets the definition of a derivative according to IAS 39, and
- the combined contract is not measured at fair value through profit or loss.

Several embedded derivatives have been identified in the SNCF Réseau borrowings. Certain embedded derivatives have been separated from their borrowing contract and recognised in the balance sheet at fair value through profit or loss. Other embedded derivatives have not been separated and are designated as cash flow hedges with changes in value recognised in equity for the effective portion of the hedge in accordance with IAS 39 (paragraphs 11 and AG33).

A non-optional embedded derivative (such as an over-the-counter forward contract or an embedded swap) is separated from its host contract on the basis of its key provisions, whether declared or implicit, such as to have a nil fair value at the time of initial recognition. An embedded derivative based on an option is separated from its host contract on the basis of the declared terms of the option component. The initial carrying amount of the host instrument (debt at amortised cost) is the residual amount after separation of the embedded derivative.

3.14 *Deferred tax*

Timing differences between the tax basis of assets and liabilities and their carrying amount as well as tax loss carryforwards in the consolidated financial statements result in the recognition of deferred tax according to the liability method. No deferred tax is recognised if it results from the initial recognition of an asset or liability related to a transaction, which at the time of this transaction did not impact either accounting net profit or taxable income.

Only the existence of probable future taxable profits against which the timing differences and tax loss carryforwards can be offset, results in the recognition of deferred tax assets.

The impact of a change in tax rates is recognised in net profit for the year or equity, depending on the item affected by the change.

Deferred taxes are classified in non-current assets and liabilities.

3.15 *Trade receivables and related accounts – Other receivables*

On initial recognition, receivables are measured at fair value corresponding to their nominal value. The effect of discounting is taken into account for long-term receivables, where material. A write-down is recognised when the fair value of the receivable at the balance sheet date is lower than the carrying amount.

Receivables are written down to reflect the risk of non-recovery, based on individual and statistical analyses.

Other receivables primarily consist of tax and social security receivables, amounts receivable on asset disposals, and SNCF current accounts.

3.16 *Cash and cash equivalents*

Cash includes cash on hand and demand bank deposits.

Cash equivalents include very short-term and very liquid investments that are easily convertible into a known amount of cash and subject to a negligible risk of change in value, such as money market UCITS and certificates of deposits with a maturity on the acquisition date of less than three months. These securities are recognised at fair value with fair value gains and losses recognised in net finance costs (see Note 3.12).

3.17 *Capital injections*

As a State-owned industrial and commercial institution, SNCF Réseau does not have any capital in the legal sense of the term, nor shares, nor does it pay dividends.

At the time of its creation, SNCF Réseau had equity of €0.86 billion for accounting purposes, corresponding to the difference in value between its assets and liabilities. The French State then increased this initial capital by means of additional injections until early 2003.

As at 31 December 2014, capital injections totalled €9.8 billion.

3.18 *Reserves and accumulated deficit*

This heading consists of the accumulated deficit, convertible reserves, foreign exchange translation reserves and the net loss for the year.

A reserve account records fair value gains and losses recognised since inception on available-for-sale financial assets and cash flow hedges (the effective portion only of cash flow hedges for current transactions).

3.19 *Provisions*

The Group recognises provisions when three conditions are met:

- the Group has a legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation with no equivalent benefit in return;
- the amount of the provision can be reliably estimated.

3.19.1 Provision for decontamination and environmental risks

The company has set up asbestos removal programmes for its assets as well as a clean-up programme involving the decontamination or removal from the railway domain of items containing polychlorinated biphenyls (PCB) as well as the elimination of creosote-treated railway sleepers. The provisioned amount is the best estimate of the expenditure that could be necessary in order to discharge the obligation, discounted at the year-end when the impact of discounting is material.

3.19.2 Other provisions

All identified risks are reviewed on a regular basis. Provisions used are released to profit or loss to offset the corresponding expenses.

3.20 Employee benefits

SNCF Réseau has "defined contribution" as well as "defined benefit" retirement plans.

In the first case, the company pays fixed contributions to an independent entity. Once these contributions have been paid, it has no further payment commitment. The contributions are recognised in employee benefits expense when they fall due.

SNCF Réseau has no defined benefit plans other than legal and contractual plans, i.e. retirement lump sum benefits and the working time accounts.

Lump sum payments on retirement:
The liability recognised in the balance sheet in this regard is equal to the present value of the Group's obligation to employees at the assessment date. This obligation is calculated using the projected unit credit method and is based on assumptions concerning wage inflation, mortality, retirement age and employee turnover.

Future payments are discounted at a rate determined with reference to the Bloomberg 20-year swap rate.

Actuarial gains and losses resulting from experience adjustments or due to changes in actuarial assumptions are recognised in full in equity.

Working time accounts:

The liability recognised in the balance sheet is determined using the same measurement rules as for the retirement lump sum benefit obligation. Actuarial gains and losses determined at the time of this calculation are recognised in full in equity.

3.21 Grants

SNCF Réseau receives two major types of grant: grants received under financing agreements for investment projects entered into with third parties (French State, Local authorities, Regions, etc.) and grants allocated in the French Finance Acts and notified by the French State.

a) Grants received under financing agreements for investment projects entered into with third parties:

These grants follow the same accounting treatment as the corresponding expenditure:

- they are recognised in the Income Statement in a specific account under "operating grants" when they relate to operating expenses (general studies, preliminary studies);

- they are recognised as balance sheet liabilities under "grants" in non-current liabilities when they relate to capitalised expenditure. These grants are then released to profit or loss to match the depreciation recognized on commissioned property, plant and equipment. Where grants relate to non-depreciable land, SNCF Réseau applies the average depreciation period of the assets associated with the land.

The payment provisions for these grants differ according to the investment project and the payer's identity. They are paid according to a schedule included in the financing agreement or according to the actual progress of work.

At each balance sheet date and for each project, grant claims are reconciled with expenditure recognised in the accounts. Adjustments are then made and recognised either in assets in "Grants receivable", or on the "Grants" line of current liabilities for grants claimed in advance. These adjustments enable earned grants to be recognised.

"Earned grants" relative 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 (see Note 3.10).

b) Government grants allocated in the French Finance Acts and notified:

This is a lump sum grant, intended to contribute to the company's financial balance. It is recognised as an operating grant.

This grant allocated by the French parliament is recognised in the Balance Sheet on 1 January of the year to which it relates in the amount approved in the Finance Act at the end of the previous financial year, as notified in a letter from the supervisory authorities. It is released to profit or loss on a straight-line basis.

3.22 Recognition and measurement of financial liabilities

Other than liability derivative instruments and liabilities measured at fair value through profit or loss, financial liabilities are initially measured at fair value and then subsequently measured at amortised cost using the effective interest method.

Borrowings:

Borrowings issued by SNCF Réseau are initially measured at fair value, i.e. the amount of funds received net of transaction costs and issue premiums. They are subsequently measured at amortised cost using the effective interest method, with possible separation of embedded derivatives.

For foreign currency denominated debts, the effective interest method is applied to foreign currency cash flows and the amortised cost is translated at the closing exchange rate at each balance sheet date.

Borrowings are classified as non-current borrowings and current financial liabilities for the portion maturing in less than one year. Bank overdrafts are classified as current financial liabilities.

When the issued financial liability includes an embedded derivative which must be recognised separately, the amortised cost is calculated on the debt component only. The amortised cost at the issue date is equal to the bond proceeds less the fair value of the embedded derivative (see Note 3.13.5).

Greater Paris Region loans:

The Group receives preferential rate loans from the Greater Paris region. These loans are initially recognised at fair value (present value of the contractual flows discounted at SNCF Réseau's normal market financing rate) and the difference with the cash received is accounted for as a grant. The market rate loan is subsequently recognised at amortised cost and the grant is released to profit or loss on a straight-line basis over the depreciation period of the assets financed (approximately 30 years).

Other non-current liabilities:
Other non-current liabilities primarily include deposits and guarantees received from customers in connection with occupancy agreements.

Other current financial liabilities:

These liabilities include the portion of the long-term debt payable within one year, as well as short-term issues.

3.23 Trade payables and related accounts /other payables

Trade payables and related accounts:
This heading includes commercial debts, recognised at fair value. Debts bearing interest at a rate different to the market rate are discounted when the effect of discounting is material.

Other payables:
Other payables include tax and employee-related liabilities, advances on asset disposals, expenses attributable to the current financial year but not payable until later, as well as deferred income. These liabilities are recognised at fair value.

3.24 Non-current assets and liabilities held for sale

Article 63 of the 2006 Finance Act authorises the declassification of SNCF Réseau real estate assets not necessary for railway public service missions, as defined in Article 1 of the law of 13 February 1997, and the transfer of full ownership of these assets to a company held by the French State in order to optimise their value. These transfers are performed for consideration equal to the net carrying amount of the transferred assets, assessed at the balance sheet date prior to the transfer.

Assets for which a disposal decision has been made by the Board of Directors are classified in "Assets held for sale" and are subject to a specific accounting treatment in application of IFRS 5.

The liabilities relating to these assets are presented separately in the balance sheet in “Liabilities directly associated with assets held for sale”.

These assets cease to be depreciated from the date of their transfer to this category.

3.25 Leases

Finance leases:
Assets financed through finance leases are recognised in property, plant and equipment when these agreements transfer to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, without necessarily transferring ownership of the asset at the end of the lease. The assets are depreciated over the shorter of their useful life and the lease term. A liability is recognised in the same amount. Lease payments are allocated between repayment of the debt and the interest expense.

At the present time, the main finance leases concern photocopiers and company cars.

Operating leases:
Leases under which the lessor retains the majority of risks and rewards incidental to ownership are classified as operating leases. Lease payments are expensed to profit or loss.

3.26 Revenue

Revenue mainly comprises services rendered in the context of railway activities. It is recognised at the date at which these services are rendered. Infrastructure fees are broken down into access rights, route reservation fees, station stop reservation fees and traffic fees. In addition to these basic railway services, additional electricity fees are charged together with other service fees relating to intermodal transport depots, the use of marshalling yards and siding occupancy as well as the use of the “Futuroscope” station tracks.

In addition to these services, the company also sells materials, mainly involving the sale and salvage of old goods and equipment.

Revenue also includes non-traffic income comprised of occupancy fees earned on the assets in the Property CGU.

Note 4 – Notes to the Balance Sheet

4.1 Intangible assets

The net carrying amount of intangible assets as at 31 December 2014 breaks down as follows:

Analysis of intangible assets					
(in millions of euros)	**Software**		**Other intangible assets**		**Total**
As at 31 December 2013					
Cost	142.1		25.0		167.1
Accumulated amortisation	(84.5)		(10.1)		(94.6)
Accumulated impairment					
Net carrying amount	57.5		14.9		72.4
As at 31 December 2014					
Net carrying amount at the beginning of the year	57.5		14.9		72.4
Acquisitions	39.3		0.0		39.3
Production					
Disposals	(0.6)				(0.6)
Translation differences					
Reclassification	0.5		7.9		8.4
Amortisation	(15.8)		(5.9)		(21.7)
Reversals of amortisation					
Reversals on disposal					
Reversals of amortisation	0.6				0.6
Impact of revaluations					
Movements					
Change in accounting method					
Restructuring					
Entries into the scope of consolidation					
Change in method (precious method)					
Change in method (new method)					
Change in consolidation rate					
Increase in interest rates					
Exits from the scope of consolidation					
Other movements	(0.0)				(0.0)
Net carrying amount at the end of the year	81.4		17.0		98.4
As at 31 December 2014					
Cost	181.2		32.9		214.2
Accumulated amortisation	(99.8)		(16.0)		(115.8)
Accumulated impairment					
Net carrying amount	81.4		17.0		98.4

Intangible asset additions in 2014 include €35.7 million of capitalised production on IT projects.

4.2 *Investment property*

Rental income from investment property totalled €83.5 million in 2014 compared with €82.4 million in 2013. Property management direct operating expenses totalled €103.6 million in 2014 compared with €100.6 million in 2013, including expenses relative to the management of disposals.

Due to the valuation method adopted for investment property (see Note 3.9), it is not possible to allocate a market value to each of the assets in this category, as recommended in IAS 40, paragraph 79.e.

Analysis of investment property		
(in millions of euros)		**Investment property**
As at 1 January 2013		
Cost		414.2
Accumulated depreciation		(19.9)
Accumulated impairment		
Net carrying amount		394.4
As at 31 December 2013		
Net carrying amount at the beginning of the year		394.4
Disposals		(17.6)
Acquisitions		0.0
Reclassification and transfer to assets held for sale		0.0
Depreciation		(1.7)
Reversals of depreciation		
Reversals on disposal		0.6
Other movements		
Net carrying amount at the end of the year		375.7
As at 31 December 2013		
Cost		396.7
Accumulated depreciation		(21.0)
Accumulated impairment		
Net carrying amount		375.7
As at 31 December 2014		
Net carrying amount at the beginning of the year		375.7
Disposals		(22.0)
Acquisitions		2.0
Reclassification and transfer to assets held for sale		0.0
Depreciation		(1.5)
Reversals of depreciation		
Reversals on disposal		0.6
Other movements		
Net carrying amount at the end of the year		354.7
As at 31 December 2014		
Cost		376.6
Accumulated depreciation		(21.9)
Accumulated impairment		
Net carrying amount		354.7

4.3 Property, plant and equipment

4.3.1 Analysis of property, plant and equipment

The net carrying amount of property, plant and equipment as at 31 December 2014 breaks down as follows:

Analysis of property, plant and equipment					
(in millions of euros)	Lands, buildings and improvements	Earthworks, tracks, civil engineering structures and level crossings	Technical installations, electrical supply equipment, telecommun-ications	Assets under construction	Total
As at 1 January 2013					
Cost	6,709.5	36,933.3	8,589.4	10,779.3	63,011.6
Accumulated depreciation	*(405.1)*	*(8,546.5)*	*(4,384.1)*		*(13,335.8)*
Accumulated impairment	*(0.4)*			*(70.8)*	*(71.2)*
Net carrying amount	6,304.0	28,386.9	4,205.2	10,708.5	49,604.6
Net carrying amount at the beginning of the year	**6,304.0**	**28,386.9**	**4,205.2**	**10,708.5**	**49,604.6**
Acquisitions	3.0	81.6	6.8		91.4
Production				7,718.5	7,718.5
Disposals	(5.9)	(10.2)	(32.5)	0.0	(48.6)
Translation adjustments					0.0
Reclassification and transfer to assets held for sale	700.7	5,907.7	1,428.7	(8,026.5)	10.6
Inter-account transfers		(7,150.7)		7,150.7	
Depreciation	(96.3)	(841.0)	(380.9)	(11.2)	(1,329.4)
Reversals of depreciation			0.7		0.7
Charges to provisions for impairment					0.0
Reversals of provisions for impairment				58.3	58.3
Other movements	(0.3)	25.0	(11.1)	(6.2)	7.3
Net carrying amount at the end of the year	6,905.1	26,399.3	5,216.9	17,592.2	56,113.5
As at 31 December 2013					
Cost	7,496.1	35,697.7	9,981.2	17,615.9	70,790.9
Accumulated depreciation	(503.7)	(9,463.7)	(4,764.4)	0.0	(14,731.7)
Inter-account transfers		78.4			78.4
Accumulated impairment	(0.4)	0.0	0.0	(23.7)	(24.1)
Net carrying amount	6,992.0	26,312.4	5,216.9	17,592.2	56,113.5
Difference					
As at 31 December 2014					
Net carrying amount at the beginning of the year	6,905.1	26,399.3	5,216.9	17,592.2	56,113.5
Acquisitions	0.0	52.1	5.5		57.6
Production				6,747.2	6,747.2
Disposals	(1.0)	0.0	(0.3)	(1.8)	(3.2)
Translation adjustments					
Reclassification and transfer to assets held for sale	812.6	3,199.3	2,017.6	(6,038.2)	(8.6)
Inter-account transfers	(1.2)	1.2	0.0		0.0
Depreciation	(117.3)	(923.6)	(519.0)	0.0	(1,559.8)
Reversals of depreciation	(0.0)	0.0	0.3	0.0	0.3
Charges to provisions for impairment	(0.1)			(4.1)	(4.2)
Reversals of provisions for impairment		0.0	0.0	15.1	15.1
Other movements	0.0	30.8	(0.4)	(4.4)	26.0
Net carrying amount at the end of the year	7,598.1	28,759.1	6,720.6	18,305.9	61,383.7
As at 31 December 2014					
Cost	8,242.4	38,976.8	12,071.9	18,318.6	77,609.8
Accumulated depreciation	(643.7)	(10,217.8)	(5,351.3)	0.0	(16,212.8)
Inter-account transfers	0.0	0.0	0.0	0.0	0.0
Accumulated impairment	(0.5)	0.0	0.0	(12.7)	(13.2)
Net carrying amount	7,598.1	28,759.1	6,720.6	18,305.9	61,383.7

Study costs expensed during the year (IAS 38.126) totalled €76.44 million in 2014 compared with €66 million in 2013.

Production of property, plant and equipment

Total investment in property, plant and equipment amounted to €6,804.8 million in 2014 and comprised:

- €6,744.7 million of capital expenditure, consisting of:

    - ❖ €6,741.3 million on infrastructure investment projects, including:
        - €3,531 million for projects carried out by agents on behalf of SNCF Réseau (including €1 million for the DCF activity),
        - €596.8 million of direct production,
        - €144.5 million of capitalised interest relating to this production, excluding PPP,
        - €2,469 million of production relating to PPP and concessions arrangements (GSMR €209 million, BPL €726.4 million, SEA €1,076.6 million and CNM €456.9 million),

    - ❖ €1 million increase in advances for land;
    - ❖ €2.4 million of agent expenses relative to real estate and land management;

- €59.6 million of other purchased investment expenses including €52.1 million of infrastructure investment.

4.3.2 Assets commissioned during the year

Property, plant and equipment totalling €5,991.8 million was commissioned in 2014:

- €5,554.1 million for projects under delegated project management excluding SNCF;
- €3.5 million for projects under delegated project management excluding SNCF;
- €414.2 million for projects under direct project management;
- €17.6 million pursuant to the GSMR PPP;
- € 0.7 million pursuant to investments for the DCF activity;
- €1.7 million for operations and other.

Intangible assets totalling €59.2 million were commissioned in 2014 compared with €20.2 million in 2013.

4.3.3 Recoverable amount of assets commissioned at the balance sheet date and impairment

Infrastructure CGU

An impairment test was performed as at 31 December 2014 using the same methodology as that adopted as at 31 December 2013.

The assumptions were updated based solely on information available at the date of performance of the tests. This update primarily concerned 2015 budget items approved by the RFF Board of Directors on 17 December 2014 and information on changes in infrastructure fees charged to SNCF Mobilités.

Accordingly, the test covered the “pre-reform RFF assets” based on the last Medium-Term Plan for this scope, pending information on the “post-reform SNCF Réseau assets” and particularly the new multi-year contract with the French State which should be signed in 2015.

The multi-year contract provided for in Article L2111-10 of the French Transport Code, covers a 10-year period and primarily determines:

- The financial resources allocated to the various SNCF Réseau missions;
- The principles to be applied in determining annual infrastructure tariffs;
- Changes in infrastructure management expenses, including operating, maintenance and renewal expenditure, development expenditure, as well as measures taken to reduce these costs and productivity objectives;
- The full costs coverage rate to be attained annually by SNCF Réseau resources and the target trajectory for the SNCF Réseau net debt to operating margin ratio.

As this contract is currently being drafted, along with the trajectory which will underpin the financial aspects, it was not possible to extrapolate operating cash flows taken from the new post-reform trajectory at the date of preparation of the financial statements.

It should however be noted that Article L2111-10-1 provides for the financing of SNCF Réseau investments in a manner that ensures control over its debt and that “the financing rules and the ratios indicated seek to guarantee a sustainable and supportable split of the rail transport financing system between infrastructure managers and rail companies, taking account of intermodal competition conditions”. Accordingly, at the balance sheet date, SNCF Réseau considers that the new multi-year contract should not generate a downturn in its operating and financing balances, except potentially at the margin.

Sensitivity:

The value calculated depends on the long-term inflation rate applied to extrapolate flows beyond 2030 in the terminal value calculation. The projected inflation rate to 2030 is the rail inflation rate. Sensitivity is around +€0.9 billion for each increase of 10 basis points in the inflation rate.

The value in use is also heavily dependent on the assumptions adopted with respect to commercial fees and capital expenditure. A change of +/-0.1% in the indexing of fees would generate a corresponding change of +/-€1.4 billion in the present value of flows. A change of +/-€0.1 billion in annual capital expenditure would generate a change of -/+€2.1 billion in the present value of flows.

The discount rate applied is 5.5% after tax, unchanged on previous years. A change of +/- 0.1% in this rate would generate a change of -/+€1 billion in the present value of flows.

The value in use of the network is €36.7 billion, compared with a reference net carrying amount as at 31 December 2014 of €34.5 billion.

Property CGU

SNCF Réseau did not identify any indication of loss in value concerning the assets of this CGU.

4.3.4 **Impairment of assets under construction**

(in millions of euros)	Accumulated expenditure as at 31/12/2014	Impairment as at 31/12/2013	Charge	Reversal	Impairment as at 31/12/2014
Dormant projects	13.9	23.7	4.1	(15.1)	12.7
Port tracks under construction	0.0				0.0
Other	0.0	0.4	0.1		0.5
Total	**13.9**	**24.1**	**4.2**	**(15.1)**	**13.2**

4.4 Non-current and current financial assets

	31/12/2014			31/12/2013			Change
(in millions of euros)	Current	Non-current	Total	Current	Non-current	Total	Total
Available-for-sale financial assets (1)	0.0	0.5	**0.5**	0.0	0.5	**0.5**	0.0
Long-term receivables and deposits paid	(0.3)	5.9	**5.6**	0.0	5.9	**5.9**	(0.3)
Amounts receivable on asset disposals	51.2	1.0	**52.2**	64.3	7.8	**72.1**	(19.9)
Current accounts	1.0	0.0	**1.0**	1.5	0.0	**1.5**	(0.5)
Other financial assets	415.0	1,174.4	**1,589.4**	650.5	583.9	**1,234.3**	355.0
Total gross financial assets	**466.9**	**1,181.8**	**1,648.7**	**716.3**	**598.1**	**1,314.3**	**334.4**
Provisions	**(0.4)**	**(0.7)**	**(1.2)**	**(0.5)**	**(2.0)**	**(2.5)**	**1.4**
Total financial assets	**466.5**	**1,181.1**	**1,647.6**	**715.8**	**596.0**	**1,311.8**	**335.8**

Long-term receivables and deposits paid are recognised at amortised cost, which is considered to represent the best estimate of the fair value of these assets.

Other current financial assets:

This line includes negotiable debt instruments maturing in more than 3 months at inception of €415 million as at 31 December 2014.

Other non-current financial assets:

As at 31 December 2014, financial assets included €1,174.4 million of grants to be claimed in respect of current PPP projects, including €730.8 million for the BPL project and €443.6 million for CNM.
These financial assets represent grants to be received by RFF from the French State, that will allow it to repay its debts firstly to Eiffage for the BPL project, and secondly to Oc'Via for CNM. These grants will be received from 2017.
At the same time, SNCF Réseau has recognised borrowings of the same amount, also to be repaid from 2017 (see Note 4.11.1).

The amount of €1,174.4 million represents project progress as at 31 December 2014.

Relationships with subsidiaries and non-consolidated investments are presented below:

	% capital held
SAS Lyon Turin Ferroviaire	50%
GEIE ERTMS	16.67%
GIE S2IF	50%
GEIE SEA Vitoria Dax	50%
GEIE RFC2	49%
GEIE RFC6	20%
GEIE NAF GCT	50%
GEIE CFM4	33%

On 17 December 2014, the RFF Board of Directors authorised its Chairman to sell to the French State the shares held in LTF with a view to establishing the public-sector developer responsible for performing the cross-border section of the new Lyon-Turin rail link. The investment in SAS Lyon-Turin-Ferroviaire was valued based on the share held in LTF's equity as at 31 December 2013, corresponding to the selling price. SAS Lyon-Turin-Ferroviaire reported a net profit of nil for 2014.

As a founding director, SNCF Réseau participated in the creation of the RAILENIUM Scientific Cooperation Foundation. The SCF was created by the decree of 26 October 2012, and its purpose is to define and implement a common cooperation policy in the field of rail transport infrastructures.

As a founding director, SNCF Réseau has an initial capital commitment to this Foundation of €2.04 million over 5 years and an additional commitment to provide resources of €0.8 million over 2 years from 2015.

The initial capital contribution of €2.04 million was paid in 2012, 2013 and 2014.

(in millions of euros)	31/12/2014	31/12/2013
LTF	(9.8)	(27.5)
AIREFSOL ENERGIES SAS	0.0	0.7
GIE S2IF	0.0	0.0
GEIE VITORIA DAX C/C	0.6	0.6
GEIE NAFGCT CC	(0.2)	(0.1)
GEIE CFM4	0.3	0.1
Total	**(9.0)**	**(26.2)**

4.5 Deferred tax

(in millions of euros)	Deferred tax assets
Deferred tax as at 31/12/2013	**3,675.1**
Deferred tax on 2014 net loss	(44.5)
Deferred tax on 2014 change in OCI	170.2
Deferred tax as at 31/12/2014	**3,800.7**

The recognition in the Income Statement of a deferred tax expense of €44.5 million is mainly due to the impact of IAS 23 and the capitalisation of interest in the amount of €64.2 million. Deferred tax in respect of the utilisation of tax losses of €20.3 million is more than offset by amounts relating to other restatements, including €34.8 million in respect of fair value gains and losses on financial instruments recognised in profit or loss.
Deferred tax recognised in reserves mainly concerns fair value gains and losses on financial instruments recognised in OCI.

Despite the lengthening of the time period for the offset of tax loss carryforwards following measures introduced by the 2012 and 2013 Finance Acts, SNCF Réseau considers its losses can be fully utilised. The time horizon for this utilisation was estimated at 2035 for the "pre-reform RFF" scope, primarily based on the business plan used for asset impairment testing and estimated future net finance costs.

As for the impairment testing of Infrastructure CGU assets, it was not possible to update the assumptions underlying this estimate for the outlook resulting from the reform of the rail system.
The multi-year contract currently being drafted along with the financial trajectory which will underpin the financial aspects should nonetheless allow the utilisation of SNCF Réseau's tax losses in the medium-term to be confirmed. The objective of the rail reform is to facilitate the realisation of synergies, including tax synergies. Accordingly, SNCF Réseau joined the SNCF tax consolidation group as from January 1, 2015.

4.6 Trade receivables

The net carrying amount of trade receivables breaks down as follows:

(in millions of euros)	31/12/2014	31/12/2013
Tolls	787.2	783.8
Non-traffic income	18.4	25.2
Other	55.5	44.3
Provisions	(21.9)	(29.3)
Net carrying amount of trade receivables and related accounts	**839.1**	**824.0**

Write-down of receivables

Write-downs changed as follows:

(in millions of euros)	31/12/2013	Charge	Reversals		31/12/2014
			Used	Unused	
Tolls	**14.9**	7.6	13.7	0.6	**8.1**
Non-traffic income	**13.9**	8.1	6.3	3.0	**12.7**
Other	**0.6**	0.9	0.0	0.3	**1.1**
Amounts receivable on asset disposals	**2.5**	2.8	0.0	4.2	**1.1**
Provision for doubtful receivables	**31.8**	**19.4**	**20.1**	**8.1**	**23.0**

The €23 million provision includes the provision for trade receivables of €21.9 million, and the provision for amounts receivable on asset disposals of €1.1 million.

4.7 Other receivables

Other receivables break down as follows:

(in millions of euros)	Tax and employee-related receivables	Prepaid expenses	Other receivables	Total other receivables
Gross amount as at 31 December 2013	478.2	5.7	309.0	792.9
Provisions				
Net amount as at 31 December 2013	**478.2**	**5.7**	**309.0**	**792.9**
Gross amount as at 31 December 2014	444.1	4.6	443.2	891.9
Provisions				
Net amount as at 31 December 2014	**444.1**	**4.6**	**443.2**	**891.9**

Most of the receivables under this heading fall due within less than one year.

4.7.1 Tax and employee-related receivables

(in millions of euros)	31/12/2014		31/12/2013
VAT credit repayment request	119.7		96.1
VAT to be adjusted	195.9		222.4
Input VAT	128.5		124.9
Other tax receivables	0.0		34.8
Employee-related receivables	0.0		0.0
Total	**444.1**		**478.2**

The decrease in tax and employee-related receivables is mainly due to the tax receivable recognised as at 31 December 2013 on the French State of €34.8 million compared with a tax payable of €8.5 million recognised as at 31 December 2014 (in Other payables).

4.7.2 Prepaid expenses

(in millions of euros)	31/12/2014		31/12/2013
Other, including rents and expenses	4.6		5.7
Total	**4.6**		**5.7**

4.7.3 Other receivables

(in millions of euros)	31/12/2014		31/12/2013
Credit notes receivable from suppliers and advances	442.4		305.6
Other sundry receivables	0.8		3.4
Total	**443.2**		**309.0**

The increase in other receivables in 2014 is mainly due to the increase in sums paid in advance compared to the actual progress of the BPL and CNM PPP projects.

4.8 Grants receivable

Grants receivable break down as follows:

(in millions of euros)	31/12/2014	31/12/2013
Grants to be collected	1,366.9	1,194.2
Grants not yet claimed	1,030.9	890.0
Provisions for impairment	(38.1)	(35.8)
Total	**2,359.8**	**2,048.3**

The increase in grants to be collected primarily concerns the SEA concession arrangement (€794 million as at 31 December 2014 compared with €567.2 million as at 31 December 2013), where SNCF Réseau acts as an intermediary between the finance providers and the concession holder LISEA.

4.9 Cash and cash equivalents

(in millions of euros)	31/12/2014	31/12/2013	Change
Bank accounts (euro) and cash in hand	503.1	28.4	474.7
Bank accounts (foreign currency) and cash in hand	0.0	0.0	0.0
Cash in hand and demand deposits	**503.1**	**28.4**	**474.7**
Money market funds	1,445.1	1,173.6	271.6
Negotiable debt instruments and related accrued interest receivable	916.0	2,053.0	(1,137.0)
Cash equivalents	**2,361.2**	**3,226.6**	**(865.4)**
Cash and cash equivalents in the balance sheet	**2,864.3**	**3,255.0**	**(390.7)**
Bank overdrafts in euros	6.8	1.4	5.4
Bank overdrafts in foreign currencies	0.7	0.3	0.4
Bank overdrafts repayable on demand	**7.5**	**1.7**	**5.8**
Net cash and cash equivalents	**2,856.8**	**3,253.4**	**(396.6)**

4.10 Non-current assets held for sale and directly associated liabilities

As at 31 December 2014, assets declared as not necessary for railway activities and to be sold have a net carrying amount of €0.6 million and relate to the EOLE Rosa-Parks station and Bordeaux (AGC) ST-J Armagnac projects.

4.11 Grants

4.11.1 Summary of non-current grants

(in millions of euros)	31/12/2014 Grants for commissioned assets	31/12/2014 Grants for assets under construction	31/12/2014 Total	31/12/2013 Grants for commissioned assets	31/12/2013 Grants for assets under construction	31/12/2013 Total
Grants for assets under construction		8,534.3	8,534.3		7,828.2	7,828.2
Net grants on commissioned assets	12,055.4		12,055.4	10,162.0		10,162.0
Grants in the form of loans at preferential rates	15.1		15.1	16.3		16.3
Reversal of grants on commissioned land	47.5		47.5	36.4		36.4
Grants for upgrade work	3,569.3		3,569.3	3,705.6		3,705.6
Total	**15,687.3**	**8,534.3**	**24,221.6**	**13,920.3**	**7,828.2**	**21,748.5**

4.11.2 Grants for commissioned assets

(in millions of euros)	Net amount as at 31.12.2013	Grants on assets commissioned during the year	Inter-account transfers	Share of grants released to profit or loss	Net amount as at 31.12.2014
Land, buildings and improvements	1,196.3	497.4	(18.1)	(72.9)	1,602.6
Earthworks, tracks, civil engineering works and level crossings	7,133.8	735.7	39.3	(197.4)	7,711.4
Technical installations, electrical supply equipment, telecommunications	1,831.7	1,118.9	(30.2)	(186.1)	2,734.3
Intangible assets	0.2	7.8	(0.1)	(0.8)	7.2
Total	**10,162.0**	**2,359.8**	**(9.1)**	**(457.2)**	**12,055.5**

The column “inter-account transfers” records the impact of sundry adjustments to the prior year relating to the “catch-up” of delays in the accounts commissioning of assets.

4.11.3 Grants for assets under construction

The amount of earned grants relating to assets under construction is based on the percentage completion of the work.

Earned grants as at 31 December 2014 total €8,534.3 million, including investment grants of €2,442.9 million in respect of the SEA PPP project.

(in millions of euros) Gross amount as at 31/12/2014	Increase	Commissioning	Inter-account transfers	Reclassifications	Gross amount as at 31/12/2014
7,828.2	**3,048.4**	**(2,359.8)**	**0.0**	**17.4**	**8,534.3**

Grant for upgrade and compliance work

Since the overhaul of French State grants effective 1 January 2009, SNCF Réseau no longer receives grants for upgrade work. SNCF Réseau continues nonetheless to commission assets in respect of grants received in prior years.

- *Gross grants for upgrade work*

(in millions of euros)	Grant for the year	Amount recognised in 2004	Amount recognised in 2005	Amount recognised in 2006	Amount recognised in 2007	Amount recognised in 2008	Total amount recognised
2004	900.0	675.0	225.0				900.0
2005	900.0		675.0	225.0			900.0
2006	970.0			970.0			970.0
2007	985.2				985.2		985.2
2008	805.2					805.2	805.2
Gross total	**4,560.4**	**675.0**	**900.0**	**1,195.0**	**985.2**	**805.2**	**4,560.4**

- *Grants for upgrade work – commissioned assets*

Year of transfer to commissioned assets	Date of transfer to commissioned assets	Period of release	Amount commissioned	Cumulated release	Net amount as at 31/12/2014
(in millions of euros)					
2004	01/07/2004	38	675.0	(186.5)	488.5
2005	25/03/2005	42	573.9	(133.5)	440.4
2006	09/05/2006	42	878.4	(180.9)	697.5
2007	21/03/2007	35	734.2	(163.3)	570.9
2008	17/04/2008	33	68.8	(14.2)	54.6
2009	17/01/2009	42	844.4	(158.1)	686.3
2010	22/01/2010	38	435.5	(98.4)	337.2
2011	01/01/2011	51	20.5	(2.2)	18.3
2012	01/01/2012	28	254.8	(50.4)	204.5
2013	01/01/2013	41	74.8	(3.6)	71.2
Total			**4,560.4**	**(991.1)**	**3,569.3**

- *Net grants for upgrade work*

(in millions of euros)	Gross amount	Cumulated release as at 31/12/2014	Net amount as at 31/12/2014
Grants for commissioned assets	4,560.4	(991.1)	3,569.3
Grants for assets under construction	0.0		0.0
Total	**4,560.4**	**(991.1)**	**3,569.3**

4.11.4 Current grants

Grants presented in current liabilities correspond to grants claimed in advance.

(in millions of euros)	31/12/2014	31/12/2013
Operating grants claimed in advance	153.7	167.1
Investment grants claimed in advance	1,662.2	1,920.8
Total	**1,815.9**	**2,087.9**

4.12 Provisions

4.12.1 Current/non-current breakdown

(in millions of euros)	31/12/2014			31/12/2013		
	Current	Non-current	Total	Current	Non-current	Total
-Disputes and litigation	24.5	322.7	347.2	12.0	283.5	295.5
-Tax and employee-related expenses	0.0	0.0	0.0	0.0	0.0	0.0
-Decontamination and environmental risks	0.0	107.5	107.5	1.8	113.3	115.1
-Provisions for employee benefits	0.0	15.4	15.4	0.0	10.6	10.6
-Equity investments	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	**24.5**	**445.5**	**470.1**	**13.8**	**407.5**	**421.3**

4.12.2 Movements in provisions

(in millions of euros)	31/12/2013	Charge	Reversals		31/12/2014
			Used	Not used	
Provisions for contingencies and losses					
-Disputes and litigation	295.5	60.6	6.6	2.2	347.2
-Tax and employee-related expenses	0.0	0.0	0.0	0.0	0.0
-Decontamination and environmental risks	115.1	0.0	7.4	0.2	107.5
-Provisions for employee benefits	10.6	4.7	0.0	0.0	15.4
-Equity investments	0.0				0.0
Provisions for contingencies and losses	**421.3**	**65.3**	**14.0**	**2.5**	**470.1**

Provisions for contingencies and losses cover:

- environmental risks;
- disputes and litigation concerning infrastructure-related activities and property management activities;
- tax risks that are currently the subject of a litigation procedure.

Despite updates to provisions in 2014, it should be recalled that uncertainty remains regarding the valuation of the amount of two specific provisions:

- Litigation regarding the flooding in Arles in December 2003: The Marseille administrative court rejected 18 claims filed against RFF, now SNCF Réseau and SNCF, considering the floods to be a case of “force majeure exonerating from all liability” SNCF Réseau and SNCF. The public reporting judge reached the same conclusion, rejecting the claims based on the merits of the case. As the appeal period is still open, the provision has been retained by measure of prudence.

- Decontamination and environmental risks: the provision recognised at the balance sheet date is calculated based on knowledge, at this date, of assets to be treated; this provision is updated on an ongoing basis as SNCF Réseau continues its efforts to identify the programmes to be implemented, and to quantify the corresponding decontamination costs.

The assignment to assess the potential risk of asbestos for unbuilt installations, platforms, footbridges, and underground passages in the Station scope outsourced to a specialist service provider has been completed. This assignment enabled the identification of several types of assets for which identification or a technical asbestos file is necessary. SNCF Réseau will be able to estimate the amount of the contingency provision once the list of these installations has been finalised.

Legal proceedings in progress: 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 expert reports requested by the investigating judges, RFF and SNCF, which became SNCF Réseau and SNCF Mobilités, respectively, on 1 January 2015 (see Note 1) were indicted for “involuntary manslaughter and unintentional injuries through carelessness, recklessness, inattention, negligence, or failure to observe an obligation of due care or precaution” and heard by the judges.

SNCF Réseau and SNCF Mobilités firmly challenged the expert reports, casting doubt on the seriousness of the metallurgical evaluation, and requested that additional work be carried out.

Since the accident, SNCF Mobilités has set up a dedicated team to assist the victims and their families. Under the aegis of the coordination authority designated by the French Transport Ministry, EPIC Mobilités

immediately committed to a compensation programme for the accident’s human and material consequences.

As a precautionary measure, on 8 October 2013 SNCF Mobilités and SNCF Réseau launched the Vigirail programme, designed to improve switching safety and upgrade track maintenance. This programme includes actions that meet the recommendations issued by the BEA-TT in its progress report of 10 January 2014.

The provision for employee benefits is analysed in Note 4.12.3.

4.12.3 **Employee benefits**

a/ change in the present value of the obligation

(in millions of euros)	
Obligation as at 31.12.2013	**10.6**
Current service cost	2.3
Interest expense on the obligation	0.1
Actuarial gains and losses	2.8
Benefits paid	(0.5)
Plan curtailments and settlements	
Other	
Obligation as at 31.12.2014	**15.4**
Unrecognised actuarial gains and losses	
Provisions recognised	15.4

Main assumptions underlying the calculation of the present value of the obligation		
	31/12/2014	**31/12/2013**
Rate of salary increase	1.84%	2.00%
Rate of social security contributions	47.00%	47.00%
Discount rate	0.92%	2.55%
Turnover	3.83%	3.28%

b/ Long-term employee benefit expense

	31/12/2014	**31/12/2013**
(in millions of euros)		
Wages and salaries	(89.4)	(81.0)
Social security contributions	(34.1)	(35.2)
Pension expense - defined contribution plans	(11.5)	(6.9)
Pension expense – defined benefit plans		
Other post-employment benefits		
Long-term employee benefit expense	**(134.9)**	**(123.1)**

c/ OCI special reserve account for long-term employee benefits

(in millions of euros)	31/12/2014	31/12/2013
Provision - Time savings account - retirement benefit obligation	(2.2)	0.7
Social security contributions - Time savings account	(0.3)	(0.1)
OCI reserve account - Actuarial gains and losses	**(2.5)**	**0.6**

4.13 Net debt

Net debt as defined by the Group, corresponds to loans and borrowings less cash and cash equivalents and the fair value of asset derivatives, plus the fair value of liability derivatives.

(in millions of euros)	Note	31/12/2014			31/12/2013		
		Current	Non-current	Total	Current	Non-current	Total
Borrowings (2)	4.14	4,089.6	39,544.7	43,634.4	4,425.9	35,043.3	39,469.2
Cash and cash equivalents	4.9	(2,864.3)		(2,864.3)	(3,255.0)		(3,255.0)
Negotiable debt instruments with initial maturity > 90 days	4.4	(415.0)		(415.0)	(650.5)		(650.5)
Net debt before impact of derivatives		**810.3**	**39,544.7**	**40,355.1**	**520.4**	**35,043.3**	**35,563.7**
Asset derivatives (1)	4.15.3	(262.9)	(1,176.6)	(1,439.5)	(73.0)	(780.6)	(853.5)
Liability derivatives (1)	4.15.3	227.7	2,000.6	2,228.3	141.4	1,674.2	1,815.5
Total net debt		**775.2**	**40,368.7**	**41,143.9**	**588.8**	**35,936.9**	**36,525.7**

(1) primarily allocated to the debt

(2) including bank overdrafts

4.14 Borrowings

Borrowings break down as follows:

(in millions of euros)	Note	31/12/2014 Current	Non-current	Total		31/12/2013 Current	Non-current	Total
SNCF Réseau long-term debt		1,879.0	38,723.2	**40,602.3**		2,913.4	33,854.6	**36,768.0**
Long-term debt transferred from SNCF		405.8	821.5	**1,227.3**		30.4	1,188.7	**1,219.1**
Short-term debt		1,804.8	-	**1,804.8**		1,482.1	-	**1,482.1**
Borrowings		**4,089.6**	**39,544.7**	**43,634.4**		**4,425.9**	**35,043.3**	**39,469.2**

4.14.1 SNCF réseau long-term debt

SNCF Réseau raises funds on international capital markets in order to cover its long-term financing needs, mainly through bond issues and private placements and, to a lesser extent, borrowings from banks and/or local authorities.

SNCF Réseau raised long-term resources of €4.5 billion (repayment value) in 2014 through 35 operations carried out on the euro and US dollar bond markets.

The total amount of new issues in 2014 includes the carrying amount of private placements (€774.10 million) and public issues, as presented below.

(in millions of euros)			**31/12/2014**		
Loan type	**Nominal amount**	**Currency**	**Maturity date**	**Interest rate**	**Balance sheet amount**
Bond loans:					
EMTN RFF 4.50% 30-01-2024	100.0	EUR	30/01/2024	4.5	124.2
EMTN RFF 3.30% 18-12-2042 EUR	800.0	EUR	18/12/2042	3.3	834.0
EMTN RFF 3.125% EUR 25-10-2028	675.0	EUR	25/10/2028	3.125	721.1
EMTN RFF 0.375% EUR 25-02-2016	1,000.0	EUR	25/02/2016	0.375	1,004.4
EMTN RFF 4.375 02/06/2022	300.0	EUR	02/06/2022	4.375	372.8
EMTN RFF 2.625% 29-12-2025	900.0	EUR	29/12/2025	2.625	939.7
					3,996.2

The characteristics of RFF borrowings as at 31 December 2014 are as follows:

	Amount
Bond issues	31,494.3
Other borrowings	7,452.2
BPL, GSMR and CNM PPP debt	1,655.8
TOTAL	**40,602.3**

Bond issues

(in millions of euros)

Loan type	Nominal amount	Currency	Maturity date	Interest rate	Margin	Balance sheet amount
Total CAD 4.70% 01-06-2035	276.60	CAD	01/06/2035	4.7		247.20
Total EMTN RFF 2% 12-11-2026 CHF	150.00	CHF	12/11/2026	2		125.10
Total EMTN RFF CHF 2% 24-11-2034	100.00	CHF	24/11/2034	2		83.10
Total EMTN RFF CHF 2.625% 10-03-2031	125.00	CHF	10/03/2031	2.625		133.10
Total EMTN RFF CHF 2.625% 11-03-37	130.00	CHF	11/03/2037	2.625		142.70
Total EMTN RFF CHF 2.875% 26-02-21	300.00	CHF	26/02/2021	2.875		290.70
Total EMTN RFF CHF 3% 24-04-2019	450.00	CHF	24/04/2019	3		400.90
Total RFF 3.25% 30-06-2032 - CHF -	250.00	CHF	30/06/2032	3.25		226.90
Total EMTN - RFF 6 % 12-10-2020	2,000.00	EUR	12/10/2020	6		2,042.30
Total EMTN RFF 0.375% EUR 25-02-2016	1,000.00	EUR	25/02/2016	0.375		1,004.40
Total EMTN RFF 2.625% 29-12-2025	900.00	EUR	29/12/2025	2.625		939.70
Total EMTN RFF 3.125% EUR 25-10-2028	1,675.00	EUR	25/10/2028	3.125		1,722.80
Total EMTN RFF 3.30% 18-12-2042 EUR	800.00	EUR	18/12/2042	3.3		834.10
Total EMTN RFF 4.25% 07-10-2026	3,600.00	EUR	07/10/2026	4.25		3,935.30
Total EMTN RFF 4.375 02/06/2022	2,900.00	EUR	02/06/2022	4.375		3,076.80
Total EMTN RFF 4.45% 27-11/2017	1,300.00	EUR	27/11/2017	4.45		1,327.90
Total EMTN RFF 4.50% 30-01-2024	3,850.00	EUR	30/01/2024	4.5		4,243.90
Total EMTN RFF 5% 10-10-2033	3,100.00	EUR	10/10/2033	5		3,372.10
Total RFF OAT IPCH 28-02-2023	2,000.00	EUR	28/02/2023	2.45		2,512.10
Total EMTN - RFF 5.25% 31-01-2035 £	475.00	GBP	31/01/2035	5.25		699.40
Total EMTN - RFF 5.5 % 01-12-2021 £	800.00	GBP	01/12/2021	5.5		1,038.10
Total EMTN - RFF 5.25% 07-12-2028 £	650.00	GBP	07/12/2028	5.25		821.70
Total EMTN RFF 2.375% 23-12-2015 £	625.00	GBP	23/12/2015	2.375		807.10
Total EMTN RFF 4.83% 25-03-2060 £	550.00	GBP	25/03/2060	4.83		740.00
Total EMTN RFF 5% 11-03-2052 £	550.00	GBP	11/03/2052	5		726.90
Total						**31,494.30**

Other borrowings

(in millions of euros)

Loan type	Nominal amount	Currency	Average maturity	Balance sheet amount
	500.00	**CHF**	2020	465.10
	5,308.61	**EUR**	2039	5,434.60
	315.20	**GBP**	2037	341.80
	300.00	**HKD**	2016	32.50
	45,000.00	**JPY**	2023	331.70
	500.00	**NOK**	2032	69.11
	370.00	**USD**	2025	313.73
Private placements				**6,988.54**
EIB loans	425.14	**EUR**	2019	**425.21**
Loans from the Greater Paris region	44.24	**EUR**	2028	**40.24**
Syndicated loan	1,250.00	**EUR**	2017	**(1.75)**
		Total		**7,452.24**

The BPL and CNM borrowings relate to the Bretagne-Pays-de-Loire and the Nîmes-Montpellier Bypass PPPs. They represent SNCF Réseau's debt to its partners that are pre-financing part of the projects. SNCF Réseau will have to repay these debts from 2017. Project progress as at 31 December 2014 represents €1,174.4 million.
It should be noted that the repayment of these SNCF Réseau debts will be financed by the French State from 2017 based on a corresponding payment schedule.

4.14.2 Long-term debt transferred from SNCF

On the creation of RFF on 1 January 1997, €20.5 billion in debt was transferred from SNCF and recognised in SNCF Réseau liabilities.

The total amortised cost of SNCF debt is €1,227.3 million as at 31 December 2014.

Currency	Contractual interest rate	Nominal foreign currency amount	Average maturity	Balance sheet amount
EUR	Floating	229.9	2017	229.9
	Fixed	613.2	2023	634.6
	Inflation-linked			
GBP	Fixed			
	Floating	134.0	2016	134.0
CHF	Fixed	225.4	2016	228.8
	Floating			
Total debt transferred from SNCF				**1,227.3**

4.14.3 Short-term debt

In order to raise funds and manage its cash, SNCF Réseau uses both domestic and international short-term financing instruments in the form of treasury bills and commercial paper, thereby providing it with diversified access to liquid financial resources. Foreign currency negotiable debt instruments are hedged by means of currency swaps.

Amounts by maturity and currency as at 31 December 2014:

Currency	Total amount in millions of euros	Maturing in 0 to 6 months	Maturing in 6 to 12 months	Maturing in more than 1 year
AUD	0.1	0.1	0.0	
EUR	606.7	606.7	0.0	
USD	1,197.8	910.3	287.5	
GBP	0.2	0.2	0.0	
	1,804.8	**1,517.3**	**287.5**	

Short-term debt raised by SNCF Réseau in 2014 represented average outstandings of €2 billion.

4.15 Management of financial risks and derivative instruments

SNCF Réseau is exposed to the following risks relating to the usage of financial instruments:

- market risks:
  - interest rate risk,
  - currency risk;
- liquidity risks;
- credit and counterparty risks.

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, delegations of authority granted by the Board of Directors together with delegations of signature granted.

SNCF Réseau also has a procedure manual 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.

4.15.1 Management of currency risk

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.

SNCF Réseau's foreign currency position at the balance sheet date can be summarised as follows (in notional amounts):

31/12/2014	USD	GBP	YEN	HKD	CHF	CAD	NOK
Debt denominated in foreign currencies	370.0	3,982.1	45,000.0	300.0	2,276.0	276.6	500.0
Foreign currency derivatives	370.0	3,982.1	45,000.0	300.0	2,276.0	276.6	500.0
Net foreign currency exposure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31/12/2013	**USD**	**GBP**	**YEN**	**HKD**	**CHF**	**CAD**	**NOK**
Debt denominated in foreign currencies	250.0	3,971.1	50,000.0	300.0	2,326.0	276.6	500.0
Foreign currency derivatives	250.0	3,971.1	50,000.0	300.0	2,326.0	276.6	500.0
Net foreign currency exposure	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Closing exchange rates for the main currencies are as follows:

ECB exchange rate	31/12/2014	31/12/2013
CAD	1.4063	1.4671
CHF	1.2024	1.2276
GBP	0.7789	0.8337
HKD	9.417	10.6933
YEN	145.23	144.72
NOK	9.042	8.363
USD	1.2141	1.3791

At 31 December 2014, a spot increase or decrease of 10% in the value of the euro relative to foreign currencies would not have a material impact on profit or loss or equity in view of the set-up of currency hedging, all other things being equal.

4.15.2 Management of interest rate risk

In order to protect against interest rate risk and optimise finance costs over the medium term, SNCF Réseau defines a target debt structure based on:

- Efficient interest rate structures (breakdown between fixed rates, floating rates and inflation-linked rates) optimising the "expected cost/risk" trade-off
- A maximum defined share of floating-rate debt, thereby limiting the additional finance costs incurred by SNCF Réseau to an acceptable level should interest rates rise.

SNCF Réseau operates within this management framework, either by selecting the type of financing (fixed rate, floating rate or inflation-linked), or using derivative products within the limits set by the Board of Directors.

At the balance sheet date, the main characteristics of the debt in terms of exposure to interest rate risk, after adjustment for interest rate and foreign currency derivatives, are as follows:

(in millions of euros)	**31/12/2014**	**31/12/2013**
Euro fixed-rate debt	30,052.6	28,777.2
Euro Inflation-linked debt	2,917.0	2,015.2
Euro floating-rate debt (net of cash equivalents)	5,729.6	3,883.0
PPP borrowing	1,655.8	888.2
TOTAL	**40,355.1**	**35,563.7**

A breakdown of currency derivatives and interest rate derivatives hedging the debt is presented in Note 4.15.3.

Sensitivity of financial instruments to interest rate risks

The sensitivity of cash flows of floating-rate instruments was calculated taking account of all variable cash flows of non-derivative instruments and derivative instruments. Derivative instruments not designated as hedges and separately recognised embedded derivatives generate a certain degree of volatility in net finance costs. A breakdown of derivative instruments not designated as hedges is provided in Note 4.15.3.

Conversely, changes in the value of derivatives designated as cash flow hedges generate a certain degree of volatility in equity.

Sensitivity analyses are prepared assuming that the level of debt and financial instruments in the balance sheet at 31 December remains constant during one year.

Given the relatively low market rates in 2014, SNCF Réseau decided to perform its sensitivity analyses based on a change in rates of +/-50 basis points.

A change of +/-50 basis points in euro interest rates at the balance sheet date would have the effect of increasing (or decreasing) equity and profit or loss in the amounts presented below. For the purposes of this analysis, other variables, and particularly exchange rates, have been assumed to remain constant. A similar analysis, prepared on the same basis, is presented for 2013.

Summary of interest rate impacts (amounts in millions of euros)		As at 31 December 2014					As at 31 December 2013			
		Profit or loss		Equity			Profit or loss		Equity	
		Impact after change in interest rates of		Impact after change in interest rates of			Impact after change in interest rates of		Impact after change in interest rates of	
Instrument type		+50 bp	-50 bp	+50 bp	-50 bp		+50 bp	-50 bp	+50 bp	-50 bp
Derivatives designated as fair value hedges		(18.7)	19.6	0.0	0.0		(17.0)	17.9	0.0	0.0
Debt designated as fair value hedges		26.1	(27.3)	0.0	0.0		25.2	(26.3)	0.0	0.0
Total ineffective portion of fair value hedges	**(a)**	**7.5**	**(7.7)**	**0.0**	**0.0**		**8.2**	**(8.4)**	**0.0**	**0.0**
Ineffective portion of cash flow hedges		41.9	(49.3)				5.0	(5.5)	0.0	0.0
Derivatives designated as cash flow hedges		0.0	0.0	728.3	(813.0)		0.0	0.0	523.5	(586.4)
Total impact of cash flow hedges	**(b)**	**41.9**	**(49.3)**	**728.3**	**(813.0)**		**5.0**	**(5.5)**	**523.5**	**(586.4)**
Trading derivatives	(c)	(26.2)	19.6	0.0	0.0		1.1	(1.4)	0.0	0.0
Floating-rate debt (including short-term debt)	(d)	(57.3)	57.3	0.0	0.0		(38.9)	38.9	0.0	0.0
Investments and cash equivalents	(e)	6.7	(6.7)	0.0	0.0		13.5	(13.5)	0.0	0.0
Total impact (a+b+c+d+e)		(27.4)	13.2	**728.3**	**(813.0)**		(11.2)	10.1	**523.5**	**(586.4)**

Sensitivity is measured as follows:

(a) The ineffective portion of fair value hedges attributable to changes in the value of the hedged item and the hedging instrument.

(b) The ineffective portion of cash flow hedges and the impact on equity (OCI) attributable to changes in the value of the hedging instrument.

(c) Impact of the shift in the interest rate curve on derivatives not recognised using hedge accounting.

(d) Impact of the shift in the interest rate curve on cash flows (income or expenses) of floating-rate borrowings or fixed-rate borrowings converted to floating rates.

(e) Impact of the shift in the interest rate curve on cash flows (income or expenses) of cash equivalents.

4.15.3 **Accounting position of derivative instruments**

To hedge its exposure to interest rate and currency risks, SNCF Réseau uses derivative instruments that may or may not be designated as hedges for accounting purposes.

The main derivatives used are interest rate swaps, swaptions, forward currency contracts, cross currency swaps and currency options.

The fair value of derivative instruments recognised in the balance sheet breaks down as follows:

	2014				2013			
(in millions of euros)	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Derivatives designated as hedges								
Fair value hedges								
Interest rate	25.9	109.1	-	-	46.1	109.6	-	-
Foreign currency and interest rate	19.7	566.6	-	16.0	-	318.5	4.7	71.3
Cash flow hedges	-	-	-	-				
Interest rate	-	0.7	-	699.5	-	81.9	-	316.7
Foreign currency and interest rate	80.5	500.3	33.2	1,285.1	8.2	270.5	-	1,286.1
Total derivatives designated as hedges	**126.2**	**1,176.6**	**33.2**	**2,000.6**	**54.3**	**780.6**	**4.7**	**1,674.2**
Derivatives and forward currency transactions not designated as hedges								
Interest rate	4.1	-	23.9	-	4.2	-	10.9	-
Foreign currency and interest rate	111.3	-	-	-	4.0	-	48.9	-
Embedded derivatives	21.4	-	170.6	-	10.5	-	76.9	-
Total derivatives and forward currency transactions not designated as hedges	**136.7**	**-**	**194.5**	**-**	**18.7**	**-**	**136.7**	**-**
Total derivatives	**262.9**	**1,176.6**	**227.7**	**2,000.6**	**73.0**	**780.6**	**141.4**	**1,674.2**

Pursuant to the amendment to IFRS 7, the following tables present the fair value of foreign currency and interest rate derivative instruments used by the SNCF Réseau Group, entered into under framework agreements comprising an enforceable master netting clause.

As at 31/12/2014 in millions of euros	Gross amount	Amounts offset in the balance sheet	Net amount presented in the balance sheet	Amounts not offset in the balance sheet		Net amount
	A	**B**	**C= B-A**	**Derivative instruments (D)**	**Cash collateral (E)**	**F= C-D-E**
Asset derivative financial instruments	1,550.8	0.0	1,550.8	1,161.3	91.4	298.1
Liability derivative financial instruments	2,228.3	0.0	2,228.3	1,161.3	0.0	1,067.0

As at 31/12/2013 in millions of euros	Gross amount	Amounts offset in the balance sheet	Net amount presented in the balance sheet	Amounts not offset in the balance sheet		Net amount
	A	**B**	**C= B-A**	**Derivative instruments (D)**	**Cash collateral (E)**	**F= C-D-E**
Asset derivative financial instruments	853.5	0.0	853.5	759.4	66.1	28.0
Liability derivative financial instruments	1,815.5	0.0	1,815.5	759.4	0.0	1,056.1

Fair value hedges

SNCF Réseau uses euro interest rate swaps and cross currency swaps to hedge against changes in the fair value of borrowings and financial receivables.

Hedge derivatives break down as follows:

	2014			
	Carrying amount in € million		Foreign currency notional amount	
Derivatives designated as fair value hedges	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fixed rate/floating rate swaps				
Euro/Euro	135.0	-	1,800.0	
Fixed rate/floating rate cross currency swaps				
JPY/Euro	14.9	16.0	14,000.0	6,000.0
GBP/Euro	153.7	-	850.0	-
USD/Euro	13.4	-	100.0	-
CHF/Euro	371.1	-	1,241.9	-
CAD/Euro	30.2	-	132.6	-
HKD/EUR	1.7	-	300.0	-
NOK/Euro	1.5	-	500.0	-
	721.4	**16.0**		

	2013			
	Carrying amount in € million		Foreign currency notional amount	
Derivatives designated as fair value hedges	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Fixed rate/floating rate swaps				
Euro/Euro	155.7	-	2,450.0	
Fixed rate/floating rate cross currency swaps				
JPY/Euro	12.4	26.1	7,000.0	18,000.0
GBP/Euro	42.6	43.4	450.0	400.0
USD/Euro	5.4	-	100.0	-
CHF/Euro	247.5	-	1,241.9	-
CAD/Euro	10.7	-	132.6	-
HKD/EUR	-	1.8	-	300.0
NOK/Euro	-	4.8	-	500.0
	474.2	**76.0**		

Cash flow hedges

Derivatives hedging cash flows at the balance sheet date break down as follows:

	2014										
	Fair value in the balance sheet (in € million)		Notional amount in foreign currency (in million)								
Derivatives designated as cash flow hedges	Assets	Liabilities	Assets	Liabilities	Cash flow hedge reserve	< 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	10 to 20 years	> 20 years
Floating-rate receiver / Fixed-rate payer euro swaps	0.0	292.9	0.0	3,480.9	(324.5)	(11.9)	(12.2)	(91.1)	(71.1)	(103.0)	(35.3)
Fixed-rate receiver /Floating-rate payer euro swaps	0.7	6.1	120.0	156.0	(13.0)	(0.1)	(3.9)	(5.8)	(3.0)	(0.2)	0.0
Floating-rate / Fixed-rate cross currency swaps											
GBP	18.1	54.6	50.0	104.4	(9.1)	(2.3)	(6.1)	(2.0)	0.6	0.7	0.0
USD											
Fixed-rate / Floating-rate cross currency swaps											
AUD											
CHF	121.2	0.0	631.0	0.0	(1.7)	3.9	(0.2)	(3.6)	(1.1)	(0.6)	0.0
GBP	165.7	1,234.1	375.0	1,437.5	(1,012.2)	(21.1)	(27.3)	(183.8)	(208.2)	(286.0)	(285.7)
JPY	0.0	28.1	0.0	25,000.0	(15.3)	0.0	(2.5)	(10.2)	(2.6)	0.0	0.0
USD	0.9	1.7	0.0	150.0	(7.8)	4.1	(8.1)	3.1	(1.4)	(2.8)	(2.7)
Fixed-rate / Floating-rate cross currency swaps											
+ Floating-rate / Fixed-rate swaps											
CAD	32.8	43.1	144.0	0.0	(23.1)	(1.4)	0.3	(4.3)	(5.4)	(10.8)	(1.4)
GBP	166.2	331.9	352.7	0.0	(89.1)	(4.1)	0.9	(13.3)	(24.6)	(46.5)	(1.5)
USD					0.0	0.0	0.0	0.0	0.0	0.0	0.0
CHF	75.9	25.5	253.2	0.0	9.8	1.3	0.5	7.1	0.9	0.0	0.0
Advance hedges of future issues					14.1	(5.7)	(1.5)	11.6	5.7	4.0	0.0
	581.4	**2,017.8**			**(1,471.8)**						

	2013										
	Fair value in the balance sheet (in € million)		Notional amount in foreign currency (in million)								
Derivatives designated as cash flow hedges	Assets	Liabilities	Assets	Liabilities	Cash flow hedge reserve	< 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	10 to 20 years	> 20 years
Floating-rate receiver / Fixed-rate payer euro swaps	81.3	91.0	1,672.9	1,220.1	(59.7)	(0.4)	(7.5)	(25.1)	(8.7)	(15.8)	(2.3)
Fixed-rate receiver /Floating-rate payer euro swaps	0.7		120.0		0.7	0.0	0.1	0.2	0.3	0.1	0.0
Floating-rate / Fixed-rate cross currency swaps											
GBP	7.6	72.3	50.0	104.4	(18.9)	(2.7)	(5.6)	(11.2)	0.4	0.2	0.0
USD											
Fixed-rate / Floating-rate cross currency swaps											
AUD											
CHF	106.3	1.2	731.0	100.0	(12.5)	0.4	(1.2)	(2.2)	(4.1)	(4.9)	(0.4)
GBP	61.5	1,168.9	650.0	1,975.0	(808.0)	(16.2)	(20.0)	(140.9)	(162.7)	(228.1)	(240.0)
JPY	0.0	17.3	0.0	25,000.0	(5.2)	0.0	(0.8)	(3.2)	(1.2)	0.0	0.0
USD	0.0	16.1	0.0	150.0	1.4	4.0	(5.4)	2.8	0.0	0.0	0.0
Fixed-rate / Floating-rate cross currency swaps											
+ Floating-rate / Fixed-rate swaps											
CAD	11.6	15.9	144.0		(14.6)	(0.6)	(0.0)	(2.7)	(3.3)	(6.6)	(1.3)
GBP	26.9	201.1	219.0	125.0	(64.5)	(2.2)	0.4	(7.8)	(15.3)	(35.4)	(4.1)
USD											
CHF	64.7	18.9	253.2		10.5	1.2	0.5	6.7	2.1	0.0	0.0
Advance hedges of future issues					15.3	(2.0)	(2.0)	6.7	8.2	4.4	0.0
	360.6	**1,602.8**			**(955.4)**						

	2013										
	Fair value in the balance sheet (in € million)		Notional amount in foreign currency (in million)								
Derivatives designated as cash flow hedges	Assets	Liabilities	Assets	Liabilities	Cash flow hedge reserve	< 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	10 to 20 years	> 20 years
Floating-rate receiver / Fixed-rate payer euro swaps	81.3	91.0	1,672.9	1,220.1	(59.7)	(0.4)	(7.5)	(25.1)	(8.7)	(15.8)	(2.3)
Fixed-rate receiver /Floating-rate payer euro swaps	0.7		120.0		0.7	0.0	0.1	0.2	0.3	0.1	0.0
Floating-rate / Fixed-rate cross currency swaps											
GBP	7.6	72.3	50.0	104.4	(18.9)	(2.7)	(5.6)	(11.2)	0.4	0.2	0.0
USD											
Fixed-rate / Floating-rate cross currency swaps											
AUD											
CHF	106.3	1.2	731.0	100.0	(12.5)	0.4	(1.2)	(2.2)	(4.1)	(4.9)	(0.4)
GBP	61.5	1,168.9	650.0	1,975.0	(808.0)	(16.2)	(20.0)	(140.9)	(162.7)	(228.1)	(240.0)
JPY	0.0	17.3	0.0	25,000.0	(5.2)	0.0	(0.8)	(3.2)	(1.2)	0.0	0.0
USD	0.0	16.1	0.0	150.0	1.4	4.0	(5.4)	2.8	0.0	0.0	0.0
Fixed-rate / Floating-rate cross currency swaps											
+ Floating-rate / Fixed-rate swpas											
CAD	11.6	15.9	144.0		(14.6)	(0.6)	(0.0)	(2.7)	(3.3)	(6.6)	(1.3)
GBP	26.9	201.1	219.0	125.0	(64.5)	(2.2)	0.4	(7.8)	(15.3)	(35.4)	(4.1)
USD											
CHF	64.7	18.9	253.2		10.5	1.2	0.5	6.7	2.1	0.0	0.0
Advance hedges of future issues					15.3	(2.0)	(2.0)	6.7	8.2	4.4	0.0
	360.6	**1,602.8**			**(955.4)**						

Derivative instruments not designated as hedges:

	31/12/2014			
	Fair value (in € million)		Notional amount in foreign currency (in millions)	
	Assets	Liabilities	Assets	Liabilities
Derivatives not designated as hedges	**136.7**	**194.5**		
Interest rate swaps	4.1	23.9	150.0	181.1
Foreign currency instruments				
GBP	-			
CHF				
USD	111.3	-	1,455.0	-
EUR embedded derivatives	21.4	4.4	105.5	155.5
GBP embedded derivatives		166.2		326.0

	31/12/2013			
	Fair value (in € million)		Notional amount in foreign currency (in millions)	
	Assets	Liabilities	Assets	Liabilities
Derivatives not designated as hedges	**18.7**	**136.7**		
Interest rate swaps	4.2	10.9	603.0	314.1
Foreign currency instruments				
GBP	4.0		250.0	
CHF				
USD		48.9		1,526.5
EUR embedded derivatives	10.5	3.2	105.5	155.5
GBP embedded derivatives		73.7		326.0

Embedded derivatives

SNCF Réseau also holds an option on a borrowing, for which the counterparty controls the exercise decision. This option was recognised as a stand-alone derivative in accordance with IAS 39 (see Note 3.13.5). As at 31 December 2014, the value of this embedded derivative is -€166.2 million.
If not exercised in July 2015, this option extends for 14 years the Euro debt converted into GBP at an exchange rate of 0.652 and with a fixed interest rate of 5.35%.

4.15.4 LIQUIDITY RISK

Thanks 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. In addition, SNCF Réseau has a 5-year credit line of €1.25 billion. This facility was not drawn in 2014.

The following tables present non-discounted contractual cash flows for financial liabilities at 31 December 2014 and 31 December 2013 (corresponding to amounts to be repaid, including interest, with the floating-rate portion pegged to the fixing on 31 December 2014). In addition to liquidity information, current assets are presented at the foot of these tables, with details of cash flows receivable within less than six months.

	2014							
(in millions of euros)	**Carrying amount**	**Total cash flows**	**< 6 months**	**6 months to 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**> 20 years**
Long-term borrowings - euros	(33,005.2)	(47,874.2)	(453.4)	(1,366.4)	(7,276.8)	(17,562.8)	(14,590.8)	(6,623.9)
Long-term borrowings - foreign currencies	(8,824.4)	(12,887.9)	(162.0)	(1,177.0)	(2,228.2)	(2,451.2)	(2,907.6)	(3,961.9)
Short-term debt	(1,804.8)	(1,687.1)	(1,412.3)	(274.9)	0.0	0.0	0.0	0.0
Trade payables (*)	(321.8)	(321.8)	(321.8)					
Other current financial liabilities	(1,943.8)	(1,943.8)	(1,943.8)					
Derivative iinstruments - flows receivable		14,718.7	214.3	1,225.9	2,514.5	2,884.6	3,630.7	4,248.7
Derivative instruments - flows payable		(14,438.6)	(216.5)	(1,099.1)	(2,260.7)	(3,014.7)	(3,634.5)	(4,213.1)
	(788.8)							
Total outstanding financial liabilities	**(46,688.7)**	**(64,434.6)**	**(4,295.4)**	**(2,691.5)**	**(9,251.2)**	**(20,144.2)**	**(17,502.1)**	**(10,550.2)**
Trade receivables	839.1	839.1	839.1					
Grants	2,359.8	2,359.8	2,359.8					
Cash and cash equivalents	2,864.3	2,864.3	2,864.3					
TOTAL CURRENT ASSETS	**6,063.2**							

(*) Excluding credit notes to be issued.

(in millions of euros)	2013 Carrying amount	Total cash flows	< 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	10 to 20 years	> 20 years
Long-term borrowings - euros	(29,769.4)	(40,081.9)	(1,924.2)	(1,111.2)	(7,795.0)	(9,151.9)	(13,198.7)	(6,900.9)
Long-term borrowings - foreign currencies	(8,217.6)	(12,943.1)	(319.6)	(222.0)	(2,375.2)	(3,304.2)	(2,829.5)	(3,892.6)
Short-term debt	(1,482.1)	(1,376.3)	(1,041.8)	(334.4)	0.0	0.0	0.0	0.0
Trade payables (*)	(345.8)	(345.8)	(345.8)					
Other current financial liabilities	(2,217.5)	(2,217.5)	(2,217.5)					
Derivative iinstruments - flows receivable		15,167.7	481.3	269.9	2,799.9	3,693.4	3,607.1	4,316.1
Derivative instruments - flows payable		(15,151.4)	(403.1)	(247.4)	(2,525.1)	(3,592.0)	(3,764.6)	(4,619.2)
	(962.0)							
Total outstanding financial liabilities	**(42,994.6)**	**(56,948.3)**	**(5,770.8)**	**(1,645.1)**	**(9,895.5)**	**(12,354.6)**	**(16,185.8)**	**(11,096.6)**
Trade receivables	824.0	824.0	824.0					
Grants	1,984.4	1,984.4	1,984.4					
Cash and cash equivalents	2,984.0	2,984.0	2,984.0					
TOTAL CURRENT ASSETS	**5,792.4**							

(*) Excluding credit notes to be issued.

Credit risk

Credit risk is the risk of financial loss for SNCF Réseau should a customer or counterparty to a financial instrument fail to meet its contractual obligations.

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the balance sheet date is as follows:

(in millions of euros)		Carrying amount	
	note	**31/12/2014**	**31/12/2013**
Long-term receivables and guarantee deposits paid	4.4	1,595.5	1,511.8
Fair value of derivatives not designated as hedges	4.15.3	136.7	18.7
Fair value of derivatives designated as hedges	4.15.3	1,302.8	834.9
Trade receivables	4.6	839.1	824.0
Grants receivable	4.8	2,359.8	1,984.4
Current accounts	4.4	1.0	1.5
Other receivables (excluding prepaid expenses)	4.7	887.3	741.1
Cash and cash equivalents	4.9	2,864.3	2,984.0
total		**9,986.5**	**8,900.3**

Management of customer risk

The aged listing of trade receivables past due as at 31 December 2014 is as follows:

(in millions of euros)		Current		Non-current
Outstanding amount		**< 6 months**	**> 6 months**	
Past due trade receivables not provided	47.2	43.0	2.5	1.7
Past due trade receivables provided	41.6	24.9	2.4	14.3
Provision for doubtful receivables	21.9	8.8	1.1	12.0
TOTAL	**110.8**	**76.7**	**6.0**	**28.0**

This table does not include sales invoice accruals, receivables not yet due or related provisions for write-down.

The aged listing of grants receivable past due as at 31 December 2014 is as follows:

(in millions of euros)		Current		Non-current
Outstanding amount		**< 6 months**	**> 6 months**	
Past due grants receivable not provided	1,369.6	597.3	159.4	612.9
Past due grants receivable provided	11.7	0.0	0.0	11.7
Provision for doubtful receivables	1.7	0.0	0.0	1.7
TOTAL	**1,383.0**	**597.3**	**159.4**	**626.3**

This table does not include sales invoice accruals, receivables not yet due or related provisions for write-down.

The aged listing of amounts receivable on asset disposals past due as at 31 December 2014 is as follows:

(in millions of euros)		Current		Non-current
Outstanding amount		**< 6 months**	**> 6 months**	
Past due amounts receivable on asset disposals not provided	14.4	13.6	0.2	0.6
Past due amounts receivable on asset disposals provided	1.7	0.0	0.9	0.8
Provision for doubtful receivables	1.1	0.0	0.4	0.7
TOTAL	**17.2**	**13.6**	**1.5**	**2.1**

Management of counterparty risk on cash and cash equivalents and derivatives

SNCF Réseau is exposed to counterparty risk both in its day-to-day treasury management (investment of cash surpluses in certificates of deposit, treasury bills, etc.) and in the management of its medium- and long-term debt (transactions in derivatives, etc.)

In order to protect against a downturn in the financial position of counterparties:

- with which SNCF Réseau invests cash, a limit is set on the nominal amount that can be invested per counterparty, based on its short-term credit rating, which must be at least equal to A-2/P-2/F2 (S&P/Moody's/Fitch respectively);

- with which SNCF Réseau carries out financial instrument transactions, an exposure limit is set per counterparty. This limit is expressed in terms of market value and is based on the counterparty's long-term credit rating, which must be at least equal to BBB-/Baa3/BBB- (S&P/Moody's/Fitch respectively), and in percentage of equity;

- SNCF Réseau has also set up a guarantee contract with all its derivative counterparties. This contract is triggered when the counterparty's credit rating falls below AA-/Aa3/AA- (S&P/Moody's/Fitch respectively). Account is taken of the rating granted by at least two of the following three rating agencies: Standard & Poor's, Moody's, and Fitch.

Fair value of financial instruments

31/12/2014		IAS 39 accounting categories											
(in millions of euros)	Notes	Assets measured at FV through profit or loss (trading)	Assets measured at FV through profit or loss (FV option)	Derivatives designated as hedges	Held-to-maturity assets	Available-for-sale assets	Loans and receivables	Liabilities at amortised cost	Total balance sheet net carrying amount	Fair value	Level 1 Fair value measured based on quoted prices	Level 2 Fair value measured based on unquoted prices (*)	Level 3 Fair value of non-liquid items (*)
Assets													
Asset derivatives allocated to debt	4.15.3	136.7		1,302.8					1,439.5	1,439.5		1,439.5	
Trade receivables	4.6						839.1		839.1	839.1		839.1	
Other financial assets	4.4		415.0				1,232.6		1,647.6	1,647.6	415.0	1,232.6	
Cash and cash equivalents	4.9		2,864.3						2,864.3	2,864.3	2,864.3		
	Total	**136.7**	**3,279.3**	**1,302.8**	**0.0**	**0.0**	**2,071.7**	**0.0**	**6,790.5**	**6,790.5**	**3,279.3**	**3,511.3**	**0.0**
Liabilities													
RFF long-term debt	4.14							40,602.3	40,602.3	48,354.6		48,354.6	
Long-term debt transferred from SNCF	4.14							1,227.3	1,227.3	1,650.1		1,650.1	
Short-term debt	4.14							1,804.8	1,804.8	1,804.8		1,804.8	
Liability derivatives allocated to debt (*)	4.15.3	194.5		2,033.8					2,228.3	2,228.3		2,228.3	
Trade payables	4.15.4							321.8	321.8	321.8		321.8	
Other financial liabilities	4.19							2,034.9	2,034.9	2,034.9		2,034.9	
	Total	**194.5**	**0.0**	**2,033.8**	**0.0**	**0.0**	**0.0**	**45,991.0**	**48,219.4**	**56,394.4**	**0.0**	**56,394.4**	**0.0**

31/12/2013		IAS 39 accounting categories											
(in millions of euros)	Notes	Assets valued at FV through P/L (trading)	Assets valued at FV through P/L (JV option)	Derivatives qualified as hedges	Held-to-maturity assets	Assets available for sale	Loans and receivables	Liabilities at amortised cost	Total net book value of the class in the balance sheet	Fair value of the class	Level 1 Fair value assessed on the basis of listed prices	Level 2 Fair value assessed on the basis of non-listed prices (*)	Level 3 Fair value of non-liquid elements (*)
Assets													
Asset derivatives allocated to debt	4.15.3	18.7		834.9					853.5	853.5		853.5	
Trade receivables	4.6						824.0		824.0	824.0		824.0	
Other financial assets	4.4		650.5				932.3		1,582.8	1,582.8	650.5	932.3	
Cash and cash equivalents	4.9		2,984.0						2,984.0	2,984.0	2,984.0		
	Total	**18.7**	**3,634.5**	**834.9**	**0.0**	**0.0**	**1,756.3**	**0.0**	**6,244.4**	**6,244.4**	**3,634.5**	**2,609.8**	**0.0**
Liabilities													
RFF long-term debt	4.14							36,768.0	36,768.0	40,449.5		40,449.5	
Long-term debt transferred from SNCF	4.14							1,219.1	1,219.1	1,586.7		1,586.7	
Short-term debt	4.14							1,482.1	1,482.1	1,482.1		1,482.1	
Liability derivatives allocated to debt (*)	4.15.3	136.7		1,678.8					1,815.5	1,815.5		1,815.5	
Trade payables	4.15.4							345.8	345.8	345.8		345.8	
Other financial liabilities	4.19							2,332.2	2,332.2	2,332.2		2,332.2	
	Total	**136.7**	**0.0**	**1,678.8**	**0.0**	**0.0**	**0.0**	**42,147.3**	**43,962.8**	**48,011.9**	**0.0**	**48,011.9**	**0.0**

Pursuant to IFRS 13, the fair value of derivatives was estimated taking account of the CVA (Credit Value Adjustment) and the DVA (Debit Value Adjustment). These items did not have a material impact on the value of derivatives as at 31 December 2014.

4.16 Other non-current liabilities

(in millions of euros)	31/12/2014	31/12/2013
Deposits and guarantees received	**86.6**	**85.2**
Other	**4.5**	**1.7**
Total other non-current liabilities	**91.1**	**87.0**

Other non-current liabilities correspond to advances received on disposals of assets in progress.

4.17 Trade payables

Trade payables break down as follows:

(in millions of euros)	31/12/2014	31/12/2013
Trade payables	13.4	8.9
Purchase invoice accruals	308.3	337.0
Total	**321.8**	**345.8**

4.18 Other payables

Other payables break down as follows:

(in millions of euros)	31/12/2014	31/12/2013
Tax and employee-related liabilities	205.0	216.1
Deferred income	242.8	249.8
Advances received on asset disposals	4.3	9.6
Customer toll advances	324.6	269.1
Other liabilities	124.9	126.6
Total	**901.6**	**871.2**

The increase in tax and employee-related liabilities is mainly due to the restatement of the 2014 opening balance following the retrospective application of IFRIC 21 on levies (see Note 2.1).

The increase in other payables is mainly due to the increase in customer toll advances, corresponding to 20% of reservation fees paid by Rail company customers in respect of the new timetable, on the day of its publication, pursuant to the ruling of 25 November 2008. These advances are deducted in 1/12ths on a monthly basis from the reservation fee invoice payments.

4.19 Other current financial liabilities

(in millions of euros)	31/12/2014	31/12/2013
Liabilities on property, plant and equipment	1,833.4	2,137.2
Guarantee deposits	95.6	80.4
Current accounts	14.8	27.7
Total	**1,943.8**	**2,245.2**

Guarantee deposits received relate to financial hedging contracts.

The decrease in liabilities on property, plant and equipment is mainly attributable to the SEA project and a decrease in accrued expenses on 2013.

Current accounts mainly comprise the liability balance on the Lyon Turin Ferroviaire account of €9.8 million as at 31 December 2014 compared with an asset balance of €27.7 million as at 31 December 2013.

4.20 Right of use granted to the concession holder

As part of the SEA concession arrangement, a liability known as the "right of use granted to the concession holder" was recognised for €1,946.5 million as at 31 December 2014 compared with €1,571.7 million as at 31 December 2013. It represents consideration for the share of the investment financed by the concession holder. The amount is based on the percentage of completion, which stands at 82% as at 31 December 2014.

4.21 Other disclosures

4.21.1 Analysis of the movement in operating working capital

(in millions of euros)	31/12/2013	Reclassifications	Impact on cash flows	Change in fair value	31/12/2014
Other payables	522.2		54.7		576.9
Other receivables	(9.3)		(3.0)		(12.3)
Trade receivables	(785.0)		(14.4)		(799.4)
Tax and employee-related receivables	(160.9)		(13.3)		(174.2)
Tax and employee-related liabilities	152.7		49.6		202.3
Trade payables	343.4		(22.3)		321.1
Operating grants – assets	(170.3)		25.8		(144.5)
Operating grants – liabilities	167.1		(13.4)		153.7
Operating work capial	**59.8**	**0.0**	**63.6**	**0.0**	**123.4**

4.21.2 Analysis of cash flows relating to purchases of property, plant and equipment and intangible assets

(in millions of euros)	31/12/2014	*Including change in working capital*	31/12/2013	*Including change in working capital*
Investments	(5,793.1)		(5,854.6)	
Change in liabilities on PP&E and intangible assets	(197.5)	*(197.5)*	807.5	*807.5*
Cash outflows on purchases	(5,990.6)	*(197.5)*	(5,047.2)	*807.5*
Grants allocated in the year	2,565.0		2,513.6	
Change in grants receivable	(677.4)	*(677.4)*	(677.2)	*(677.2)*
Grants collected	1,887.6	*(677.4)*	1,836.3	*(677.2)*
Investment working capital	**(4,103.0)**	**(874.9)**	**(3,210.8)**	**130.3**

Note 5 – Notes to the Income Statement

5.1 Revenue breakdown by type

Revenue breaks down as follows:

(in millions of euros)	31/12/2014		31/12/2013
Infrastructure fees	5,449.8		5,227.9
Additional electricity fees	99.2		96.8
Other service fees	30.6		34.9
Income from private sidings	15.1		14.7
Sub-total infrastructure commercial revenue	**5,594.7**		**5,374.3**
Electricity transmission	161.5		169.5
Non-traffic income (direct management and outsourced)	83.4		82.4
Sales of materials	39.8		36.2
Other income from ancillary activities	37.5		27.9
Total revenue	**5,917.0**		**5,690.2**

<u>Infrastructure fees</u>

Infrastructure fees increased significantly by 4.1% to €5,594.7 million, including:

- €5,449.8 million for basic railway services;
- €99.2 million for additional electricity fees (€96.8 million in 2013);
- €30.6 million for other service fees (€34.9 million in 2013).

(in millions of euros)	31/12/2014		31/12/2013		Var. %
Access charges	1,957.5		1,941.3		0.8%
Reservation charges	2,023.7		1,863.5		8.6%
Traffic charges	1,365.6		1,413.7		-3.4%
Platform charges	100.4		4.7		
Income from prior years	1.6		1.9		
TOTAL BASIC RAILWAY SERVICES (*)	**5,448.8**		**5,225.1**		**4.3%**
(*) net of freight compensation					

Fees for basic railway services collected concern passenger activities and freight activities. Passenger activities comprise high-speed trains, national trains, regional express trains and Paris suburb trains (Transilien).

Other railway services fees collected from rail companies comprise additional electricity fees, electricity transmission and supply fees and other complementary services.

Private sidings:

SNCF Réseau recognised income of €15.1 million in 2014 from the management of private sidings, compared with €14.7 million in 2013.

5.2 Operating grants

Operating grants break down as follows:

(in millions of euros)	31/12/2014	31/12/2013
French State grants	109.9	111.4
Other operating grants	39.6	53.9
Total	**149.5**	**165.3**

The French State pays SNCF Réseau operating grants including the competiveness and employment tax credit of €1.3 million in 2014, compared with €0.8 million in 2013.

5.3 Delegated management fees

Delegated management fees break down as follows:

(in millions of euros)	31/12/2014	31/12/2013
Network management fees	(3,046.5)	(3,029.5)
Platform management fees	(68.3)	(63.2)
Sub-total delegated infrastructure management fees	**(3,114.9)**	**(3,092.8)**
Property management fees	(103.6)	(100.6)
Total delegated management fees	**(3,218.5)**	**(3,193.3)**

SNCF Réseau delegates the following three main activities to SNCF:

1. management of the system organising all rail traffic on the network, referred to as "train running diagrams";
2. management of safety and control systems and traffic management;
3. supervision, maintenance, repair and other measures necessary for the operation of the network and technical equipment and facilities.

Network management fees totalled €3,046.5 million in 2014 after capitalisation of capital expenditure of €52.1 million. Network management fees totalled €3,029.5 million in 2013 after capitalisation of capital expenditure of €81.6 million.

These fees break down as follows:

- €2,149.2 million for network maintenance, including:

  - €2,263.4 million for maintenance, including major maintenance work (excluding Greater Paris);
  - -€52.1 million for capital expenditure capitalised in respect of 2014;
  - €45.0 million for additional major maintenance operations in the Greater Paris Region;
  - -€34.9 million reduction in expenses tied to the competiveness and employment tax credit;
  - €16.3 million in research and other costs;
  - -€88.5 million for prior-year adjustments, including -€30.8 million for the capitalisation of 2013 expenses;

- €865.4 million to cover national rail network traffic management expenses, compared with €864.5 million in 2013;
- €27.1 million for the cost of GSMR maintenance entrusted to SYNERAIL;
- €4.8 million for other maintenance costs

OTHER FEES PAID UNDER MANAGEMENT CONTRACTS

Property management was split by SNCF Réseau between SNCF and other service providers. The service agreement defines the assignments conferred to SNCF. The cost of this agreement was €65.3 million in 2014 (including -€0.3 million of prior-year adjustments), plus €3.7 million in respect of an agreement covering the examination of temporary occupation authorisation requests (including -€1.6 million of prior year adjustments), compared with €67.4 million in 2013 (including €0.8 million of prior-year adjustments).
The financial agreement for the reimbursement of property charges on property belonging to SNCF and SNCF fees for the delegated management of these charges totalled €20.0 million in 2014, compared with €19.6 million in 2013.

In addition, expenses of €0.9 million were incurred in respect of services provided by AREMIS for the management and update of the property listing.
SNCF Réseau recognised expenses of €13.7 million in 2014, compared with €12.0 million in 2013 in respect of the property management assignments conferred by SNCF Réseau to YXIME and NEXITY, each for a different geographical area, as well as the update of its property inventory entrusted to the Adyal-IBM grouping.

Fees of €68.3 million were incurred under the platform management agreement, compared with €63.2 million in 2013.

5.4 Other network expenses

Other network expenses concern the “Electricity transmission” heading.

(in millions of euros)	31/12/2014	31/12/2013
Electricity transmission	(160.2)	(168.9)
Total	**(160.2)**	**(168.9)**

SNCF Réseau purchases the electric power used in its installations under a contract signed on 1 March 2007 with EDF-Entreprise, mainly in the form of Joule effect losses.

Under the same contract, EDF-Entreprise (via the so-called “Responsable d’équilibre” adjustment system) provides SNCF Réseau with the additional power supply it requires

SNCF Réseau network access contracts with RTE (Cart contract), EDF-ARD (Card contract) and Électricité de Strasbourg provide for the transmission, via the high-voltage and medium-voltage grid upstream of substations, of the energy used by all rail operators.

Together these services represented an expense of €160.2 million in 2014.
Expenses incurred, together with contract management costs, are recharged on a monthly basis to users of the network in proportion to traffic levels in the form of additional electrical traction fees, and represented an amount of €161.5 million in 2014.

The difference between income and expenses relating to additional electrical traction fees is partly attributable to certain contract management costs recharged by SNCF Réseau to network users in proportion to traffic levels.

5.5 Taxes other than on income

This expense heading comprises the following items:

(in millions of euros)	31/12/2014	31/12/2013
Taxes other than on income - direct management	(51.6)	(51.4)
Taxes other than on income - delegated management	(34.6)	(34.1)
Total	**(86.2)**	**(85.5)**

5.6 Other operating expenses

Other operating expenses break down as follows:

(in millions of euros)	31/12/2014	31/12/2013
Study costs net of capitalised production	(76.4)	(66.0)
Railway work and equipment net of capitalised production	(35.7)	(48.4)
Other external purchases net of capitalised production	(257.3)	(236.2)
Employee benefits expense net of capitalised production	(134.9)	(123.1)
Total	**(504.3)**	**(473.7)**

Statutory auditors' fees totalled €277,800 for the 2013 financial year, i.e. €126,150 for Mazars and €151,650 for PricewaterhouseCoopers.

The cost of malicious acts as well as the impact of accidents and damage caused by adverse weather conditions totalled €24.3 million in 2014, compared with €39.3 million in 2013.

5.6.1 Employee benefits expense

(in millions of euros)	31/12/2014	31/12/2013
Wages and salaries	(88.9)	(81.2)
Social security contributions	(46.0)	(41.9)
Total	**(134.9)**	**(123.1)**

5.6.2 Headcount

As at 31 December 2014, the headcount comprises 1,678 SNCF Réseau agents, including 52 seconded civil servants and 112 agents made available (109 agents by SNCF, 1 agent by SCET, and 1 agent by RATP). The headcount was 1,600 as at 31 December 2013.

The average headcount was 1,647.1 agents in 2014, including 101.6 made available, compared with 1,558.6 agents in 2013, including 64.5 made available.

As at 31 December 2014, the FTE (full-time equivalent) headcount is 1,533 agents, compared with 1,506 agents as at 31 December 2013.

5.6.3 Management compensation

Total compensation of the members of the RFF Executive Committee in 2014 was €1,910,944, for an average of 9.16 members.

Benefits in kind, which solely consist of company vehicles, totalled €102,555 in 2014.

5.7 Investment grants released to profit or loss

(in millions of euros)	31/12/2014	31/12/2013
Investment grants released to profit or loss	457.2	340.9
Grants for upgrade and compliance work released to profit or loss	125.2	128.6
Total	**582.4**	**469.4**

5.8 Other current income and expenses

(in millions of euros)	31/12/2014	31/12/2013
Bank charges	0.3	(0.0)
Other expenses	(91.1)	(23.5)
Other current expenses	**(90.8)**	**(23.6)**
Proceeds on disposals of investment property	112.9	157.2
Other income	33.8	11.5
Other current income	**146.7**	**168.7**

Other expenses mainly include the net carrying amount of assets sold and certain charges to provisions. Other income primarily includes provision reversals with no offsetting entries.
These items are not, in principle, comparable year-on-year.

Capital gains realised on asset disposals amounted to €39 million in 2014, compared with €136 million in 2013.

5.9 Net borrowings costs

Net borrowing costs break down as follows:

(in millions of euros)	31/12/2014	31/12/2013
Expenses on liabilities recognised at amortised cost	(1,440.7)	(1,280.6)
Fair value gains (losses) on debt hedged by FVH	(225.9)	291.3
Income (expense) on derivatives designated as hedges	302.0	(250.4)
Income (expense) on derivatives not designated as hedges	(97.3)	39.9
Premium/discount on foreign currency derivatives	153.7	(0.0)
Total gross borrowings costs	**(1,308.2)**	**(1,199.8)**
Income (expense) on assets measured at fair value	7.0	4.4
Total net borrowing costs	**(1,301.1)**	**(1,195.3)**

* derivative impacts exclude foreign currency derivatives, as such impacts are offset in full by foreign currency gains and losses on the debt.

Breakdown of the income (expense) on derivatives designated as fair value hedges

(in millions of euros)	31/12/2014	31/12/2013
Interest for the period on FVH swaps	165.1	167.3
Fair value gains (losses) on derivatives designated as FVH	234.9	(308.7)
Income (expense) on derivatives designated as FVH	**399.9**	**(141.3)**
Fair value gains (losses) on fair value hedged debt	(225.9)	291.3
Income (expense) on fair value hedge	**174.1**	**149.9**

Breakdown of the income (expense) on derivatives designated as cash flow hedges

(in millions of euros)	31/12/2014	31/12/2013
Net interest received/paid on CFH swaps	(72.3)	(96.9)
Amounts deferred in equity released to profit or loss	(16.5)	(9.4)
Ineffective portion of cash flow hedges	(9.1)	(2.7)
Income (expense) on derivatives designated as CFH	**(97.9)**	**(109.0)**

Breakdown of the income (expense) on derivatives not designated as hedges

(in millions of euros)	31/12/2014	31/12/2013
Net interest received / paid on swaps not designated as hedges	(1.4)	(0.6)
Fair value gains (losses) on derivatives not designated as hedges	(95.9)	40.5
Income (expense) on derivatives not designated as hedges	**(97.3)**	**39.9**

Movement in cash flow hedge reserves:

The income (expense) deferred in equity includes the foreign currency impact recognised on cash flow hedges. As at 31 December 2014, reserves that may be released to profit or loss break down as follows (in millions of euros):

As at 31 Deecember 2012	**(1,072.9)**
Amounts released to 2013 profit or loss *	244.3
Change in equity	(126.1)
As at 31 Deecember 2013	**(954.8)**
Amounts released to 2014 profit or loss *	(237.5)
Change in equity	(280.5)
As at 31 Deecember 2014	**(1,472.8)**

(*) Including the impact of currency derivatives designated as cash flow hedges immediately transferred to profit or loss in the amount of +€140.4 million in 2013 and -€329 million in 2014.

5.10 Other financial income and expenses

Other financial income and expenses break down as follows:

(in million of euros)	31/12/2014	31/12/2013
Interest income on current accounts	0.1	0.2
Other financial income	7.7	0.9
Other financial income	**7.7**	**1.2**
Advance interest expense on current accounts	(0.5)	(1.9)
Other financial expenses	(4.7)	(0.7)
Other financial expenses	**(5.3)**	**(2.6)**

Other financial income and expenses mainly comprise interest on SNCF current accounts and late payment interest charged by SNCF Réseau to co-financing bodies or charged to SNCF Réseau by suppliers.

5.11 Income tax expense

(in millions of euros)	31/12/2014	31/12/2013
Deferred tax	(44.5)	(58.8)
Current tax	(22.0)	(12.4)
Total	**(66.5)**	**(71.2)**

(in millions of euros)	31/12/2014
Net loss for the year	(212.9)
Share of pofits of associates	0.0
Income tax expense	(67.3)
Current tax	*22.8*
Deferred tax	*44.5*
Pre-tax net income	**(145.6)**
Tax rate	38.0%
Theoretical tax expense	(55.3)
Permanent differences	129.2
Capitalised tax losses carried forward	0.0
Differences in tax rates	(6.3)
Income tax expense	**67.6**
Effective tax rate	**-46%**

Note 6 - Related parties

The scope of entities related to SNCF Réseau comprises the French State and SNCF. The impacts on the income statement and on the balance sheet are detailed below.

Relations with the French State:

In accordance with legislation applicable to companies in which the French State is the sole shareholder, SNCF Réseau is subject to the economic and financial control of the French State, the Cour des Comptes (French National Audit Office), the French Parliament and audits performed by the Inspection Générale des Finances (audit body of the French Finance Ministry).

SNCF Réseau invoices the French State for access fees in respect of TER passenger regional trains and TET territorial trains.

The French State provides SNCF Réseau with operating grants. In addition, between 2004 and 2008, the French State provided investment grants for upgrade and compliance work. The assets funded by these grants continue to be commissioned and the grants progressively released to profit or loss.

Impact on net income:

(in millions of euros)	31/12/2014		31/12/2013
Revenue - access charges	1,799.2		1,730.4
Operating grants	108.6		110.6
Grants for upgrade and compliance work	136.2		136.7
Current income tax	22.0		12.4
Deferred tax	(44.5)		0.0
Competitiveness and Employment tax credit income	1.3		0.8

Impact on the Balance Sheet:

(in millions of euros)	31/12/2014		31/12/2013
Grant for upgrade and compliance work	3,569.3		3,705.6
Operating grants receivable	3.3		9.3
French State grants receivable (investment and operating)	889.5		665.3
Income tax advance	0.0		34.8
Income tax liability	8.5		0.0
Deferred tax assets	3,800.7		3,675.1

Relations with SNCF:

Relations between SNCF Réseau (formerly RFF) and SNCF are governed by agreements. Act no. 97-135 of 13 February 1997 which created RFF provides, in Article 1, that an agreement between RFF and SNCF must set, in particular, the conditions of performance and remuneration of the management services delegated to SNCF, which include traffic and circulation management, the operation and maintenance of the technical infrastructure and network safety. To this end, RFF and SNCF signed agreement no. 98-007 on 26 October 1998. Decree no. 97-444 of 5 May 1997 stipulates that this agreement can provide, if necessary, for the signature of specific agreements of appropriate terms for the performance of the different services entrusted to SNCF. A specific agreement was thus signed for the management of platforms, passenger departure and arrival terminals and related facilities. Similarly, the agreement signed on 19 May 1999 sets out the respective obligations of RFF and SNCF for the performance of research relating to the national rail network. Two agreements govern investment operations by RFF; the first defines the conditions of combined purchases, logistics and the transport of centrally managed supplies and the second addresses services relating to these operations.

In addition to these agreements of a purely rail-related nature, a property management contract defines the conditions under which RFF delegates management of property to SNCF and the agreement concerning RFF's debt with SNCF sets out the components of the debt transferred and the manner in which it is to be repaid.

(in millions of euros)	**31/12/2014**	**31/12/2013**
Income: tolls	3,648.0	3,439.7
Expenses: management agreements	3,172.5	3,152.6
Production of property, plant and equipment delegated to SNCF	1,857.5	1,761.8

Note 7 - Off-balance sheet commitments

Financial guarantees

SNCF Réseau received a first demand guarantee from a bank amounting to €3.2 million covering annual licence fees for the use of industrial sidings by SAS Ciments Calcia, its main debtor.

Other commitments given relating to asset disposals

SNCF Réseau regularly sells property assets not necessary for railway activities.
Agreements to sell that have been signed but not yet exercised amounted to €69.6 million as at 31 December 2014 (compared with €89.3 million as at 31 December 2013) and mainly included agreements to sell the Paris Left Bank and Paris La Chapelle sites.

Commitments relating to PPP and concession arrangements

GSMR

- Bank guarantee:

SNCF Réseau has a first demand guarantee issued by a banking institution in the event of a breach by SYNERAIL. The guarantee is granted progressively based on the network roll-out phases. As at 31 December 2014, RFF benefited from a guarantee of €48.2 million.

- Other commitments:

As at 31 December 2014, investment fees payable by SNCF Réseau under the agreement amount to €481.4 million (present value). Financing receivable amounted to €392.8 million (present value).

BPL

Assets under construction to be recognised amount to €912.9 million (present value), based on the percentage of completion as at 31 December 2014.

The earned grant to be recognised amounts to €621.8 million (present value), based on the percentage of completion as at 31 December 2014.

CNM

Assets under construction to be recognised amount to €860.7 million (present value) based on the percentage of completion as at 31 December 2014.
The earned grant to be recognised amounts to €875.2 million (present value), based on the percentage of completion as at 31 December 2014.

SEA

Asset under construction and earned grant to be recognised until completion:

The asset under construction to be recognised amounts to €1,131.9 million (present value), based on the percentage of completion as at 31 December 2014.

The earned grant to be recognised amounts to €536.2 million (present value), based on the percentage of completion as at 31 December 2014.

RFF as guarantor:
The guarantee issued by RFF in favour of Caisse des dépôts-Direction des Fonds d'Epargne amounts to €757.2 million, and is effective as at July 2011.
The guarantee bears interest since July 2011.

RFF as state contributor to financing:
The amount payable by RFF regarding its contribution to financing amounts to €1,298.6 million as at 31 December 2014.

RFF as fundraiser from third parties:
Grants not yet claimed from third-party financial backers and paid to the concession holder amount to €3,306.7 million as at 31 December 2014.

Other commitments: contract early termination clauses

The concession agreement comprises several early termination clauses under which SNCF Réseau pays compensation to the concession holder and replaces the latter in the performance of the contract.

Forfeiture clause: under the agreement, the concession grantor may claim forfeiture should the concession holder breach the agreement terms, in which case SNCF Réseau shall pay the concession grantor a minimum compensation corresponding to approximately 85% of the financing borne by the concession holder.

Cancellation clause for force majeure or unforeseeable events: In the event of cancellation for force majeure or unforeseeable events, SNCF Réseau shall pay the concession holder a fixed compensation under the terms and principles set out in the jurisprudence of the French Council of State (Conseil d'Etat).

In the event of such early termination, the financing agreement stipulates that the French State will reimburse SNCF Réseau for the amount of the compensation due to the concession holder, less the value of future revenues that will be realised by SNCF Réseau from the infrastructure whose management it takes over.

Cancellation clause to protect the public interest: this mechanism can be implemented from the 12th year following commercial operation, in which case SNCF Réseau shall pay the concession holder compensation, a portion of which in six monthly instalments. The financing agreement stipulates that the public entity at the source of the decision triggering the clause shall pay the compensation.

Other commitments relating to the operating period:

Grand Projet Sud Ouest ("GPSO" clause): one year following the inauguration of three high-speed lines namely, Bordeaux-Toulouse, Bordeaux-Hendaye, and Poitiers-Limoges, the concession holder shall pay SNCF Réseau a portion of the traffic revenues generated the previous year by any of the aforementioned lines in operation. This payment represents approximately 25% of the difference between the actual revenues generated and the expected theoretical revenues. Should the difference be negative, the amount payable to SNCF Réseau by the concession holder is nil and no amount is owed to the concession holder by SNCF Réseau.

Financial recovery clause: from the 5th year of operation, the concession holder shall pay SNCF Réseau a "financial recovery fee", corresponding to a transfer of traffic revenues based on the difference between actual and expected revenues. Should the difference be negative, the amount payable to SNCF Réseau by the concession holder is nil and no amount is owed to the concession holder by SNCF Réseau. The latter repays the amount of this fee to the French State and the regional authorities that are signatories of the financing agreement in proportion to their investment.

Note 8 – Subsequent events

The LTF securities held by SNCF Réseau were transferred to the French State on 6 February 2015.

MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

SNCF Réseau

(formerly Réseau Ferré de France)

Management report Consolidated financial statements for the year ended

31 December 2014

Management report for the year ended 31 December 2014

1 SNCF Réseau in 2014

1.1 Major events of the year

1.1.1 Company business

SNCF Réseau (formerly Réseau Ferré de France) designs, modernises and contributes to maintenance with SNCF Infra, the delegated infrastructure manager, and sells access to the rail network for all passenger and freight rail companies. Its network covers 30,000 km of track, including 2,000 high-speed lines. An additional 800 km will be commissioned by 2017. SNCF Réseau contributes on a daily basis to the quality, reliability and comfort of the French rail service marked by the circulation of 15,000 trains which each day transport 5 million passengers and 25,000 tonnes of freight.

The second leading French public investor with revenue of €5.9 billion in 2014, SNCF Réseau's strategic priority is the maintenance and modernisation of the existing infrastructure. Accordingly, SNCF Réseau coordinates a major modernisation programme (over €2.5 billion and more than 1,000 projects per year), with priority being given to everyday trains. At the end of 2013, the company launched a programme to modernise and safeguard its maintenance called "VIGIRAIL" (€410 million) in order to accelerate the deployment of new technologies in its network monitoring processes.

In 2014, the company carried out its business within the context of a transition, in parallel to the preparation and adoption of the rail reform bill which provides for the attachment of SNCF Infra and SNCF Direction des Circulations Ferroviaires to RFF, thus forming the State-owned industrial and commercial institution (or EPIC), EPIC SNCF Réseau. This reform should improve the performance of national rail network management, while ensuring overall consistency with SNCF's transport activities within an integrated public rail group.

The year 2014 was therefore marked by the following main events:

<u>Rail reform</u>

The rail reform law definitively adopted on 22 July 2014 and enacted by the President of the French Republic on 4 August 2014, under number 2014-872, is based on five objectives:

- Confirmation of a public service that is strengthened and better managed;
- Creation of an integrated public industrial group;
- Introduction of a national agreement to ensure the financial future of the public service;
- Creation of a labour framework for all rail sector players by maintaining the status of railway employees and unifying their group;
- Greater regulatory authority to guarantee the impartiality of network accessibility.

The current organisation of the French rail system and specifically the State-owned industrial and commercial institution (or EPIC) Société Nationale des Chemins de fer Français was profoundly changed as of 1 January 2015, the effective date of the law, with the creation of a group organised according to three economically integrated EPICs:

- The current EPIC Société Nationale des Chemins de fer Français (SNCF until 30 November 2014), will become SNCF Mobilités and will continue to carry out all the transport activities for the SNCF Proximités, SNCF Voyages and SNCF Logistics (formerly SNCF Geodis) divisions, and manage the stations of the Gares & Connexions division.
- The current Réseau Ferré de France (RFF) will become SNCF Réseau and unify all the infrastructure management functions by combining SNCF Infra and Rail network operation and management currently part of the SNCF Infra division. It will guarantee fair access to the network for all rail companies.
- A “parent” EPIC, created on 1 December 2014 as part of the reform and called SNCF, will be responsible for strategic control and steering, economic coherence, and the public rail group's industrial integration and social unity.

The application decrees were published in the French Official Journal (*Journal official*) of 11 February 2015. The reform will be fully implemented by 1 July 2015 at the latest.

The law provides for the continuation of the legal entities RFF and SNCF. Their name changes do not result in the creation of new legal entities. Pursuant to the rail reform law, Réseau Ferré de France therefore changed its corporate name to SNCF Réseau on 1 January 2015. This reform had no impact on the SNCF Réseau (formerly RFF) Group financial statements for the year ended 31 December 2014.

Economic situation

The economic situation remained lacklustre in 2014. Sluggish growth weighed heavily on traffic, and therefore revenue. However, price pressure resulted in lower inflation (stable consumer price index excluding tobacco between December 2013 and December 2014) and a downward shift in the cost of public works (decline in TP01 index), thus offsetting the slow growth. Similarly, interest rates remained very low in a constantly favourable context.

Labour movement

A strike involving certain SNCF employees took place between 11 and 23 June 2014 to voice their opposition to the rail reform bill and to debate the future of the rail sector. The conflict resulted in a loss of fees estimated at €28 million and a decrease in network operating expenses (DCF) estimated at €1.3 million.

Punctuality and operations

In 2014, there was a minor improvement in punctuality, particularly for high-speed trains, with a slight decline in the minutes lost by commercial trains due to network management issues. Nevertheless, the fire which broke out at the Vitry switching station on 23 July 2014 hindered the operations of the RER C network.

Priority to maintenance
Following the Brétigny accident on 12 July 2013 and the Denguin collision on 17 July 2014, SNCF Réseau has continued to focus its efforts on maintenance:

- ramp-up of the Vigirail programme with the replacement of 363 points and crossings, compared with 319 last year;
- roll-out of the Ile-de-France Infra High Performance policy;
- increase in resources dedicated to maintenance in connection with the scheduling for fiscal 2015.

Main investment projects
In 2014, the rise in investments led to the renewal of 973 km of track, compared with 849 km in 2013. The main regional development projects underway are the Nantes Châteaubriant tram-train, Phase 2 of the Alpin Sud line, and the modernisation of the Bellegarde-La Plaine and Limoges-Guéret lines.

Reclassification of a portion of the RFF debt
As part of the reorganisation of government debt as defined by the Maastricht Treaty, the French State included a portion of RFF debt in the amount of €10.4 billion in 2012. 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 current practices.

Contract with the French State
The law provides for the conclusion of a 10-year performance contract between SNCF Réseau and the French State. Both parties are currently working together to define the terms of this industrial and economic partnership.

1.1.2 Comparability of the financial statements

Changes in accounting principles and methods
Early application from 1 January 2014 of IFRIC 21 “Levies”, adopted by the European Union on 13 June 2014:

IFRIC 21 provides guidance on the application of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and is applicable retrospectively from 1 January 2014. It redefines the obligating event that gives rise to the recognition in the accounts of levies falling within the scope of IAS 37. Pursuant to this interpretation, a liability is recognised when the obligating event to pay a levy is triggered. The retrospective impact of this first-time adoption impacted equity in the amount of +€5.9 million as at 1 January 2014. The impact on the net loss for the year ended 31 December 2014 is not material.

Entry of CDG Express Etude within the scope of consolidation
A shareholders’ agreement, signed on 28 May 2014, confirmed SNCF Réseau’s acquisition of a 33% stake in CDG Express. The primary activity of this company is to study the implementation of a direct line between Paris and Charles de Gaulle airport.

This company is accounted for as a joint operation in accordance with IFRS 11, given that its life is limited to the completion of the studies.

1.2 Key figures

In € millions (IFRS)	2014	2013	Change	Change (%)
Revenue	5,917	5,690	+227	+4%
Operating margin	2,097	1,934	+163	+8%
Operating profit/(loss)	1,152	1,208	(56)	-5%
Financial profit/(loss)	(1,299)	(1,197)	(102)	-9%
Net profit/(loss) before income tax	(146)	12	(134)	NM
Net profit/(loss) after income tax	(213)	(60)	-153	NM
Cash from operations	2,076	1,928	+148	+8%
Net investments	3,255	3,347	(92)	-3%
Closing net borrowings (repayment value – excluding accrued interest)	36,784	33,725	+ 3,059	+9%
Average number of employees (full-time equivalent)	1,533	1,506	+27	+2%

1.3 Subsequent events

The LTF (Lyon-Turin Ferroviaire) shares held by SNCF Réseau were transferred to the French State in February 2015.

2 Results and financial position

2.1 2014 results

Income statement - IFRS - In € millions	2014	2013	Change	% change
Commercial income (fees)	5 754	5 541	213	4%
Rental income	87	87	0	0%
Other income	76	62	14	22%
REVENUE	5 917	5 690	227	4%
Operating grants	149	171	-22	-13%
Network operations (DCF)	-865	-864	-1	0%
Commercial expenses	-23	-19	-3	17%
Maintenance agreement	-2 173	-2 175	2	0%
Other network expenses	-264	-263	-1	0%
Infrastructure expenses	-2 437	-2 438	1	0%
Property-real estate management expenses	-126	-122	-3	3%
Non-capitalisable project expenses	-91	-83	-7	9%
IT	-112	-100	-12	12%
Operating expenses, including studies and project ownership assistance	-100	-95	-5	5%
Employee expenses	-152	-137	-15	11%
Capitalised production	17	16	2	12%
Internal costs	-346	-316	-30	9%
Taxes and duties	-82	-84	2	-2%
OPERATING MARGIN	2 097	1 934	163	8%
Charges net of reversals	-984	-862	-122	14%
Disposal gains	113	157	-44	-28%
OPERATING PROFIT/(LOSS)	1 152	1 208	-56	-5%
FINANCIAL PROFIT/(LOSS)	-1 299	-1 197	-102	9%
TOTAL NET PROFIT/(LOSS) BEFORE TAX	-146	12	-158	NS
Income tax	-67	-71	5	-7%
Of which tax paid	*-22*	*-12*	*-10*	*77%*
TOTAL NET PROFIT/(LOSS)	-213	-60	-153	NS

In an ongoing lacklustre economic context, the company's financial balance was sustained through control over the operating expenses of all the stakeholders (including DCF and SNCF Infra): **operating margin increased by 8% compared with 2013**. However, the rise in capital costs generated by commissionings and debt growth resulted in a net loss before income tax of -€146 million in 2014, compared with a net profit of €12 million in 2013.

2.1.1 Improvement in operating margin by 8%

The operating margin increased by €163 million to €2,097 million, i.e. +3% compared with the budget forecast. This substantial increase was primarily due to:

- growth in commercial income by €213 million, due to the revaluation of the pricing scale, and despite the reduction in traffic worsened by the SNCF strike in June costing €28 million.
- virtually stable management operating expenses for the current network (operations, maintenance, etc.): -€5 million
- decrease in internal costs generated by the preparation of the rail reform: -€23 million (of which -€12 million in IT costs and -€7 million in net employee costs)
- return to a structural level of project costs, net of co-financing, i.e. a -€28 million impact on operating margin (2013 having been marked by the delayed studies pending the Mobility 21 and the optimisation of the expense to revenue ratio).

2.1.2 Current operating profit

Despite the improved operating margin, current operating profit totalled €1,152 million, down €56 million compared to 2013 (-5%):

- Capital costs rose sharply compared to 2013 due to the greater number of commissionings which led to a €124 million increase in net depreciation and amortisation charges.
- Asset disposal gains declined to €113 million in 2014, compared with €157 million in 2013, which had been marked by a significant transaction with the sale of land in Batignolles.

2.1.3 Net finance costs

The average cost of debt continued to decline to 3.90% in 2014, compared with 4.13% in 2013, due to very favourable interest rates. Yet, despite this positive rate effect, the 9% increase in the debt impacted borrowing costs which rose by €40 million before IFRS restatements. The capitalisation of interim interest expense and the technical impacts on financial instruments (with no cash impact) increased net finance costs by €102 million to -€1,299 million, compared to 2013, with most of the IFRS technical impacts involving a specific financing arrangement set up in 1999.

2.1.4 Net loss for the year

Despite reporting a net loss before tax of -€146 million, compared with a +€12 million net profit in 2013, the recent changes to tax legislation led the company to record a tax expense of €67 million, of which €22 million payable to the French tax authorities. The net loss for the year therefore amounted to -€213 million, compared with -€60 million in 2013.

2.2 Capital expenditure

GROSS CAPITALISABLE EXPENDITURE (IFRS) IN € MILLIONS	2014	2013	Change	Change (%)
Major development projects	3,049	3,932	(883)	-22%
Regional development projects	772	1,002	(230)	-23%
Network compliance	255	161	94	58%
Renewal and performance	2,631	2,549	83	3%
Other	170	175	(5)	3%
Miscellaneous	0	22	(22)	-100%
TOTAL	**6,877**	**7,840**	**(953)**	**-12%**

Capital expenditure was in keeping with the decisions made in recent years. Priority was given to the renovation of the current primary network (renewal, safety, accessibility), and the completion of development projects already in progress (operations included in State-Region Project Contracts (CPER) and the 4 LGV (high-speed line) projects: phase 2 of the East European LGV line, the Sud Europe Atlantique LGV line, the Bretagne – Pays-de-la-Loire LGV line and the Nîmes-Montpellier bypass). Furthermore, the studies relating to future major projects were ranked in order based on the priorities established by the Mobility 21 commission.

Gross capital expenditure decreased to €6,877 million (of which €1,026 million in Ile-de-France), compared with €7,840 million (of which €869 million in Ile-de-France) in 2013, due to the completion of the main civil engineering work on high-speed lines under construction. Production also declined for regional development projects, 2014 being a year of transition between the 2007-2013 CPER and the next set of contracts being drafted. Renovation investments for the current network (compliance, renewal and performance) increased, considering the priority given to compliance operations: safety, with safety compliance for 111 level crossings, and a virtual doubling of investments to improve accessibility.

Investment grants earned in respect of this production totalled €3,048 million with public co-financing bodies, compared to €3,513 million in 2013, in line with the reduced production in major development projects.

2.3 Net borrowings and financing

Cash flow (€ millions)	2014	2013	Change	% change
Cash from operations	2 076	1 928	148	8%
Current income tax	-22	-12	-10	83%
Change in operating WCR	64	246	-182	-74%
Capital expenditure	-5 820	-5 860	40	-1%
Investment grants	2 565	2 513	52	2%
Disposal or reduction of non-current assets	130	108	22	21%
Change in investing WCR	-848	136	-984	-724%
Interest and guarantee collateral	-1 425	-1 686	262	-16%
Change in cash net borrowings and investments	-3 279	-2 627	-652	25%

In line with the growth in operating margin, cash from operations rose by 8% in 2014, but this boost in resources was partially offset by the rising tax rate.

Capital expenditure and related grants were virtually stable, while financial constraints weighing heavily on the project co-financing bodies reduced WCR investment by nearly €1 billion. Past due receivables therefore totalled €1,347 million at the end of 2014, compared with €914 million at the end of 2013.
The increase in the repayment value of net borrowings totalled €3.1 billion in 2014, confirming the upward borrowing trend, and equally reflecting both the current network's structural loss and the funding of growth investments (including changes in WCR).

In addition to its own resources and the government loans it receives, SNCF Réseau therefore secures its financing from the financial markets by issuing bonds. The long-term resources raised by SNCF Réseau in 2014 represented a total of €4.5 billion (as a repayment value), i.e. 35 transactions carried out in bond markets denominated in euros and US dollars with an average maturity of 17 years and at an average fixed rate of 2.21%. They were used to repay outstandings of €2.3 billion in 2014. In accordance with the strategic allocation of liabilities validated by the Board of Directors, borrowings break down into 87% fixed-rate borrowings, 9% floating-rate borrowings and 4% inflation-indexed borrowings.

The repayment value of net borrowings excluding accrued interest totalled €36,784 million at the end of 2014, compared with €33,725 million at the end of 2013. Taking into account all the financial instruments and scope impacts (PPP) in accordance with IFRS, net borrowings amounted to €41,144 million for the year ended 31 December 2014.

2.4 Company's economic activity

2.4.1 Commercial activity

Commercial income totalled €5,754 million, i.e. a €213 million increase compared to 2013. This increase was primarily driven by the basic railway services, up €126 million (+2.4%) compared to 2013 and the Platform fee whose enforcement for the 2014 service schedule generated income of €100 million, compared with €5 million in 2013. A lower increase in basic railway services enabled customers to pay this new fee.

This growth in commercial income was driven by the indexation of the fee list to 4.8% (price impact = +€288 million), but was still hindered by the reduction in traffic (volume impact = -€76 million, of which -€28 million due to the June strike).

In € millions	2014	2013	Change	% change
Access fees	1 957	1 941	16	0
Reservation fees	2 024	1 864	160	0
Traffic fees	1 366	1 414	-48	-0
Platform fees	100	5	96	NS
Income from prior years	2	2	-0	-0
Total basic railway services and platform fees (net of freight compensation)	**5 449**	**5 225**	**224**	**0**

Other income includes:

- Additional electricity fees for €99 million, up €2.2 million or 2.3% compared to 2013, given the rising prices;
- Electricity transport and supply fees for €161 million, down €9 million or 6.3% compared to 2013, considering the rise in electricity prices (increase passed on to the rates applied to customers);
- Other service fees for €30 million, compared with €33 million in 2013. This decrease was attributable to the removal of the Calais Frethun security service and a reduction in the use of sidings.

With regard to basic railway service and electricity fees, 97% were collected for passenger activity, representing 84% of traffic, 2.7% for freight, representing 15% of traffic and 0.3% for infra and miscellaneous activities, representing 1% of traffic. Passenger activity fees break down into high-speed trains (36%), national trains (12%) and regional passenger trains (52%). With regard to freight activity fees, 34% are now paid by alternative rail companies, representing 36% of freight traffic.

Excluding the platform fee impact, the 2.5% increase in basic railway services compared to 2013 was primarily due to price hikes. Despite the 12-day June strike, which resulted in a €28 million loss in budgeted fees, income was in line with the budget.

The following table presents a breakdown of these changes in train-km by activity.

In millions of train-km	2014	2013	Change	% change
High-speed trains	***136***	***140***	***- 4***	***-3%***
SNCF	*131*	*135*	*- 4*	*-3%*
EUROSTAR	*5*	*5*	*0*	*2%*
Main line stations	***38***	***40***	***- 2***	***-6%***
SNCF	*37*	*40*	*- 2*	*-5%*
THELLO	*0*	*1*	*- 0*	*-55%*
Regional passenger trains	***237***	***239***	***- 1***	***-1%***
Passenger activity	**411**	**418**	**- 7**	**-2%**
Freight activity	**73**	**74**	**- 0**	**-1%**
SNCF	*47*	*49*	*- 2*	*-4%*
Alternative rail companies (including authorised candidates)	*26*	*24*	*2*	*7%*
Other	**6**	**6**	**- 0**	**-4%**
Miscellaneous (alternative rail companies, rolling stock, shuttles,	*1*	*1*	*- 0*	*-3%*
Infra	*5*	*5*	*- 0*	*-4%*
Total	**490**	**498**	**- 8**	**-2%**

By activity, the main explanations for these changes are as follows:

- The decline in the activity of high-speed trains was attributable to the historical operator on the North and South-East lines, despite the increase in Eurostar traffic (+1.6% compared to 2013).
- The decrease in main line train activity resulted from the cancellation of certain Thello lines, and the removal of international routes (Paris <-> Barcelona) which are now served by high-speed trains.
- The decrease in regional passenger train activity was due to the June strike and the accident at the Vitry-sur-Seine switching station. The negative impact of these two events was limited by traffic developments. Paris suburb train (Transilien) activity therefore reported a limited 0.6% decrease, considering the implementation of the B+ and D development plans. The decline in regional express train (TER) activity was limited to -0.1%, particularly due to the commercial start-up of growth investments (reopening of the Alpin Sud line, opening of the Nantes-Chateaubriand tram-train).
- The decline reported by Freight activity was slightly lower than in previous years: -0.5% corresponding to a decrease of 0.4 million train-km. The development of alternative rail companies partially offset the decrease of the historical operator FRET SNCF.

Commercial/compensation costs

SNCF Réseau has developed a commercial policy to strengthen its service quality commitments with rail companies. This policy focuses on:

- The Performance Improvement System (PIS), an incentive measure which penalises the infrastructure manager and/or rail companies responsible for irregularities resulting in traffic delays (the penalties are based on the number of minutes lost per 100 km);
- The framework agreements under which the infrastructure manager undertakes to allocate a commercial capacity, defined upstream, to a customer which agrees to order it, with a system of penalties based on the reservation fee in the event of default;
- The slot quality agreements under which the infrastructure manager undertakes to eliminate uncertainty within a defined timeframe on a pre-determined list of slots.

Considering this commercial policy, the professionalization of the customer claim departments (closer monitoring of better documented compensation claims) and the remaining claim files involving prior year services, compensation costs rose from €19 million in 2013 to €23 million in 2014 (increase in provisions for contingencies and losses).

These compensation costs of €23 million break down as follows:

- Commercial compensation for €10 million, including contractual arrangements and the PIS for €7 million and compensation payments following claims for €3 million;
- New customer claims for €13 million.

2.4.2 Network operations (DCF)

DCF carries out two main tasks for RFF: slot mapping and network operations. In accordance with prevailing legislation, RFF pays DCF to cover all its expenses, less any income received from production subcontracted under service agreements concluded with third parties.

In 2014, DCF's operating expenses amounted to €865 million, on a par with 2013 (-€1 million). This overall stability was due to the rise in the Employment and Competitiveness Tax Credit (CICE) rate (a €7.9 million increase compared with that in 2013), which offset the external impacts (€3 million decrease in revenue from ground-handling services and a €2 million increase in taxes), and the €2.5 million increase in employee costs (the positive volume impact of €8 million generated by the decline in staff numbers did not suffice to cover the increase in the average cost of an employee).

In 2014, DCF achieved overall savings of €21 million compared to its forecast budget of €886 million. This performance was primarily driven by a €10.5 million decline in employee costs: the €2.5 million decrease in the average cost of an employee accounts for various positive impacts (strike impact, etc.).

2.4.3 Network maintenance

Network maintenance breaks down into everyday network maintenance (entrusted to SNCF Infra under the Maintenance agreement recorded in expenses in the income statement) and network renewal (replacement of assets or extension of their life in connection with capitalised investments).

2.4.3.1 Everyday network maintenance and other network management expenses

The cost of the network maintenance agreement totalled €2,173 million for the year ended 31 December 2014, virtually stable compared to 2013 (€2,175 million), of which €2,149 million for everyday maintenance operations and €24.2 million in expenses relating to claims and malicious acts. This stability was due to an increase in the amount of everyday maintenance operations (+€13 million) offset by the settlement of claims from prior years (-€15 million). The cost of the 2014 agreement, including claims, decreased compared with the budget (-€25 million) and was attributable to settlements regarding claims and everyday maintenance operations.

The cost of the station services agreement with Gares & Connexions totalled €68 million for the year ended 31 December 2014, up €5 million compared with the cost recorded in 2013, due to the increase in the major works programme and the expenses generated by station accessibility improvements (maintenance of mechanical accesses, etc.).

Electricity transport and supply costs for the year ended 31 December 2014 totalled €160 million, compared with €169 million for the year ended 31 December 2013, due to the decrease in the tariff for using public electricity networks (TURPE) in force in mid-2013, and its full-year impact, which also accounts for the decline compared with the budget (-€6 million).

The GSMR maintenance fee for 2014 totalled €26.5 million, up 14% compared with 2013 (+€3.4 million), due to the progress made in the project's roll-out. However, this amount remained markedly lower than the initial budget forecast of €31.3 million, due to partner delays in the project.

2.4.3.2 Renewal and performance investments

The purpose of these investments is to maintain, or even boost, the current network's performance, with unchanged functionalities. With an ageing network and infrastructures, network renovation and modernisation work continues at a steady pace. In 2014, it involved the renovation of the primary network tracks and points and crossings (Vigirail plan), the creation of the Centralised remote network control to replace numerous minor switching stations as well as the track-to-train GSMR link programmes.

Most of these transactions focus on the primary section of the current network, particularly Ile-de-France, pursuant to the EPFL Rivier 2 audit recommendations.

Production in fiscal 2014 totalled €2,631 million, i.e. a 3% increase (+€83 million), compared to 2013. This slight growth was primarily attributable to the following items:

- the ramp-up of the Signalling programme (+€20 million), despite the difficulties in deploying the Centralised remote network control. The switching station work programmes boosted production by more than 50% (1,935 units of work processed in 2014, compared with 1,224 in 2013)
- a significant increase in Telecom production, driven by GSMR investments (+€97 million)
- the decrease in the percentage of capitalised Major Maintenance Operations, down €24 million despite a stable overall production
- an overall decline of €15 million in track renovation work. In accordance with the decisions adopted by the company, these investments focus on the busiest section of the network (UIC groups 1 to 6) and points and crossings (Vigirail programme). Physical production continued to increase: 973 track km were therefore renewed in 2014, compared with 849 in 2013; similarly, 363 points and crossings were renewed, compared with 319 in 2013.

Actual figures for 2014 were overall in line with budget forecasts (€6 million), despite the delays incurred in signalling and GSMR through PPP:

- Centralised remote network control production suffered in particular from a lack of resources and delays in the PARM (Paris – Aulnay – Mitry - Roissy) and Gare de Lyon projects.
- GSMR project rates varied depending on the phases, with a 78% average percentage of completion.

2.4.4 Network compliance

These investments correspond to the enforcement of legal and regulatory requirements on the infrastructure manager, mainly for collective socio-economic reasons.
Production in 2014 amounted to €255 million, up sharply compared with fiscal 2013 (+€94 million), reflecting the priority given by the company to these operations (security, improved accessibility).

Efforts primarily focused on security investments, up 44% (+€31 million), particularly for level crossings and in tunnels; work in 2014 focused on 111 level crossings, compared with 68 in 2013; to a lesser extent, the safety programme, whose processes were simplified, was also on the rise (+€6 million).

Accessibility programmes also increased significantly (+90%, or +€57 million). With additional contracts resulting in the start-up of work in 21 stations, the Ile de France accessibility development plan tripled its production in 2014.

2.4.5 Network development

Network development investments include investments in major national projects (major national projects before work, major national projects in progress and PPP projects), and regional projects (mainly projects included in State-Region Project Contracts and rail motorways).

For the entire scope, capitalisable expenditure (including the PPPs assessed under IFRS) decreased by €1,113 million compared with 2013, amounting to €3,821 million (including €151 million in capitalised interest expense). This decline was primarily due to the SEA project (-€1,089 million), whose production was mostly completed in 2013.

2.4.5.1 Major national projects before work

Major projects in the upstream phase were classified into 3 groups in descending order of priority by the Mobility 21 Commission.

In 2014, the capitalisable expenditure of major projects before work totalled €42 million, up €15 million compared to 2013. Including studies carried out prior to the pre-project phase, total expenditure incurred for these projects amounted to €64 million in 2014, up slightly by +€9 million compared to 2013.

TOTAL EXPENDITURE (in € millions)	2014	2013	Change	Change (%)
Major national projects before work	**64**	**55**	**9**	**17%**
South-West Major Projects (GPSO)	*25*	*10*	*14*	*140%*
Roissy Picardy line	*2*	*3*	*(1)*	*-27%*
Paris-Lyon LN1 capacity increase	*4*	*4*	*0*	*2%*
Lyon Rail Hub	*5*	*2*	*3*	*153%*
New Provence Côte d'Azur line	*6*	*10*	*(4)*	*-38%*
New Paris Normandy line	*1*	*1*	*(1)*	*-53%*
Other major national projects before work (priority 2 and 3)	*21*	*25*	*(3)*	*-13%*

Compared to 2013, priority 1 project expenses rose by €12 million, whereas priority 2 & 3 project expenses declined by -€3 million, in line with the strategies defined in the Mobility 21 report.

2.4.5.2 Major national projects in progress

This category comprises the major high-speed line projects under SNCF Réseau project ownership in progress, i.e. mainly phase 2 of the Eastern high-speed line project, and the EOLE (RER E) project.
The capitalisable expenditure of major projects in progress totalled €418 million in 2014, compared to €464 million in 2013. Most of the production involved the work in phase 2 of the Eastern high-speed line project in the amount of €331 million that was carried out in accordance with the initial work schedule (completion of civil engineering work). The project's final projected cost was confirmed at €2,190 million for a commissioning scheduled for April 2016.

EOLE project investments increased considerably from €49 million in 2013 to €72 million in 2014. Including non-capitalisable studies, expenditure totalled €74 million. This increase, albeit significant, fell short of the initial budget, following the difficulties in setting up the financing.

2.4.5.3 Major PPP projects

In 2014, the production generated in PPP projects amounted to €2,458 million, compared with €3,350 million in 2013, i.e. a decrease of -€892 million, primarily due to the work timetable of the SEA high-speed line project. This decrease was exacerbated by the fact that the project is ahead of schedule and the most substantial work (civil engineering) was completed in 2013.

For the SEA high-speed line project: production for the period totalled €1,147 million, including €996 million under dealer project ownership and €151 million under SNCF Réseau project ownership (junctions and phase 2 of the Bordeaux Rail Bottleneck project). The overall percentage completion of the project was 82%, for a commissioning scheduled for 2017.

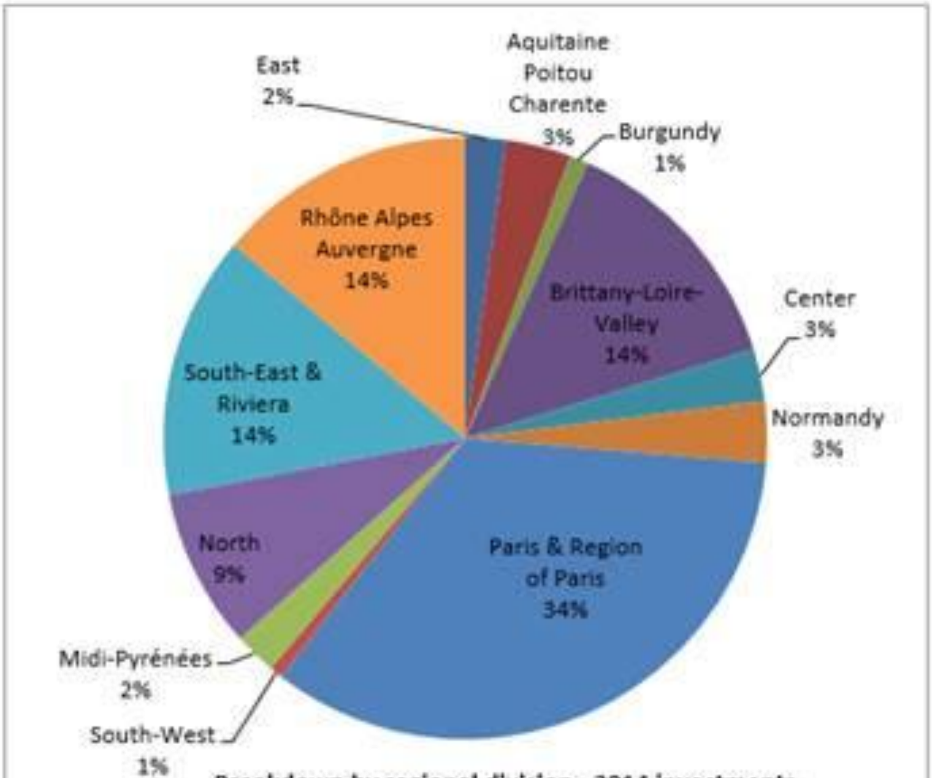
For the BPL high-speed line project: production for the period totalled €791 million, including €705 million under partner project ownership and €86 million under SNCF Réseau project ownership. The overall percentage completion of the project under partner project ownership was 68%, for a commissioning scheduled for 2017.

For the NM Bypass project: production for the period totalled €520 million, including €457 million under partner project ownership and €63 million under SNCF Réseau project ownership (Montpellier Perpignan junctions and modernisation). The overall percentage completion of the project under partner project ownership was 44%, for a commissioning scheduled for 2017.

2.4.5.4 Regional development projects

Regional development projects mainly comprise projects included in State-Region Project Contracts (CPER) and rail motorways. In 2014, capitalisable expenditure totalled €752 million, compared with €987 million in 2013, marking the end of work on numerous 2007-2013 CPER projects, before the launch of the next set of contracts.

The production between the regional departments is highest in Ile-de-France, followed by the Bretagne-Pays-de-le Loire, Rhône-Alpes Auvergne and PACA regions:



Breakdown by regional division - 2014 investments

In 2014, the main investments involved the Epinay-Le Bourget Tangentielle Nord project for €136 million, the construction of a third track between Marseille and Aubagne for €51 million, the Calais Dunkerque project for €34 million, the Evangile station in Ile-de-France for €32 million and the modernisation of Nantes Saint Gilles Pornic for €24 million.
Furthermore, the capitalised interest expense relating to these projects totalled €20 million.

2.4.6 Property-real estate activity

In € millions	2014	2013	Change	% change
Rental income	**87**	**87**	**0**	**0%**
Outsourced management for property (SNCF CPS/CFI, Aremis)	-90	-88	-2	2%
Compensation for other agents	-14	-13	-1	7%
Other property expenses	-22	-22	-0	2%
Property-real estate management expenses	**-126**	**-122**	**-3**	**3%**
Gross disposals of real estate assets	**113**	**157**	**-44**	**-28%**

Rental activity:

Rental income was stable at €87 million in 2014, due to the contractual payment of occupancy fees with retroactive effect to prior years and the signature of new agreements in Ile-de-France.

Property expenses:

Compensation for property management services

Compensation in 2014 totalled €90 million, in line with forecasts, compared with €88 million for the year ended 31 December 2013. The increase was mainly driven by the Service Agreement with the SNCF, which amounted to €68.9 million and covers the everyday maintenance costs and major work on the SNCF Réseau property housing the infrastructure's technical installations and the compensation for taxation management and claim reimbursements.

The financing agreement amounting to €20 million covers the reimbursement of the real estate costs of the SNCF property housing the infrastructure's installations or occupied by the SNCF departments that carry out infrastructure management tasks; it now includes the billing of fluids at actual cost.

Compensation from other agents for rental property development and disposals

The compensation from other agents amounted to €14 million in 2014, up €1 million in line with the forecast increase in agent expenses.

Other property expenses

Other property expenses in 2014 totalled €22 million, stable compared to 2013.

Property disposals

Disposal gains amounted to €113 million in 2014, compared with €157 million in 2013, for an initial forecast of €130 million. The decline in disposal gains was partially due to the weight of the Batignolles sale which had boosted activity in 2013 (€120 million) and the extension of primary operations beyond 2014 such as the Les Gobelins and Bordeaux Saint-Jean projects.

Real estate and property investments mainly include investments for disposal and dropped to €30 million at the end of 2014, compared with €35 million in 2013, in line with the Batignolles sale.

2.4.7 Internal costs and staff

Internal costs comprise employee, information system and other operating costs (premises, studies, subcontracting, etc.) and are partially reinvoiced. They amounted to €409 million, net of reinvoicing, compared with €363 million in 2013, i.e. a 12% increase in compliance with the adopted budget, and in line with the preparation of the rail reform. A portion of these costs was capitalised in the amount of €71 million (IT investments, operating investments and project ownership costs); another portion was reinvoiced.

Employee costs, net of reinvoicing, totalled €144 million for the year ended 31 December 2014, compared with €140 million for the year ended 31 December 2013, in line with the initial budget. With its transformation into SNCF Réseau on the horizon, RFF gradually strengthened its organisation, relying on the availability of SNCF employees, whose costs were reinvoiced to SNCF in the amount of €7.7 million, compared with €2.7 million in 2013.

With a view to creating SNCF Réseau within the integrated public rail group, mobility between RFF and SNCF based on the secondment of employees increased significantly in the past year (+27.5% of seconded employees joined RFF in 2014). As at 31/12/2014, the number of employees was 1,536 FTE[8], compared with 1,526 FTE as at 31 December 2013, i.e. a limited increase of 10 FTE in line with the budget. The average annual number of employees was 1,533 FTE in 2014, compared with 1,506 FTE in 2013. Among the 1,536 FTE employees eligible for mobility as at 31 December 2014 were 112 seconded employees (109 from SNCF, 1 from SCET and 2 from RATP) and 52 seconded civil servants; in addition, 85 RFF employees were seconded, of whom 79 to SNCF.

The increase in IT expenses to €153 million (of which costs of €112 million and investments of €41 million) was mainly due to the bolstering of services offered and the expenses incurred for the set-up of service centres. The roll-out of the information system for timetable production and traffic operational management contributed to project-related growth, in parallel to the upgrades to management information systems as part of the creation of SNCF Réseau.

[8] Full-time equivalent after deduction of employees with suspended contracts, absences of more than 90 days and outgoing seconded staff, and after taking into account any part-time work in employment contracts.

2.4.8 Public financing and taxation

2.4.8.1 Public backing relating to network management

Each year, SNCF Réseau receives a financial budget from the French State (programme 203) with respect to the main service timetable, comprising the following additional sums subject to VAT:

- Regional Express Train and TET (Trains d'Equilbre du Territoire) access fees recognised as commercial income in the amount of €1,800 million, compared with €1,730 million in 2013
- an operating grant – freight compensation – intended to cover the marginal cost of freight traffic, in addition to the fees paid by freight companies. This grant was recognised as at 31 December 2014 in the amount of €109 million, compared with €122 million in the initial budget.

With a total of €1,908 million, this public backing increased by €67 million, or 3.6% compared to 2013.

2.4.8.2 Public backing relating to network investments

With regard to its network investments and project studies, SNCF Réseau receives co-financing from public and private partners. Public partners may differ depending on whether it involves the *Agence de financement des infrastructures de transport de France* (AFITF) or other government authorities.

The grants obtained by SNCF Réseau in 2014 totalled €2,223 million, of which €526 million from the AFITF.

In a difficult economic context, past due grant receivables increased sharply to €1,347 million, compared with €914 million at the end of 2013, i.e. a 47% increase.

2.4.8.3 Taxation

<u>Taxes and duties</u>

In 2014, SNCF Réseau recognised a tax expense of €82 million (excluding taxes relating to employee costs), i.e. down €2 million compared to 2013, due to the reversal of the excess provision for the payment of the 2013 added-value contribution in May 2014 and the tax reductions obtained on the local taxes payable to SNCF.

<u>Corporate income tax</u>

Due to more stringent tax laws on the limit for the deductibility of financial expenses, reduced from 85% to 75% in 2014, SNCF Réseau had to pay €22 million in corporate income tax to the French tax authorities, despite reporting a pre-tax loss.

Employment Competitiveness Tax Credit

SNCF Réseau's competitiveness and employment tax credit in 2014 totalled €78 million, compared with €54 million in 2013, generated for the historical scopes as follows:

- €35 million retroceded via the SNCF Infra maintenance agreement
- €23 million retroceded by DCF
- €19 million retroceded in investment projects
- €1 million by RFF

2.4.9 Debt management

Net finance costs amounted to -€1,299 million, compared with -€1,197 million over the same period in 2013, i.e. a €102 million increase. This increase reflects the following impacts:

- A €40 million increase in net borrowing costs before IFRS restatements, i.e. +4%, as a result of a favourable tax impact of -€76 million (average cost of debt at 3.90% in 2014, compared with a forecast 4.11%, and 4.13% in 2013), that was more than offset by a volume impact of +€115 million relating to debt growth, up 9% on average.
- The 32% rise in capitalised interim interest expense[9] to €193 million, compared to €147 million in 2013 (IAS 23).
- The fair value measurement of financial instruments amounting to -€105 million, compared to +€4 million at the end of 2013, of which €89 million for a single transaction subscribed to in 1999 and maturing in 2029 that the investor can either repay in July 2015 or extend under predefined conditions (IAS 39).

3 Governance and risk types

3.1 Governance

The following description concerns the governance - at the end of 2014 - of the State-owned industrial and commercial institution Réseau Ferré de France (RFF) created by the amended law 97-135 of 13 February 1997 (consolidated version as at 1 January 2013), whose amended decree no. 97-444 of 5 May 1997 (consolidated version as at 11 November 2012) sets forth its duties and articles of incorporation.

The governance of RFF takes into account the provisions of the French Transport Code, particularly those included in the legislative section (second section governing rail or guided transport, and more specifically Articles L. 2111-9 to 25).
As a State-owned institution, RFF is subject to the economic, financial and technical control of the French State and accordingly enforces the rules governing the relations of the Agence des Participations de l'Etat (APE) and State-owned companies.

[9] SNCF Réseau is currently carrying out 3 major projects (SEA, BPL, CNM), which are scheduled to be commissioned in 2017 (EE2 high-speed line project is not eligible under IAS 23 as the initial expenses were recognised before 2009). Until these projects have been commissioned, the related expenses increase the amount of capital expenditure eligible under IAS 23, thus explaining the interim interest expense capitalisation trend observed over the past few years.

- Board of Directors

  - Composition and duties

RFF is managed by a Board of Directors with eighteen members: seven State representatives, five persons chosen on the basis of their competence and six representatives elected by the company employees.

The State's representatives to the RFF Board of Directors and the persons chosen on the basis of their competence are appointed by decree subsequent to a report from the minister in charge of transport.
Employee representatives are elected under the conditions set forth in the Law no. 83-675 of 26 July 1983 on the democratisation of the public sector.

A Government Commissioner and a Deputy Government Commissioner are appointed to RFF by the minister in charge of transport. The Government Commissioner and/or Deputy Government Commissioner sit in an advisory capacity on the Board of Directors.

The Head of the Department of Economic and Financial Control for Transport, or his or her representative, also sits in an advisory capacity on the RFF Board of Directors.

Finally, the Works Council secretary also sits in an advisory capacity on the Board of Directors.
Board members are appointed on a fixed date for 5 years and cannot hold any more than three consecutive terms of office.

With regard to "independent" directors within a State-owned industrial and commercial institution, the company had adopted the notion presented in the APE charter, namely "a director is said to be independent when this person maintains no relations of any kind with the company, its group or its management that could compromise the performance of his/her freedom of judgment".

The Board of Directors rules on all decisions relating to the strategic, economic, financial and technological orientations of RFF and monitors their implementation.

For decision-making purposes, the Board relies to a large extent on the work of various specialised committees.

It can delegate some of its powers to its chairman, provided that he or she reports on management to the Board.

  - Internal regulations

The internal regulations of the Board of Directors incorporate the provisions from the laws and decrees applicable to the company, particularly those stipulated in the French Transport Code.
The latest version dates from 25 October 2013.

  - Procurement contract and purchasing committee, and specialised committees

The procurement contract and purchasing committee and the specialised committees comprising members of the Board of Directors contribute to the preparation of the Board's decisions and the fulfilment of its duties.

The Board of Directors determines the area of expertise of each committee, which draws up proposals, recommendations and opinions, or agreements regarding the Expenditure Committee, and, may to this end decide to carry out additional studies to clarify the Board's deliberations.

Each committee defines its own internal regulations, which specify its duties and operating methods. These are approved by the Board of Directors and appended to its internal regulations.

- Procurement contract and purchasing committee

Chaired by a Chief counsellor at the Court of Auditors, representing the Chairman of the Board of Directors, the committee includes, in addition to the latter, eight other members: four directors and four civil servants respectively appointed by the Ministers in charge of the economy, the budget, competition and transport.

The Government Commissioner and the head of the Department of Economic and Financial Control for Transport, or their representatives, also sit in an advisory capacity on this committee.

This committee issues a preliminary opinion on the awarding of any procurement contract for an amount greater than a threshold set by order of the Minister for transport, which differs in the event that the procurement contracts include works, supplies or services.

Any change in the thresholds governing contract submissions to the Committee must be subject to a ministerial ruling; the ruling of 21 December 2010 therefore determined new consultation thresholds, as the previous thresholds dated back to the ruling of 5 December 1997.

- Audit committee

In accordance with the corporate governance rules set by the Economy, Finance and Employment Ministry, the Board of Directors set up an Audit Committee as from 2004 in order to improve the capabilities of the company and the Board in the areas of accounting policies and standards, financial reporting, financial communications, internal control and risk management.

Comprising five directors, the Committee is chaired by an independent director.

The Government Commissioner and the head of the Department of Economic and Financial Control for Transport, or their representatives, also sit in an advisory capacity on this committee.

The Audit and Risk Director, or his or her representative, is invited to attend Audit Committee meetings.
The Audit Committee assists the Board of Directors and prepares the latter's work on important matters of an economic, financial and accounting nature.

The Audit Committee is particularly responsible for monitoring the financial information preparation process, the effectiveness of internal control and risk management systems, the audit of the parent company and consolidated financial statements by the statutory auditors, and the latter's independence.

- Expenditure Committee

In 2007, the Board of Directors decided to create an Expenditure Committee, in order to strengthen the capabilities of the company and its' Board of Directors with regard to its development projects, investment projects and property portfolio.

Comprising five directors and chaired by an independent director, the Committee assists the Board of Directors and prepares the latter's deliberations on matters relating to investments or involving a financial commitment for the company: investment programmes and development projects (development policy and financial aspects) and projects relating to its property portfolio.

The Government Commissioner and the head of the Department of Economic and Financial Control for Transport, or their representatives, also sit in an advisory capacity on this committee.

- Strategy Committee

In 2007, the Board of Directors decided to create a Strategy Committee, to strengthen the capabilities of the company and its' Board of Directors in the areas of strategic thinking and decision-making.

Comprising six directors (including the chairman of the Board of Directors or his or her representative, chairman of the Audit Committee and chairman of the Expenditure Committee), the Strategy Committee assists the Board of Directors and prepares the latter's deliberations on all subjects of key strategic significance.

It monitors the application of RFF's strategic policy.

The Government Commissioner and the head of the Department of Economic and Financial Control for Transport, or their representatives, also sit in an advisory capacity on this committee.

- Chairman of the Board of Directors

- Appointment and duties

The Chairman of the Board of Directors is appointed from among the members of the Board, by Decree of the French Council of Ministers, and at the latter's recommendation.

Jacques RAPOPORT was appointed Chairman of RFF by Decree on 19 December 2012.

Decree no. 97-444 of 5 May 1997, as amended, relating to the corporate purpose and Articles of Association of RFF defines the respective powers of the Board of Directors and its Chairman.

The Chairman of the Board of Directors implements the strategy defined by the Board of Directors. For this purpose, the Chairman is granted all powers necessary to ensure the smooth running of the company's operations, and to act on its behalf in all circumstances.

The delegation of powers granted by the Board of Directors to its Chairman is published in the RFF official gazette and the official gazette of the French Transport Ministry.

- System of delegations

Pursuant to the provisions of the amended Decree no. 97-444 of 5 May 1997, the Chairman of the Board of Directors may delegate some of the powers granted to him under the terms and conditions set by the Board of Directors.

- Compensation of key management personnel

Since RFF is a State-owned company, the Chairman's compensation is determined by ministerial decision.
An Advisory Committee, comprising the Chairman of the Audit Committee, the Chairman of the Expenditure Committee and the head of the Department of Economic and Financial Control for Transport, assists the RFF Chairman with Executive Committee member objectives and their annual evaluations.

- Executive Management and company's general organisation

The company's general organisation is based around the following Deputy COOs:
- "Sales and Planning",
- "Operations",
- "Major Projects",
- "Finance and Purchasing",
- "General Secretary",
- "Ile-de-France".

A Deputy COO in charge of audit and risks was appointed in October 2014.

In mid-December, a property and real estate executive vice president, to whom the property and real estate department reports, was appointed.

The Chairman and Chief Executive Officer is responsible for the general management of the company. He leads and coordinates the collective work of the head office and regional departments.

The Deputy CEO assists the Chairman with the company's operational management and serves as deputy in the executive function.

Reporting directly to the Chairman and the Deputy CEO, the Chief of Staff assists the Chairman in the performance of his duties and executive management in its responsibility to coordinate the company. It also ensures that the governing bodies operate properly.

Twelve regional departments, reporting directly to the Chairman, carry out in their respective territories the company's strategic directions and operational responsibilities under the coordination of the Deputy COO.

An Executive Committee comprises the Chairman, the Deputy CEO, the Deputy COOs and managers who report directly to the Chairman and the Deputy CEO. The Chief of Staff prepares the report on conclusions.

This Committee defines the company's position on current topics and organises how the company's businesses contribute to achieving their objectives, particularly under performance contracts. It coordinates the operational implementation of the company's strategy and is responsible for overall performance monitoring and ensuring proper managerial operations.

3.2 Risk factors

The various risks that may impact the company's activities are identified according to their type and assessed according to the probability of occurrence, impacts and level of control. The impacts are assessed for each risk according to a defined list of financial, legal, operating and reputation impacts, with each risk potentially having several impacts. The following main risks can be highlighted:

• **Major financial risk:**
Market risks (interest rate risk, liquidity risk, counterparty risk and currency risk)

- Interest rate risk: the network manager is exposed to interest rate risk, given the substantial amount of net debt that it has to refinance through the financial markets.
- Liquidity risk: liquidity risk is constantly hedged through the proactive management of liquidity requirements, and a diversified access to both long-term (EMTN programme of €40 billion) or short-term (French commercial paper of €3 billion and Euro Commercial Paper of €5 billion). The network manager also benefits from a €1.25 billion credit line that has never been drawn down.
- Counterparty risk: the network manager is exposed to counterparty risk in the daily management of its cash flows and the management of its mid and long-term debt.
- Currency risk: the network manager negotiates foreign currency financing, which is almost systematically translated into euros.

In addition to these risks specific to financial market activities, RFF is also exposed to financing risks relating to its financial involvement in different investment operations and counterparty risks involving customers or co-financing bodies. The risk of project deviation is also a significant financial issue for the entire company.

- **Major risks in operating sectors**: operational risks mainly concern the use of the rail network and investments.
- **Major legal risks**: in addition to legal risks relating to the possibility of the company being sued as an owner and operator, and also as prime contractor, RFF is also regularly confronted with new legal risks relating to developments in the regulatory framework to which it is subject, particularly regarding its rail infrastructure management (compliance with equal opportunities for rail operators, transparency of its operations, possibility of using infrastructure management service providers other than SNCF) or project management activities, and under the partnership agreements binding the network manager to its various partners (legal security of new concession or public-private partnership agreements).
- **Economic risks**: the macro-economic strategy of the network manager is driven by traffic growth and its impacts on the collection of access fees as well as the effective control of network maintenance and extension costs.
- **Major reputation risks**: these risks mainly arise from rail incidents and accidents and are likely to tarnish the company's image vis-a-vis investors and partners. Other risks relating to the network manager's activities (including, strictly speaking, outside the rail sector) are also identified as being likely to damage the company's reputation and are also treated under this category (e.g. risks of damage to the environment).

3.3 Insurance policies

In 2014, SNCF Réseau took out corporate insurance to cover its major operating risks in terms of the "civil liability" relating to all its activities (including those of owner, prime contractor, etc.); "employer civil liability (inexcusable conduct)" solely for SNCF Réseau employees; "civil liability of its managers" as well as a "damages to goods, additional costs and consecutive losses of fees", based on an "all risks with exceptions" guarantee, including natural disasters (CAT NAT scheme) and Acts of Terrorism (GAREAT). Furthermore, a construction insurance policy covers certain assets in the course of construction, renewal or renovation, according to the issues at stake assessed on a case-by-case basis.

Statutory auditors' reports

for the year ended

31 December 2014

SNCF RESEAU (formerly Réseau Ferré de France)

Statutory Auditors' report on the statutory financial statements

(Year ended 31 December 2014)

PricewaterhouseCoopers Audit
63, rue Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
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92075 Paris La Défense Cedex

Statutory Auditors' report on the statutory financial statements

(Year ended 31 December 2014)

SNCF RESEAU (formerly Réseau Ferré de France)
92, avenue de France
75648 Paris Cedex 13

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. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by the French Ministry of the Economy, Industry and Employment, we hereby report to you, for the year ended 31 December 2014, on:

- the audit of the accompanying financial statements of SNCF Réseau (formerly Réseau Ferré de France);
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the company as of 31 December 2014 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Without qualifying our opinion, we draw your attention to the matters set out in the Note 7.1.3 to the financial statements "Present value of assets at the balance sheet date" relating to the impairment test for the Infrastructure cash-generating unit.

II. Justification of our assessments

Pursuant to Article L. 823-9 of the French Commercial Code (*Code de Commerce*) governing the justification of our assessments, we bring to your attention the following matters:

- Note 7.1.3 to the financial statements "Present value of assets at the balance sheet date" relating to the impairment test for the Infrastructure cash-generating unit presents the conditions under which this impairment test is performed, its implementation methods, the main assumptions used and their sensitivity, as well as the test results.

  This test relies on estimates and assumptions which are, by their very nature, uncertain and actual results may differ significantly from the forecast data used. Note 1 to the financial statements "Presentation of the Public Corporation SNCF Réseau" specifies that the current organisation of Epic Réseau Ferré de France was profoundly changed as of 1 January 2015, the effective date of the rail reform law. As shown in Note 7.1.3 to the financial statements, the cash flow forecasts adopted for these estimates could not be updated for the outlook resulting from this reform. Our work consisted in reviewing the forecast data and the assumptions used based on the information made available to date, as well as its overall consistency in the aforementioned context. We also verified that appropriate disclosure was provided in the notes to the financial statements.

- Note 7.1.16 "Provisions for contingencies and losses" outlines the type of provisions recorded by the company. We assessed the reasonableness of these provisions based on the items made available to date and verified that appropriate disclosure was provided in the notes to the financial statements.
- Note 2 "Significant events" outlines the work carried out to correct the impact of delays in the commissioning of projects delegated to the SNCF. Our work consisted in reviewing the

- methodology used, the verifications carried out by the Company and analysing the accounting treatment adopted.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. Specific verifications

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no matters to report as to the fair presentation and consistency with the financial statements of the information given in the management report and in the documents addressed to members of the Board of Directors with respect to the financial position and the financial statements.

Neuilly-sur-Seine and Courbevoie, 19 February 2015

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Philippe Vincent	Lionel Gotlib

SNCF RESEAU (formerly Réseau Ferré de France)

Statutory Auditors' report on the consolidated financial statements

(Year ended 31 December 2014)

PricewaterhouseCoopers Audit
63, rue Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
61, rue Regnault
92075 Paris La Défense Cedex

Statutory Auditors' report on the consolidated financial statements

(Year ended 31 December 2014)

SNCF RESEAU (formerly Réseau Ferré de France)
92, avenue de France
75648 Paris Cedex 13

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. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by the French Ministry of the Economy, Industry and Employment, we hereby report to you, for the year ended 31 December 2014, on:

- the audit of the accompanying consolidated financial statements of SNCF Réseau (formerly Réseau Ferré de France);
- the justification of our assessments;
- the specific verifications and information required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as of 31 December 2014 and the results of its operations for the year then ended in accordance with IFRS standards as adopted in the European Union.

Without qualifying our opinion, we draw your attention to

- Note 4.3.3 to the consolidated financial statements "Present value of assets at the balance sheet date" relating to the impairment test for the Infrastructure cash-generating unit.

- Note 4.5 to the consolidated financial statements "Deferred tax" which describes the methods used to assess deferred tax assets.

- Note 2.1 to the consolidated financial statements "Change in accounting method" which presents the first-time adoption of IFRIC 21.

II. Justification of our assessments

Pursuant to Article L. 823-9 of the French Commercial Code (*Code de Commerce*) governing the justification of our assessments, we bring to your attention the following matters:

- Note 4.3.3 to the consolidated financial statements "Present value of assets at the balance sheet date" relating to the impairment test for the Infrastructure cash-generating unit presents the conditions under which this test is performed, its implementation methods, the main assumptions used and their sensitivity, as well as the test results.
- Notes 3.14 and 4.5 to the consolidated financial statements "Deferred tax" describe the method used to recognise deferred tax assets, the method of implementation and the collection period.

  These two items rely on estimates and assumptions which are, by their very nature, uncertain and actual results may differ significantly from the forecast data used. Note 2.2 to the consolidated financial statements "Significant events and transactions" specifies that the current organisation of Epic Réseau Ferré de France was profoundly changed as of 1 January 2015, the effective date of the rail reform law. As shown in Notes 4.3.3 and 4.15 to the consolidated financial statements, the cash flow forecasts adopted for these estimates could not be updated for the outlook resulting from this reform. Our work consisted in reviewing the forecast data and the assumptions used based on the information made available to date, as well as its overall consistency in the aforementioned context. We also verified that appropriate disclosure was provided in the notes to the financial statements.

- Notes 3.19 and 4.12 to the consolidated financial statements “Provisions” outline the type of provisions recorded by the SNCF Réseau Group. We assessed the reasonableness of these provisions based on the items made available to date and verified that appropriate disclosure was provided in the notes to the financial statements.
- Note 2.2 to the consolidated financial statements “Significant events and transactions” outlines the work carried out to correct the impact of delays in the commissioning of projects delegated to the SNCF. Our work consisted in reviewing the methodology used, the verifications carried out by the Company and analysing the accounting treatment adopted.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. Specific verification

As required by the law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group’s management report.

We have no matters to report as to the fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, 19 February 2015

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Philippe Vincent	Lionel Gotlib

PricewaterhouseCoopers Audit
63, rue Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
61, rue Regnault
92075 Paris La Défense Cedex

Statutory auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), on the report prepared by the Chairman of the Board of Directors

(Year ended 31 December 2014)

SNCF RESEAU (formerly Réseau Ferré de France)
92, avenue de France
75648 Paris Cedex 13

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 users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In our capacity as statutory auditors of Réseau Ferré de France and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2014.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on the internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 of the French Commercial Code relating to matters such as corporate governance.

Our role is to:

- report on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- confirm that this report includes the other information required by Article L. 225-37 of the French Commercial Code. It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;

- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;

- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information covering the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Courbevoie, 19 February 2015

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Philippe Vincent	Lionel Gotlib

SNCF RESEAU
(Formerly Réseau Ferré de France - RFF)

Statutory auditors' attestation
on the consolidated social, environmental and societal information presented in the management report

(Year ended 31 December 2014)

PricewaterhouseCoopers Audit
63, rue Villiers
92208 Neuilly-sur-Seine Cedex

Mazars
61, rue Regnault
92075 Paris La Défense Cedex

Statutory auditors' attestation on the consolidated social, environmental and societal information presented in the management report

(Year ended 31 December 2014)

This is a free translation into English of the statutory auditors' attestation issued in the French language and is provided solely for the convenience of English speaking readers. This attestation should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

Dear Madam/Sir,
SNCF RESEAU
(Formerly Réseau Ferré de France)
92, avenue de France
75648 Paris Cedex 13

In our capacity as statutory auditors of SNCF RESEAU (Formerly Réseau Ferré de France) and as requested by SNCF RESEAU, we have prepared this attestation on the consolidated social, environmental and societal information for the year ended 31 December 2014 that SNCF RESEAU has chosen to present in its management report (hereinafter the "CSR Information"), pursuant to Article L. 225-102-1 of the French Commercial Code (Code de commerce).

Responsibility of the Company

It is the responsibility of the Board of Directors to prepare a management report which, under the voluntary approach adopted by SNCF RESEAU, includes CSR Information referred to in Article R.225-105-1 of the French Commercial Code, in accordance with the "Protocol for reporting social, environmental, and societal data" used by SNCF RESEAU (hereinafter the "Framework"), of which a summary is included in the management report and available on request.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession, as well as the provisions in Article L.822-11 of the French Commercial Code. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical rules, professional practice standards and applicable laws and regulations.

Responsibility of the statutory auditors

It is our role, based on our work, to attest whether the required CSR Information mentioned in Article R. 225-105-1 of the French Commercial Code is present in the management report or, in the case of omission, that an appropriate explanation has been provided, in accordance with the third paragraph of Article R.225-105 of the French Commercial Code. We are not responsible for verifying the relevance and fairness of this information.

Our verification work was undertaken by a team of three people between the end January and mid-February 2015 for an estimated duration of 2 weeks. To assist us in our work, we called upon our CSR experts.

Nature and scope of our work

We conducted the work described below in accordance with the professional practice standard covering services relating to social and environmental information directly related to the statutory auditor's engagement (NEP 9090), and the Order of 13 May 2013 determining the conditions under which the independent third-party organization conducts its engagement:

- We obtained an understanding of the company's sustainable development strategies, based on interviews with the management of the relevant departments, and the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

- We compared the CSR information presented in the management report with the list provided in Article R. 225-105-1 of the French Commercial Code.

- In the absence of certain consolidated information, we verified that the explanations were provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code.

- We verified that the CSR Information covered the consolidated scope, namely the entity and its subsidiaries, within the meaning of Article L.233-1 of the French Commercial Code and the entities which it controls, within the meaning of Article L.233-3 of the French Commercial Code, with the limitations specified in the Methodology Note, presented in Section VII 3.1.1 of the management report.

Based on this work and given the aforementioned limitations, we confirm the presence in the management report of the required CSR information mentioned in Article R. 225-105-1 of the French Commercial Code.

Neuilly-sur-Seine, 19 February 2015

PriceawaterhouseCoopers Audit	Mazars
Philippe Vincent Partner Statutory Auditor	Lionel Gotlib Partner Statutory Auditor