FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

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MANAGEMENT STATEMENT
FOR THE FINANCIAL REPORT

(This is a free english translation of the statement issued in french and it is solely provided for the convenience of English speaking readers. This statement should be read in conjunction 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 2015 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.

La Plaine Saint-Denis, 9 March 2016

Chairman

Jacques RAPOPORT

Deputy Chief Executive Officer,
Finance & Procurement

Odile FAGOT

MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2015

31 December 2015

MANAGEMENT REPORT CONSOLIDATED FINANCIAL STATEMENTS SNCF RESEAU

IFRS – In € millions

15-17 rue Jean-Philippe Rameau – 93212 La Plaine Saint-Denis Cedex

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EDITORIAL OF JACQUES RAPOPORT

It is difficult to speak of 2015 without first thinking of the victims of the test train accident in Eckwersheim. For both victims and employees, our duty is to do everything in our power to identify the accident's various causes. This is a tragedy that should never have occurred and it shows us that safety is never a given. On the contrary, it is a daily battle that we must humbly engage in all circumstances and at all levels.

What we have experienced must not however conceal the work accomplished in 2015 by all the company's teams.

In 2015, SNCF Réseau became the Unified Infrastructure Manager (UIM) of the National Rail Network within the SNCF Public Rail Group. The first SNCF Réseau budget approved by the Board of Directors on 17 December 2014 set the following priorities and allocated the necessary resources:

- Safety,
- Maintenance and renewal of the primary network,
- Île de France,
- A more effective industrial policy based on a growing number of partnerships and innovation,
- An sustained effort in terms of economic performance,
- Operational oversight at the core of our organisation,
- Professional skills management tailored to industry needs.

These industrial and financial objectives are part of the larger Corporate Social Responsibility framework that is shaping sustainable modernisation.

Fiscal year 2015 was the first year of implementation for the SNCF Réseau 10-year strategic plan, Réseau 2020, which calls for a steady increase in the volume of network renovations. Investments in safety, now more than ever an absolute priority for the Group, were boosted, through the PRISME Safety Excellence programme for example. These measures will be pursued. Under the VIGIRAIL plan, 450 switches are to be renewed in 2016 (before reaching the 500 mark in 2017) following 409 in 2015 and 363 in 2014. The use of new technologies (mobile devices, the Surveille train and the SIM wagon) will facilitate network tail. Safety will always depend on the quality of the organisations and the skills of rail employees, as well as modernised industrial facilities.

The 2015 targets have been met

We have competed the network modernisation program that was planned for 2015, even though the targets were highly ambitious, with €2,665 million being earmarked for the renewal of the existing network, up by 3% compared to 2014. The number of kilometers of upgraded track (Equivalent Planned Large Operation (GOPEQ)) was maintained at 1,000 in 2015 (as in 2014). In addition, the everyday maintenance program was strictly respected. Several achievements improved traffic performance and management, in particular the commissioning of the Lorraine network command centre, the MISTRAL V8 prototype, and the radio control of the Alsace plain from the computerised switching station in

Finally, the major projects for the new Bretagne Pays de Loire, Nîmes-Montpellier bypass and Southern Europe Atlantic (SEA) lines are on course in line with the planning. The second phase of the Eastern Europe high-speed line will be inaugurated on 3 July 2016.

In Île de France, a total €925 million was invested in 2015, including more than €500 million for the renewal of the Île de France network. SNCF Réseau thus upgraded 151 points and crossings, following the 146 points and crossings upgraded in 2014, and renovated 123 km of track, compared to 112 in 2014. The work to extend the Eole line beyond Haussmann Saint Lazare has begun and the French state has confirmed its westward extension. In Paris, the new Rosa Parks station on line E was inaugurated in December 2015. This escalation of the reliability plan in Île-de-France thus reinforced maintenance for the weakest facility components in terms of train reliability (rails, catenaries, track vegetation, etc.).

Projects for regional development and renewal advanced considerably in 2015, including high-output work with 100% of objectives reached.

But difficulties persist

Anomalies attributable to SNCF Réseau increased by 5% compared to last year. Our analysis is straightforward: the efforts of all personnel to intervene day and nightand their improving responsiveness did not compensate for the higher number of incidents, namely in signalling, the result of aging facilities, particularly in dense zones.

The sluggish economy, new intermodal competition and the Network's poor performance weighed on a traffic volume that stagnated this year (-0.5% in trains.km).

All resources are being mobilised

To successfully complete 2015, but above all to be prepared for the coming years, we have mobilised all rail resources, starting with over 2,200 recruitments during the year. In addition, we are observing a significant managerial impetus with two fundamental objectives: allow operational management the necessary time to carry out its tasks, to guarantee direction, cohesion and efficiency; and secondly, position the transversal support and advisory teams with the operational teams, while respecting the primacy of the management line.

In 2015, industrial partnerships were reinforced to ensure production, but also to deal with the challenge represented by the future increase in work volume. This industrial partnership policy, backed by a long-term vision of our needs, is an essential lever for cost reduction. The agreement signed with Tata Steel for the supply of rails for the next seven years is illustrative: cost reduction of over 5% with an increase in production in France. The overall procurement performance generated expenditure savings of €335 million, which were reinvested in Network improvement.

Lastly, in innovating industrial methods, we seek to improve the safety, quality and economic performance of rail transport, with the digitalisation of processes (traffic, capacity and maintenance management), and frameworks, the equipping of field employees with digital tools and the development of an internet for rail equipment (captors that detect motion, temperature, etc.). SNCF Réseau is also finalising a tail project that will use drones equipped with measurement devices. The additional productivity generated by these innovations, provided an extra 250 field employees compared to our budget forecasts. These additional resources were redeployed for the everyday maintenance of facilities, pursuant to the prioritisation of maintenance.

The creation of the new unified Group is accompanied by a technical changeover for our asset valuations.

The new SNCF Réseau trajectory takes into account a revised trajectory, particularly in terms of flows of rail operations (macro-economic, intermodal and intra-modal competition).

The carrying amount of the SNCF Réseau assets was revised downward, as reflected in an accounting impairment loss of €9.6 billion.

To place this accounting impairment in its proper context, it should be kept in mind that the IFRS identify future cash flows purely based on a profitability reasoning. In this particular case, and like any major public infrastructure manager, SNCF Réseau is pursuing a complementary goal: to create overall socio-economic value over the long term.

1 SNCF RÉSEAU IN 2015

1.1 PRESENTATION OF THE ACTIVITY

1 July 2015, following the rail reform law enacted on 4 August 2014, SNCF Réseau has combined teams of Réseau Ferré de France and the Infrastructure division of SNCF (Infra and Rail network operation and management) under a single public entity within the SNCF group.

Within SNCF, a public rail group and a world leader in mobility and logistics, SNCF Réseau manages, maintains, develops and markets the services offered by the National Rail Network. It guarantees safety and performance for 30,000 km of rail lines, including 2,000 high-speed lines, as well as customer access to the network and service infrastructures under transparent and non-discriminatory conditions: 26 rail companies circulate on the Network and 12 other companies, known as candidates (combined transport operators, ports, etc.), order train paths which they then assign to the rail company of their choice.

It is used as an intermediary between the transport Organising Authorities and the French State for all the regional and national development projects that it undertakes and leads.

In addition, its subsidiaries carry out the following activities:

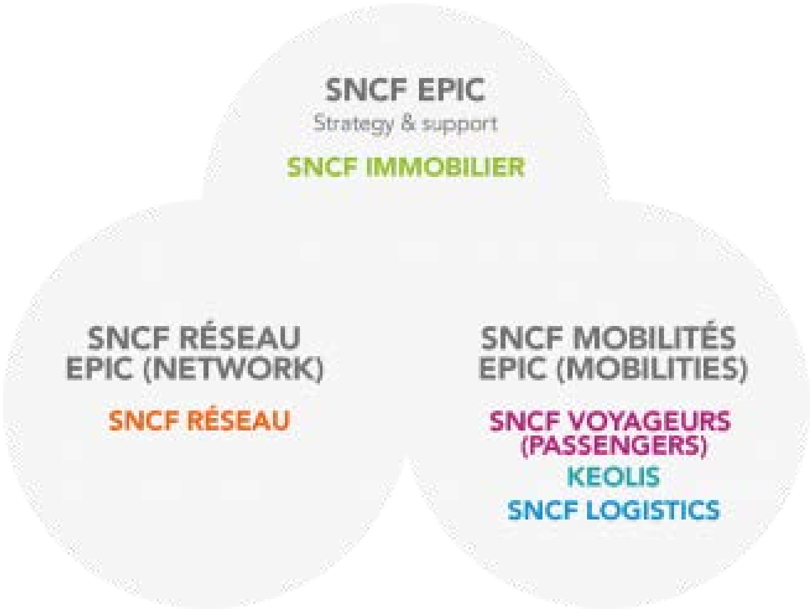
- SFERIS, a company that carries out project works in France and provides expertise, 100% owned by SNCF Réseau
- EURAILSCOUT BV, an on-board track inspection and analysis company, 50% held by SNCF Réseau
- CDG Express Etudes, a rail link project in France, between the East station in Paris and Paris-Charles-de-Gaulle Airport, consolidated pursuant to the rules applicable to “Joint Operations” (IFRS 11).

1.2 MAJOR EVENTS OF THE YEAR

1.2.1 RAIL SYSTEM REFORM: THE YEAR OF IMPLEMENTATION FOR OUR ORGANISATIONS

The new SNCF group organisation, which unites the transport operator with the infrastructure and network manager, was presented on 15 July 2015 in Saint-Denis by the Chairman of the SNCF Supervisory Board, Frédéric Saint-Geours, and the two Mobilités and Réseau Chairmen, Guillaume Pépy and Jacques Rapoport. The French PM, Manuel Valls, who was present for the occasion, summed up the organisational change in his speech: In his words, the reform “*gives rise to an SNCF that is more economical, efficient and streamlined”.*

Accordingly, three indivisible public institutions, SNCF, SNCF Réseau and SNCF Mobilités now constitute the Public Rail Group.



SNCF Réseau is organised according to four business lines:

- Network Access: Management of network access in accordance with core functions;
- Traffic Management: Rail Traffic Management;
- Maintenance and Works: Network maintenance, operational safety;
- Engineering and Projects: Engineering, sub-contracting, project management and project logistics, in France and abroad.

Île-de-France Executive Management: for the Île de France region, it combines Traffic Management, Maintenance and Works, and Engineering and Projects under the authority of a General Director in order to respond to the specificities of this high-density rail zone.

There are also eleven regional departments that are directly attached to the General Secretariat. Within their respective regions, they oversee the company's institutional representation dealing with local partners, and particularly the transport organising authorities, under the management of Deputy General Directors.

The rail system's financial management has been reinforced. An agreement between SNCF Réseau and the French State is concluded under which the group's objectives, resources and expected results are set out. The ten-year agreement, which is updated every three years, determines the company's financial trajectory and any related corrective measures. The objective of covering the full cost of the network within a period of 10 years, as of the effective date of the initial agreement between SNCF Réseau and the French State, is enacted under the law. 31 December 2015, the agreement is under negotiation with the French State.

With a focus to reduce the system's debt, **network cost control** represents one of the primary objectives of SNCF Réseau, based on the following strategies:

- Priority will be given to the renovation of the current primary network. It will be financed by a reduction in project development expenditure.
- In unifying RFF, SNCF Infra and Traffic Management within its structure, SNCF Réseau can introduce savings programs, in its first full year as infrastructure manager, based on the following three levers:

- Procurement performance, with the pooling of negotiating abilities and the optimisation of all procurement practices, based on multi-year procurement needs resulting from the company's trajectory, to negotiate long-term contracts with our suppliers and obtain better prices;
- Production-linked performance: productivity gains under performance plans, potentially related to additional investments;
- Synergies: gains arising from the merger of entities within the Unified Infrastructure Manager, the combined and simplified management of industrial programmes and the elimination of contractual overlapping.

1.2.2 STATE OF THE NETWORK: A DAILY CHALLENGE, OPTING FOR TRANSPARENCY

In terms of safety, the French rail system is one of the best in Europe, but this position is vulnerable since the network continues to age, giving rise to speed limitations, and even the interruption of traffic on certain lines. In 2015, four new reports highlighted again the network's age and the need for additional resources to reverse this trend:

- Phase 2 of the new EPSF (French rail safety authority) report on the infrastructure audit campaign;
- The Ligeron report on the "analysis of human and organisational factors involved in four recent rail incidents";
- The BEATT (Land transport accident investigation bureau) technical investigation report on the July 2013 derailment of the Intercités train in Brétigny-sur-Orge;
- The report of the International safety experts committee "Towards a new phase in SNCF safety management".

SNCF Réseau has therefore decided to **tighten the maintenance rules** and re-affirmed the necessity of an elevated level of safety, the guiding principle of the maintenance and renewal policies.

1.2.3 PRIORITY TO MAINTENANCE: A RENEWED IMPERATIVE AND MOBILISATION

Network maintenance covers the renewal of individual components or a group thereof, and everyday maintenance carried out as needed throughout the year, based on specific frequencies to each operation (tail, preventive and corrective maintenance operations). The renewal effort initiated in 2008 was maintained in 2015. However, as long as the aging process is not stopped or reversed, network conditional **tail and maintenance needs** will remain substantial. Despite the development of technical tail systems, human investigations requiring the mobilisation of teams and the supervision of SNCF Réseau are still necessary.

In 2015, SNCF Réseau renewed 1,014 km of track and 409 points and crossings. The everyday maintenance effort has been boosted, particularly through an increase in the number of signalling equipment inspections and points and crossings tail tours. This enabled the correction of equipment faults within optimal time lines and conditions.

The initial everyday maintenance programme was respected in 2015. However, in certain regions, equipment restoration had to be privileged over preventive maintenance operations because of weather incidents (particularly the fall floods in the Provence Alpes Côtes d'Azur region).

To support the high level of renovation and everyday maintenance work in 2015, SNCF Réseau relied on an internal production efficiency approach known as an Infra Production System. The system consists in the deployment of lean management methods in the network's maintenance and works facilities and emphasizes improved planning, a better use of human resources, the streamlining of inventory levels, as well as the development of a network of sub-contractors.

The creation of SNCF Réseau makes it possible to extend the planning visibility and coordinate the strategy policy with short-term project scheduling. The computer-assisted maintenance management software and the development of automated tail for facilities will enhance the maintenance program thanks to a better understanding of the asset pool and component behaviour.

1.2.4 BUSINESS ACTIVITY: TRAFFIC INERTIA

The troubled economy has impacted the rail transport business. After a steady performance in the early year, traffic was generally moribund beginning in the early summer, the trend being confirmed in recent months. Excluding one-off events, traffic has declined:

Only the Transilien and Regional Express Train (TER) passenger activities reported a traffic increase in 2015, albeit in low volumes. Traffic was higher for alternative rail freight companies but it did not fully offset the FRET SNCF traffic losses. Overall, Freight merchandise traffic thus again declined in 2015.

2015/2014 activities	Rail companies	TKM traffic trend	
		Gross TKM	Restated TKM
Passenger		**1.40%**	**-0.50%**
	GL	-2.10%	-4.30%
	TAGV	0.50%	-1.30%
	TER	2.70%	0.60%
	Transilien	1.90%	0.10%
Freight		**2.00%**	**-0.20%**
	Fret Sncf	-0.80%	-2.80%
	Fret EFA	7.10%	4.60%
Other		**2.40%**	**0.40%**
Total		**1.60%**	**-0.50%**

This inertia will likely continue next year in a macroeconomic environment that remains difficult and not very conducive to rail development due to the “Growth, business and equal economic opportunity" law (opening of medium-distance traffic to buses) and the emergence of car-pooling in particular.

1.2.5 PRIORITY TO ÎLE DE FRANCE

The dense Île-de-France zone has an exceptional concentration of traffic: 40% of rail circulation transporting 70% of passengers on only 10% of the national rail network's lines. Pursuant to the mass transit leadership objective set by the SNCF group, SNCF Réseau has created a special organisation in Île-de-France to prioritize daily transport.

In 2015, the company continued to **upgrade the Île-de-France network**. The intensification of the reliability plan in Île-de-France thus reinforced maintenance for the weakest facility components in terms of train reliability (rails, catenaries, track vegetation, etc.). In 2015, nearly €500 million was devoted to the renewal of the Île-de-France network, furthering the 2014 investment effort. SNCF Réseau thus upgraded 151 points and crossings as part of the Vigirail plan, following the 146 points and crossings upgraded in 2014, and renovated 123 km of track, compared to 112 in 2014. The Île-de-France teams also continued to modernise several signalling stations whose commissioning in 2017 will improve train reliability.

Central to a major urban development project in the XIXth district of Paris, the opening of the Rosa Parks station on the RER E line was one of the highlights of 2015. SNCF Réseau pursued its work for the Tangentielle Légère Nord line between Épinay-sur-Seine and Le Bourget with the installation of rail equipment and development of the surrounding areas, with a view to the line's commissioning in early 2017.

In the context of a significant rise in work volume for the Île-de-France network, SNCF Réseau nevertheless does its utmost to maintain train reliability and a high safety level. The inauguration of a unified SNCF-RATP command centre for the RER B line, the second busiest of Île-de-France, will further improve reliability. In addition, under the agreement signed between STIF and Transilien, SNCF Réseau will be co-responsible for passengers service quality within the SNCF group.

1.2.6 CSR POLICY OF SNCF RÉSEAU

In association with the company's internal stakeholders and in accordance with the Public Rail Group's sustainable development policy, the CSR policy of SNCF Réseau was prepared throughout 2015 in order to accompany the Réseau 2020 corporate plan and the Grand Network Modernisation Plan and to provide greater transparency regarding all corporate activities to our stakeholders. SNCF Réseau has thus set the conditions for a responsible modernisation of the French rail network based on the four challenges described in section 4 of this report.

The scope of the company's CSR policy and the quality of its initiatives have been acknowledged by non-financial rating agencies. The evaluation of SNCF Réseau's CSR performance by these agencies is in turn reflected in the company's ability to provide far greater visibility to its sustainable development practices. Through the constant effort to improve its management of the national rail network, SNCF Réseau contributes to the reduction of transport environmental pollution and to the commitments undertaken by France in the fight against climate change.

2015: Year of Climate and the COP21 in Paris

Less than 1% of CO_2 emissions for 10% of passengers and freight transported in France: Railway transport is a key contributor in the fight to reduce greenhouse gases. By maintaining, upgrading and developing the network, and by offering reliable and quality train paths to rail companies, SNCF Réseau furthers sustainable mobility within the Public Rail Group.

SNCF Réseau is also striving to improve its carbon performance by optimising the consumption of its real estate assets, reducing the carbon footprint of its rail traction engines and developing a circular economy approach, particularly for its track upgrades (http://www.sncf-reseau.fr/en/cop-21-railway-transport-a-major-benefit-for-global-climate).

Benefiting from the focus on climate change issues in 2015, SNCF Réseau consolidated and presented its climate initiatives and its discussions on the infrastructure's resistance to the consequences of climate change. On the UN's NAZCA platform, alongside 39 major international groups, the Public Rail Group published its 20% target for greenhouse gas reduction between 2014 and 2025 (http://climateaction.unfccc.int/company/sncf).

The rail system has a solid record in terms of environmental performance since it generates less than 1% of the total emissions in France (all sectors combined), or 30 times less than a plane for an equivalent high-speed train trip. Overall, the transport of passengers and freight using the rail system avoided the emission of nearly 10 million tons of CO_2 equivalent, i.e. the emissions of a French population of 1.1 million annually.

INDICATOR	*2015*
Tons of CO_2 produced by the SNCF Public Rail Group (scope 1+2) (k teqCO_2)	1,056
Tons of CO_2 avoided thanks to the rail system (k teqCO_2)	9,872

For more information, refer to section 4 of this report, Corporate Social Responsibility, and the major strategies of the Network's CSR policy (http://www.zyyne.com/zh5/188444#p=0).

1.2.7 IMPAIRMENT TEST FOR INFRASTRUCTURE CGU ASSETS

Impairment of Infrastructure CGU assets

The Infrastructure CGU comprises (i) National Rail Network assets representing 30,000 km of lines in service and renewal work in progress for an amount of €33.4 billion net of the grant, (ii) high speed lines on the verge of completion valued at €3.5 billion net of the grant and the concession grantor's financing, and (iii) other ongoing projects amounting to €1.5 billion net of the grant, for an overall total of €38.5 billion. The CGU, as such, also comprises deferred tax receivables for an amount of €3.7 billion on 31 December 2015, for an overall total of €42.2 billion.

On30 June 2015, there were indications of impairment loss, for two main reasons. First, the consideration of new SNCF Mobilités traffic forecasts resulted in the adoption of lower rail traffic growth assumptions, in particular due to the increase in intermodal competition. Subsequently, the various reports that appeared in early 2015 pointed out the need to intensify the National Rail Network’s everyday maintenance and renewal effort.

On 2015 half-yearly closing, the SNCF Réseau financial trajectory definition was in the process of preparation and discussion within the Public Rail Group and with the French State. The necessary conditions were not in place to test and update the economic value of the CGU’s assets since the French State did notarbitrated the key financial trajectory assumptions underlying this test.

On 31 December 2015 closing, discussions with the French State were ongoing prior to the signing of the multi-year performance agreement stipulated by the law of 4 August 2014. Nevertheless, the work conducted in the second half of 2015 allowed management to draw up a financial trajectory for SNCF Réseau that included the changes and key assumptions discussed with the French State.

The key assumptions and their quantification that underlie the asset impairment test were approved by the Board of Directors on 9 March 2016. SNCF Réseau considers that the financial trajectory drawn up on this basis represents the best estimate of the business outlook for the next 15 years.

These various components were taken into account for 31 December 2015 impairment test, despite the difficulty in assessing the impacts of these new issues.

Recap of methodological components

To consider the specific nature of a monopoly rail infrastructure network and its financing, SNCF Réseau adapted the valuation methodologies as follows:

- For the lines in service and the renewal outstandings (€33.4 million net of the grant), the value in use is calculated based on cash flows forecasts drawn from 2016 budget and the aforementioned 2016-2030 financial trajectory. The normative year 2030 represents the year in which the company will judge the renewed network’s status with respect to the performance and safety objectives shared with the public authorities.
- In the cash flows forecast after corporate tax, the tax adopted is the tax paid at the 34.43% rate and not the notional tax, to take into account the utilisation of loss carry-forwards.
- The r net carrying amount reference (NCA) compared with the value in use to determine any asset impairment loss includes, at year-end date the NCA of assets in service, less the corresponding investment grants, plus renewal outstandings assets (net of the grant), the DTA receivables and the WCR.

The cash flows related to four major high-speed lines, currently being completed (€3.5 billion net of the grant and the concession grantor’s financing), and scheduled for commissioning in 2016 and 2017, namely the Eastern high-speed line, the Bretagne – Pays-de-la-Loire high-speed line, the Nîmes-Montpellier bypass, and the Southern Europe Atlantic high-speed line were tested separately.

With respect to the SEA concession, the cash flows forecasts took into account the line’s renewed operation following the concession grantor’s operating phase, that is to say by 2061.

The test was conducted using an indefinite cash flows projection rate of 1.7% and a future cash flows discount rate of 5.5%.

The value of other assets under construction (€1.5 billion on 31 December 2015) is analysed separately as part of a specific review (see Note 4.1.2).

Presentation of key assumptions

The impairment test key assumptions cover the level of infrastructure fees, as shown in the traffic forecasts, public backing and current network maintenance.

Traffic forecasts under the 15-year plan were prepared for the Public Rail Group for the first time. They are consistent with the SNCF Mobilités forecasts.

Despite a change in behaviour for certain customers in the passenger activity with the development of intermodal competition, such as long-distance bus transport and car-pooling, SNCF Réseau is anticipating an increase in traffic thanks to a better quality of service that benefits all rail companies.

The public backing contributing to the support of this renewal trajectory was approved based on commitments confirmed by the French State.

In addition, the French State approved the rail index sequencing adopted for the estimate of infrastructure fees.

The allocations paid by SNCF to SNCF Réseau pursuant to the rail reform law were also taken into account. Given the strategies communicated by the French State, they were qualified as investment grants used to finance network renewal.

Rail network maintenance in fact comprises two major categories of activity:
- Renewal: facilities replacement or significant upgrade;
- Facilities maintenance: preventive and corrective maintenance and tail.

The SNCF Réseau financial trajectory calls for a much more substantial renewal effort for the existing network than it was the case in the previous decade. It also includes the first major renewals of the high-speed lines currently in service. Priority is given to the Île de France network and the major lines with the most of traffic. The effort is two-phased: a gradual step-up in the process until 2020 to progressively mobilise human and material resources and subsequently a stabilisation from 2020 to 2027, followed by a gradual decrease until the normative year 2030 to reach a replacement level that is aligned with the network.

Maintenance costs graduallyhave fallen due to productivity plans implemented and the Network's improvement over the decade.

The combined effect of an unprecedented maintenance effort and a forecast traffic increase have optimised the trajectory.

Impairment test results

The recoverable amount of the assets tested totalled €31.0 billion on 31 December 2015. The terminal value, calculated using the indefinite projection of cash flows generated by 2030, represents 95% of this recoverable amount. As the value is lower than the benchmark asset tested, i.e. €40.6 billion (including deferred tax assets of €3.7 billion on 31 December 2015 and assets under construction for the four major high-speed lines on the verge of completion for €3.5 billion), SNCF Réseau recorded an impairment loss of €9.6 billion.

This impairment was fully allocated to the intangible assets and property, plant and equipment of the CGU, insofar the company considers that its deferred tax assets, as presented in Note 7.3, are fully recoverable. Based on the cash flows adopted to determine the recoverable amount of the CGU, the loss will be fully absorbed in 2060.

The estimates and assumptions taken into account to assess the recoverable amount of the assets are based on discussions and arbitrations with the French State.
This recoverable amount also depends on the French State's implementation of all the resources and commitments necessary for its support and the company's ability to meet its productivity plans.
Actual results and certain future assumptions could significantly differ from the estimates adopted.

The impacts on the income statement are as follows:

In € million	**31/12/2015**	**31/12/2014 restated**	**Change**
Impairment losses – Intangible assets	-45	-	-45
Impairment losses – property, plant and equipment	-9,555	-	-9,555
Impairment losses	**-9,600**	**-**	**-9,600**

Sensitivity analyses

Sensitivity to valuation parameters:

A change of +/- 10 basis points in the discount rate represents a change of -/+ €1.1 billion in the recoverable amount.
A change of +/- 10 basis points in the perpetual growth rate results in a change of +€0.7 billion.

Sensitivity to cash flows over the 2016-2030 period (including corporate tax impact):

A change of +/- €100 million in net annual renewal expenses represents a change of -/+ €2.0 billion in the recoverable amount. This amount is indicative only since, beyond a certain threshold, the impact of the change in renewal expenses on the recoverable amount of assets is not linear and the impacts may be material for maintenance, traffic and therefore infrastructure fees.

An annual change of +/- €100 million in the infrastructure fees or the backing of the French State represents a change of +/- 1.9 billion in the recoverable amount.

1.3 FINANCIAL AND NON-FINANCIAL KEY FIGURES

In € million	2015 pro forma	2014 pro forma	Change	
			In € million	In %
Revenue	6.526	6,464	63	1%
Gross profit	2,028	2,216	-189	-9%
Operating profit/(loss)	826	1,153	-327	-28%
Finance cost	-1,225	-1,346	121	-9%
Net profit/(loss) before income tax	-9,997	-193	-9,804	5080%
Investments	6,224	6,873	-649	-9%
Closing net borrowings (repayment value – excluding accrued interest)	39,310	36,750	2,560	7%
Average number of employees (full-time equivalent)	53,694	53,115	579	1%

	2015 pro forma	2014 pro forma	Difference	In %
Total recruitments (nb) *	2,259	2,721	-462	-17%
Percentage of women in total workforce (%)	12.0	11.7	+0.3	-
Number of significant safety incidents **	149	150	-1	-1%
Number of network persons killed (excluding suicides and attempted suicides) (nb)	60	66	-6	-9%
Frequency index of work accidents with lost time excluding commuting	21.2	NA	-	-

** Excluding recruitments of subsidiaries*
*** Key safety indicator*

As the introduction of rail reform disrupted the comparability of financial years, the financial data is presented pro forma. For more information see Note “2.1.1 Comparability of financial statements” below.

Likewise, 2014 “Frequency index of work accidents with lost time excluding commuting” cannot be compared with 2015 because of a difference in scopes, which is why it is not indicated.

1.4 SUBSEQUENT EVENTS

Resignation of the Chairman

The Chairman of the Board of Directors resigned on 18 February 2016. He will continue in his functions until his successor is appointed.

2 GROUP RESULTS AND FINANCIAL POSITION

2.1 GENERAL OBSERVATIONS ON 2015 GROUP RESULTS

In € million	2015 pro forma	2014 pro forma	Change	
			In € millions	In %
Infrastructure fees	5,844	5,747	97	2%
Rate compensation	31	109	-77	-71%
Other income	650	608	42	7%
REVENUE	**6,526**	**6,464**	**63**	**1%**
Gross employee benefit expense	-3,402	-3,295	-107	3%
Own production - employee benefit expense	1,030	1,018	12	1%
Own production net purchases and charges	-1,916	-1,770	-146	8%
Taxes and duties other than income tax	-210	-200	-10	5%
GROSS PROFIT	**2,028**	**2,216**	**-189**	**-9%**
Depreciation and amortisation	-1,212	-1,108	-104	9%
Movement in provisions and asset impairment	-62	-46	-15	33%
Net proceeds from asset disposals	72	91	-18	-20%
CURRENT OPERATING PROFIT	**826**	**1,153**	**-327**	**-28%**
Impairment losses	-9,600	0	-9,600	NA
OPERATING PROFIT/(LOSS)	**-8,773**	**1,153**	**-9,926**	**NA**
SHARE OF NET PROFIT OF COMPANIES CONSOLIDATED UNDER THE EQUITY METHOD	**1**	**0**	**1**	**NA**
FINANCE COST	**-1,225**	**-1,346**	**122**	**NA**
NET PROFIT/(LOSS) BEFORE TAX	**-9,997**	**-193**	**-9,804**	**NA**

2.1.1 COMPARABILITY OF FINANCIAL STATEMENTS

The implementation of rail reform on 1 July 2015 necessitated a **pro forma** presentation of the income statement so that the company's business activity could be compared between 2014 and 2015.

Accordingly, the SNCF Réseau 2015 income statement and the SNCF Réseau "RFF scope" 2014 income statement were restated to take into account the **new organisation**, **as though the reform had been implemented on 1 January 2014.**

However, the balance sheet is not presented pro forma, the impacts being less material.

The following income statement corresponds to the statutory data of SNCF Réseau for 2015 and RFF for 2014 non pro forma. The differences between line items reflect the impact of the reform; their analysis does not reflect the performance of SNCF Réseau.

In € million	2015	2014 (reclassification*)	Change In € millions
Revenue	**6,264**	**6,026**	**239**
Gross profit	**2,095**	**2,104**	**-9**
Current operating profit	**952**	**1,152**	**-199**
Finance cost	**-1,225**	**-1,299**	**74**
Net profit/(loss) before tax	**-9,916**	**-213**	**-9,702**

(*) As the presentation of the income statement was modified in 2015, the 2014 income statement was reclassified so that its presentation was comparable to the one of 2015. Changes in the presentation of the income statement essentially involve the aggregation of line items.

2.1.2 REVENUE

The revenue increase of +€63 million comprising +€97 million in infrastructure fees, - €77 million in Freight rate compensation, and +€42 million in other income. This increase masks a stagnation in traffic.

The +€97 million increase in infrastructure fees breaks down as follows:

- A price impact of + €58 million of which +€20 million for the inclusion of TGV lead trains, which offsets an increase in expenses for the same amount, a +€44 million rate increase and a -€6 million decrease in the platform fee rate (based on the ARAFER decision);
- Prior year differences for + €55 million: impact of the June 2014 strikes and the Vitry fire which reduced the 2014 volumes;
- Drop in traffic for -€16 million.

The compensation rate paid by the French State for the freight activity seeks to cover the marginal cost of freight traffic, as a supplement to the fees paid by the freight companies. This grant amounted to €31 million in 2015, a decrease of -€77 million compared to the end of December 2014.

The significant +€42 million / +7% increase in other income does not reflect activity growth. It is primarily due to a technical impact arising from the reform; purchases are now carried out by SNCF Réseau for SNCF Mobilités, and subsequently invoiced.

2.1.3 GROSS PROFIT AND CURRENT OPERATING PROFIT

Gross profit declined by -€189 million / -9 % due to an increase in expenses of - €252 million.

employee benefit expense net of production built rose by -€95 million / +4%, of which -€8 million for temporary employees. The increase in the workforce explains -€27 million of the total decrease. The employee benefit expense by employee is up by +2.2% for an impact of -€75 million, including -€13 million related to the signature of a profit-sharing agreement.

Other expenses net of production built increased by -€146 million, but once restated for the €50 million in reinvoiced expenses, the -€96 million / + 5% growth is explained by the intensification of maintenance operations and higher IT costs following implementation of the reform.

The higher costs for maintenance (-€70 million) reflect the item's prioritisation. Significant actions were conducted this year to further improve safety, such as the control plan following the Carbonne incident (replacement of 500 half-sets of switches in 2015) or the 2014 plan following the Denguin accident to inspect nearly 41,000 pieces of electrical signalling equipment over three years (2014 – 2017), and the accelerated digitalisation of maintenance operations tracking by equipping line managers with smartphones and pads (NOMADE). The roll-out of the European Rail Traffic Management System (ERTMS) and the GSM-R project will increase the scope of the equipment to be maintained (-€6 million).

The increase in commercial expenses (new systems) accounted for -€27 million, while expenses related to the reform represented -€16 million.

Various savings generated +€23 million (purchasing, etc.).

The increase in **Taxes and duties other than income tax** (-€10 million) is primarily explained by the company contribution related to the introduction of profit-sharing.

Current operating profit at the end of December stood at +€826 million, down by €327 million compared to 2014, including a €189 million decrease in gross profit and a €104 million decrease related to higher net depreciation and amortisation charges due to the significant volume of commissionings. The balance is attributable to the movement in provisions for -€15 million and a decrease in net proceeds from asset disposals for -€18 million.

2.1.4 FINANCE COST

In € million	2015 Pro forma	2014 Pro forma	Change In € million
Net financial debt expense	-1 418	-1 392	-26
Activated financial expenses	+227	+193	+35
Other financial profit and loss	-8	+2	-10
Financial expense of employee benefits	-13	-37	+24
Profit from coverage and trading operations	-14	-112	+98
Financial result	**-1 225**	**-1 346**	**121**

Finance cost stood at -€1,225 million, an improvement of +€121 million compared to 2014.

Net borrowing costs declined by -€26 million, due to the +€2.5 billion increase in net borrowings in 2015, largely offset by lower interest rates over the period (3.72% on average in 2015 vs 3.91% in 2014).

Capitalised interest costs increased by +€35 million, due to the increase in assets under construction related to the significant investment in volume.

Other financial income and expenses declined by -€10 million, essentially due to the securitisation fees for the 2013 and the 2014 SNCF Infra Competitiveness and Employment Tax Credit receivable reinvoiced by SNCF Mobilités (-€5 million).

The finance cost of employee benefits stood at only -€13 million given the stability of discount rates.

Finally, hedging and trading gains or losses improved by +€98 million compared to 2014, when €92 million in unrealised losses had been recognised for a structured transaction maturing in July 2015.

2.1.5 NET PROFIT/(LOSS) BEFORE TAX

Net profit/(loss) before tax stood at -€9,997 million in 2015 and included €9,600 million in impairment losses.

Excluding this impact, net profit/(loss) before tax decreased by -€204 million compared to 2014, directly related to the decline in gross profit (-€189 million), the higher depreciation and amortisation charges (-€104 million) being offset by the improvement in the finance cost (+€122 million).

2.2 COMPANY ECONOMIC ACTIVITY

2.2.1 COMMERCIAL ACTIVITY: IMPROVE NETWORK ACCESS

SNCF Réseau has developed a commercial policy that reinforces its service quality commitments towards rail companies. Specifically, the policy is based on:

- A revenue exceeding €6 billion in constant need of revitalisation, made tangible by the valuation of more than 1.4 million km in reserved train paths and over 1.3 million train km (TKM) each day on the territory. With the set-up of the UIM, SNCF Réseau has increasingly extended its business relations with its Mobilités partners, with a concern for quality and performance in order to provide optimal customer services;
- A “passengers stations” activity (platforms and access to platforms) that represents 2,980 national rail network stops and a revenue of €119 million, of which €109.3 million in platform fees, the whole representing a total of 38,765,091 train departures;
- The Performance Improvement System (PIS), an incentive measure which penalises the infrastructure manager (IM) and/or rail companies (RC) responsible for irregularities resulting in traffic delays (the penalties are based on the number of minutes lost per 100 km);

INDICATOR	2015
Number of minutes lost per 100 km by RC:	
- for IM reasons (min)	**1.29**
- for RC reasons (min)	**2.05**
Capital expenditure to improve reliability (€ million)	**26**

- 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 train path quality agreements under which the infrastructure manager undertakes to eliminate uncertainty within a defined timeframe on a pre-determined list of train paths;
- The reciprocal incentive, a systematic, flat-rate and reciprocal incentive system that penalises rail companies and/or the infrastructure manager for any modification or cancellation of confirmed train path-days based on confirmed train path-days allocated in the timetable.

Compensation costs rose by -€16.5 million (including provision reversals for the prior year), while remaining below the budget forecast. This is attributable to the commercial policy and specifically the set-up of the reciprocal incentive system, which accounts for nearly €12 million of the 2015 compensation costs.

2.2.2 NETWORK OPERATIONS: SAFETY AND RELABILITY CHALLENGES

Traffic safety results are closely monitored. During a difficult Q1 in 2015, the number of dysfunctions rose and there were several potentially serious incidents. However, a satisfactory level was reached at the end of the year through a mobilisation and accompaniment effort. At the same time, there was an improvement in the audit results.

The commissioning of a unified command centre for the RER B line on 28 April 2015, which combines RATP, Transilien and Traffic, contributed to a significant and sustainable improvement in terms of this line's reliability.

The ambitious Traffic Operational Management modernisation project, GOC 2.0, was launched, with specifically a benchmark analysis carried out with four similar Infrastructure Managers. This should improve reliability for all activities, the management of major incidents, and the information given to customers, thus enabling rail companies to better manage their resources during disruptions.

2.2.3 NETWORK MAINTENANCE: SAFETY AND INNOVATION

Network maintenance was carried out at a constant volume in accordance with the forecasts (with the exception of Île de France). The inclement October weather experienced in the Provence-Alpes-Côte d'Azur region affected everyday maintenance and required corrective actions which replaced other preventive measures.

The preventive action implemented plans include:

- the Carbonne plan to replace 500 half-sets of switches in 2015 ("last generation" switches that had a design flaw);
- actions plans following the Denguin accident which consist in inspecting nearly 41,000 pieces of electrical signalling equipment over three years instead of five years, between 2014 and 2017, in order to verify their electrical insulation.

- the implementation of the new rail defect standard (SQUAT) for rail replacement: replacement of 2,835 rail sections, following recurring incidents of temporary bolt hole dislocation.

The development of SIM trains (track video recording and automatic measurement of safety parameters) and SURVEILLE wagons (automatic detection of track anomalies by image analysis) will enable gradual track replacement for the routes.

The roll-out of NOMADE (mobile) tools (smartphones and pads) for employees at equipment and maintenance centres (Infrapôles) will ensure that rail infrastructure surveillance can be digitally tracked.

2.2.4 PROPERTY-REAL ESTATE ACTIVITY

- ***Set-up of a real estate management and valuation agreement***

On30 June 2015, the real estate teams of SNCF Réseau, comprising 90 full-time equivalent employees, were made available to SNCF IMMOBILIER which is attached to SNCF. Under a management and valuation agreement signed on 30 July 2015, SNCF has been assigned the management of SNCF Réseau's real estate assets, excluding regulated activities, comprising nearly 14,000 hectares of property and 21,160 buildings, representing a surface area of 4.5 million square meters.

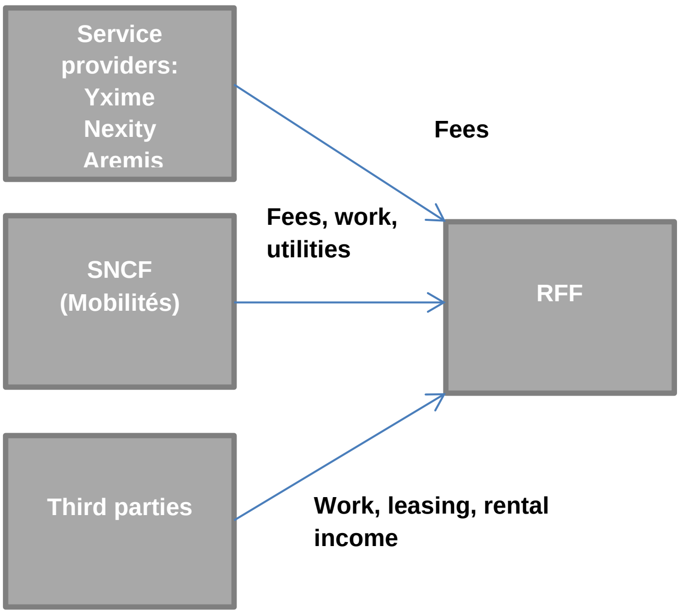
The main tasks assigned to SNCF are as follows:

- Real estate management and optimisation: property risk management and other related procedures, building technical management, occupancy management, inventory keeping, and leasing;
- Valuation: valuation strategy, disposal, property leasing (temporary occupancy agreements);
- Mandated project ownership;
- Assignments relating to main tasks.

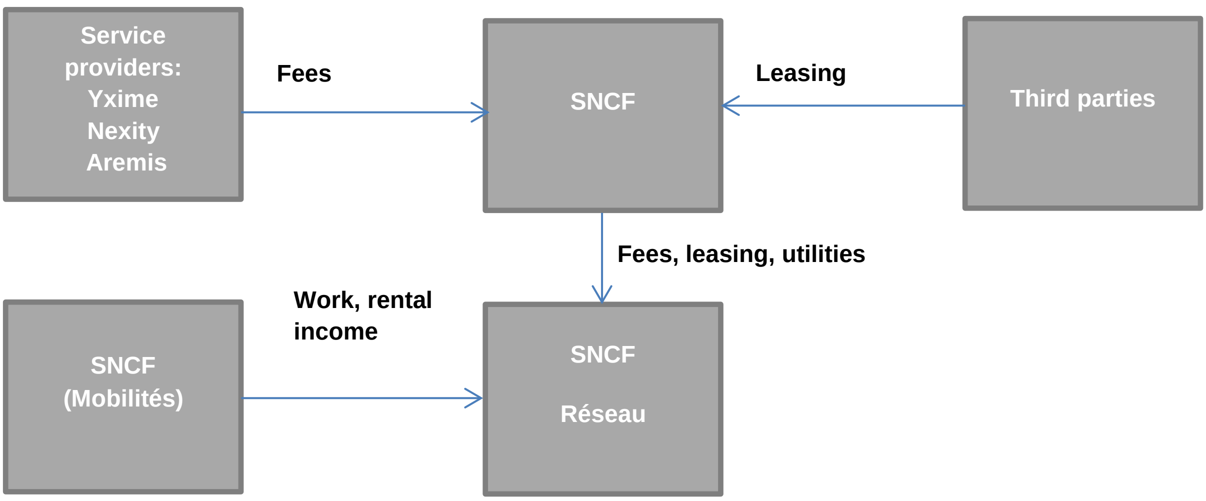
This agreement replaces the service provider agreement with SNCF and the services contracted with Yxime, Nexity and Arémis which are assumed by SNCF.

In addition, SNCF will manage all the utility contracts (water, gas, and electricity) previously managed by the former SNCF entity, which is now SNCF Mobilités. Likewise, SNCF Immobilier will manage all the external leases.

Before 1 July 2015



After 1 July 2015



Fees invoiced by SNCF in the second half of 2015 amount to €20 million. There was no pro forma presentation.

- ***Property leasing***

Temporary occupancy agreements amounted to €89 million for all of 2015, compared to €90 million in 2014, which covered prior year amounts. Overall, the new agreements and the negotiations conducted as part of the renewal of agreements that expired in 2015 made up for the loss in fees for the agreements that were terminated under disposals.

- ***Disposals***

The gross volume of disposals stood at €86 million compared to €113 million in 2014, the net disposal gain decreasing from +€91 million in 2014 to +€72 million in 2015. The main transactions involved the Paris Rive Gauche zone and the sale of a Paris Nord lot to the SNCF group developer. This transaction will contribute to the development of at least 900 housing units close to Porte de la Chapelle. Overall, SNCF Réseau has directly sold close to 15 hectares of property for the future construction of nearly 950 housing units, including 600 social housing units.

In terms of optimisation, SNCF Immobilier steered the planning project for the Saint Denis head office, which will mark a significant step in the amalgamation of the Rail Group's teams.

Fiscal year 2015 was also highlighted by the presentation of the SNCF Immobilier "2020 Real Estate Excellence" strategic plan, which seeks to optimise the carrying cost of tertiary premises and improve the operational performance of business premises through the ongoing adaptation of the real estate assets to the needs of the SNCF Réseau business lines.

2.3 INVESTMENTS

Total expenditure (IFRS) in € million	**2015**	**2014**	**Change**	**Change (%)**
Major development projects	**2,337**	**2,951**	**-614**	**-21%**
Regional development projects	**619**	**766**	**-148**	**-19%**
Network compliance upgrade	**254**	**257**	**-3**	**-1%**
Renewal and performance	**2,665**	**2,577**	**88**	**3%**
Industrial, property and third party investments	**349**	**322**	**27**	**8%**
TOTAL	**6,224**	**6,873**	**-649**	**-9%**

Investments, presented in total expenditure, represent:

- *Expenditure capitalised under IFRS (excluding IAS 23 capitalized borrowing costs)*
- *Project costs (upstream phase prior to pre-project), which cannot be capitalised, and which impact operating expenses (initialisation files, opportunity analyses, preliminary studies);*

The data is presented pro forma: the total expenditure of SNCF Réseau comprises the industrial investments of SNCF Infra (12 months in 2014 and 6 months in 2015), without the Public Rail Group transfers in 2015 (Freight rates) and adjusted for the inter-company entries between RFF and SNCF Infra.

The following table summarises the total expenditure reconciliation between the company and pro forma financial statements.

In € million	2015 Actual	2014 Actual	Diff. vs actual
TOTAL COMPANY INVESTEMENTS	**6,506**	**6,877**	**-371**
IAS 23 – Capitalised borrowing costs	-285	-248	
Project costs	36	42	
Other items (2015 PRG transfer and impacts of SNCF Infra investments)*	-33	202	
TOTAL EXPENDITURE – Pro forma	**6,224**	**6,873**	**-649**

The network's renovation and modernisation (initiated in 2008 to combat aging infrastructures) is continuing at a steady pace, the majority of the operations covering the primary section of the current network.

Total gross investment expenditure represented €6,224 million, down by €649 million compared to the 2014 amount of €6,873 million. The decrease stems from the end of the production phase for certain major development projects (Public-Private Partnership and Eastern high-speed line) and the significant decline in regional projects.

2.3.1 RENEWAL AND PERFORMANCE INVESTMENTS +€88 MILLION / +3%

Track and points and crossings renovation for the main network (Vigirail plan), increased by +9% (+ €126 million) compared to 2014.

	2014	2015	Chge
Equivalent Planned Large Operation (GOPEQ)*	1,019	1,014	-5
Number of points and crossings	372	409	37

*GOPEQ: equivalent renewed track km

The increase of €126 million is mainly due to:

- The rise in volume production for points and crossings (+€46 million): more than 400 points and crossings were renewed in 2015 in accordance with the VIGIRAIL 2015 target, an increase in comparison to the 372 points and crossings renewed in 2014. The expected 2016 increase (485 points and crossings) is being planned in a supplementary 2015 study.
- The additional GOPEQ cost related to work conditions in dense zones (+€73 million): in particular due to a higher proportion of work performed without a stoppage in circulation on adjoining tracks (increase in warning signal costs, etc.),
- The €7 million invoiced for road replacement in Île de France in 2015.

Signalling investments were steady compared to 2014 (-€11 million or -3%). The ramp-up objectives for the Centralised Network Control operations were limited due to significant pressure related to the scarecity of certain technical resources (Electrical Service employee, testers).

The Telecom activity fell substantially (-€78 million or -18%) in 2015, mainly due to the GSMR program, which should be made available by Synérail in March 2016.

The Electrical Traction scope grew significantly in 2015, generating €103 million, compared with €88 million in 2014 (+€14 million or +16%) with a reinforcement in Île de France.

In terms of **Civil Engineering Structures**, expenditure at the end of December 2015 amounted to €166 million, down by €41 million (or -20%) due to project delays.

Capitalised Major Maintenance Operations amounted to €156 million, for an increase of +€72 million due to the change in accounting method following the merger (Q4 2014 accounting entry of €53 million).

Other renewal expenses amounted to €52 million (up slightly compared to 2014, +€5 million). These expenses correspond to interior station renewal, commercial investments and reliability improvement.

2.3.2 NETWORK UPGRADES -€3 MILLION / -1%

Production in 2015 stood at €254 million, steady year on year. It was driven by the priority given to these operations (safety, accessibility improvements) particularly in Île de France, in accordance with the master plan agreed with the STIF. Train access rose by 5%, with €131 million being generated in 2015, compared to €123 million in 2014. Under new agreements, train accessibility improvements were initiated in some one hundred stations. The main accessibility improvements in 2015 involved programs to assist persons with reduced mobility, namely those launched for the Bécon les Bruyères, Combs La Ville, and Maisons Alfort stations, or the Redon multimodal exchange hub.

2.3.3 NETWORK DEVELOPMENT

Total expenditure (including PPP) for all network development investments decreased by €614 million for major projects and €148 million for regional projects compared to 2014. The decrease in major development projects essentially stems from major PPP projects (-€395 million) and major national projects in progress (-€206 million).

- ***Major PPP projects -€395 million / -16%***

At the end of December 2015, the production generated from PPP projects amounted to €2,072 million.

Production for the Southern Europe Atlantic SEA high-speed line stood at €1,034 million. At the end of December, the project's overall percentage of completion under partner project ownership was 96.4%. It has an advance of eight months in relation to the business model forecasts. The line's technical commissioning is slated for 2016, with a commercial commissioning scheduled for the summer of 2017.

Expenses recognised over the period for the Bretagne Pays de Loire high-speed line amounted to €564 million. The project's overall percentage of completion under partner project ownership was 84.5% at the end of December. The percentage of completion is in phase with the contractual planning and the line should be delivered by the partner in Q2 2017.

Investments earmarked for the Nîmes Montpellier Bypass amounted to €460 million. The project's overall percentage of completion under partner project ownership was €69.8% for the line and 31.2 % for the Montpellier station at the end of December. The line's commissioning is scheduled for the end of 2017, as the completion of the station's construction.

- ***Major national projects in progress -€206 million / -49%***

Expenditure for major national projects in progress stood at €214 million at the end of December 2015. This category mainly comprises phase 2 of the Eastern high-speed line project, and the EOLE project.

Phase 2 of the Eastern high-speed line project was interrupted following the Eckwersheim accident on 14 November during trials. The commissioning initially scheduled for April 2016 will be postponed to July, based on the resumption of trials.

Expenditure for the EOLE project amounted to €64 million in 2015.

- ***Regional development projects -€148 million / -19%***

Regional development projects mainly comprise projects included in State-Region Project Contracts (CPER) and rail motorways. In 2015, expenditure totalled €619 million compared to €766 million in 2014. Fiscal 2014 marked the end of work on numerous 2007-2013 CPER projects, before the launch of the CPER 2015-2020 program.

The main commissionings in 2015 involve the Rosa Parks station, and the Sorgues-Carpentras and Nantes-St Gilles-Pornic lines.

2.4 NET BORROWINGS AND FINANCING

2.4.1 FINANCING AND INVESTMENT MANAGEMENT

- ***Security and diversity of financing***

Under its financial strategy, SNCF Réseau must at all time have the necessary financial resources to fund its current operations and investments.

In addition to its own resources and the public funding it receives, SNCF Réseau secures most of its financing through organised debt market or over-the-counter transactions.

SNCF Réseau has several financing programs with varying maturities:

- Euro Medium Term Note (EMTN) Program for a maximum amount of €45 billion;
- Euro Commercial Paper (ECP) Program for a maximum amount of €5 billion;
- Treasury Bills Program for a maximum amount of €3 billion.

The long-term financing raised by SNCF Réseau in 2015 represented a total of €3.9 billion (repayment value), i.e. 19 transactions denominated in euro and sterling pound, with an average maturity of 12.8 years and an average fixed rate of 1.27%. Two of these transactions are deemed to be exemplary in terms of investor confidence:

- A first 100-year issue in July 2015, in the form of a private placement for €25 million, thus demonstrating the quality of the SNCF Réseau signature over the long term. SNCF Réseau thus joins the highly select club of 100-year issuers.
- A first public issue for €1,250 million with a 15-year maturity, launched in February 2015 by SNCF Réseau under its new name. It represents **the largest bond issue ever realised since the creation of RFF / SNCF Réseau** and bears out the communication campaigns of SNCF Réseau directed towards the financial markets in the context of rail reform.

Given the cash position, the repayment value of net borrowings excluding accrued interest stood at €39,310 million at the end of December 2015, compared to €36,750 million at the end of 2014. Taking into account all the financial instruments and the scope impacts of Public-Private Partnerships (PPP) pursuant to IFRS, net borrowings amount to €42,178 million on 31 December 2015, compared to €39,589 million year on year.

- **Diversified financing strategy: more than 60% of investor base located outside of France**

SNCF Réseau continues to benefit from a solid financing capacity, regardless of the maturity (from a few months to one hundred years), with French (39%) European (43%) or non-European (18%) investors. Nevertheless, in order to expand its investor base, SNCF Réseau is planning a greater focus on the geographical diversification of its financing sources and the range of instruments that can be offered to investors.

Beginning of July 2015, SNCF Réseau became one of the new issuers whose debt can be purchased by the European Central Bank under the Public Sector Purchase Program.

The credit quality and market visibility of SNCF Réseau is backed by its EPIC status and the maintenance of solid credit ratings from Moody's, Standard & Poor's and Fitch.
On31 December 2015, the three agencies attributed the following short and long-term credit ratings

	Long term	Short term
Moody's	Aa2	P-1
Standard & Poor's	AA	A-1+
Fitch Ratings	AA	F1+

- ***Maintenance of sufficient liquidity to ensure the company's financing***

On31 December 2015, SNCF Réseau had €2.5 billion in liquidity, primarily comprised of investments for €2.2 billion and cash for €0.3 billion. SNCF Réseau also has a €1.25 billion syndicated credit facility, which was not utilised in 2015.
The investment vehicles used are UCITS and negotiable debt securities with maturities of less than one year that guarantee a high level of liquidity and very low risk.

2.4.2 MARKET RISK MANAGEMENT

- ***Interest rate risk hedging***

As part of its financial strategy and to limit its exposure to an increase in its financial expenses, SNCF Réseau has defined certain principles in order to minimise its exposure to interest rate risk.

The current historically low interest rates and the desire to maintain long-term economic equilibriums led the SNCF Réseau Board of Directors to opt for a breakdown of net debt that was 90% fixed rate, 6% floating rate and 4% inflation-indexed. A limited margin around each of these thresholds is authorised by the Board of Directors. Compliance with this breakdown is verified on a daily basis.

To achieve this breakdown, SNCF Réseau may use option-based derivatives or interest rate swaps for hedging purposes.

On31 December 2015, the net debt breakdown of SNCF Réseau after hedging was 89.3% fixed rate, 6.9% floating rate and 3.8% inflation-indexed.

- ***Foreign exchange risk hedging***

Foreign exchange risk related to resources raised in foreign currencies (USD, HKD, CHF, GBP, JPY, NOK, CAD, and AUD) is hedged in order to convert these resources into euros.

- ***Counterparty risk management***

SNCF Réseau is exposed to counterparty risk in connection with its cash investments and the subscription of derivatives from its financial partners, insofar as the debtor refuses to honour all or part of its commitment or does not have the means to respect it.

To manage and limit this risk, investing instruments and derivatives are only entered into with financial institutions corresponding to the credit rating and equity criteria validated by the SNCF Réseau Board of Directors.
A limited commitment amount by institution is determined according to these criteria.
Compliance with the authorised threshold by counterparty is monitored on a daily basis.

To hedge counterparty risk, SNCF Réseau performs margin calls with its financial counterparties whose rating is lower than the threshold defined by the Board of Directors. Collateral (in cash only) is called up in the amount of the market value of the financial instrument portfolios with each counterparty whom SNCF Réseau is at risk with.
The sums thus received by SNCF Réseau amounted to €358.03 million at the end of 2015, compared to €95.61 million at the end of 2014.

2.5 FINANCIAL RELATIONS WITH THE FRENCH STATE

2.5.1 PUBLIC FUNDING RELATED 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 2015 totalled €1,730 million, of which €349 million from the AFITF.

Due Grants receivables decreased to €1,293 million (of which €766 million from the French State and AFITF), compared to €1,347 million at the end of 2014 (of which €834 million from the French State and AFITF), but the portion exceeding six months increased by €327 million and largely comprised the SEA and Eastern high-speed line receivables.

2.5.2 TAXATION

The business activity of SNCF Réseau is solely carried out on french soil and, with the exception of technical assignments, it has no presence or investment project on its own account in a country other than France. SNCF Réseau does not make use of any tax shelters.

2.5.3 RECLASSIFICATION OF A PORTION OF THE SNCF RESEAU DEBT

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

2.6 EMPLOYEE MATTERS

2.6.1 WORKFORCE

In 2015, SNCF Réseau hired more than 2,200 new employees (2,259). Within a tight economic context, this high level of recruitment will accompany the works volume growth, particularly in Île de France, and a significant generational renewal.

Within the SNCF Réseau business lines, changes on a constant scope basis and excluding internal mobility are as follows:

- Maintenance and Works maintained a stable employee level in a context of rise in network renewal and modernisation efforts and had an available workforce (AW) of 25,757 employees at the end of December 2015;
- In Île de France, the growth in personnel takes into account the network renewal and performance challenges in dense zones (AW of 11,881 employees at the end of December 2015);
- Engineering and Projects was up slightly (AW of 3,495 employees at the end of December 2015);
- The Traffic Management workforce remained steady: AW of 9,766 employees at the end of December 2015;
- Network Access had an AW of 513 employees at the end of December 2015.

The increase in the SNCF Réseau workforce includes a significant volume of resources from the two other EPICs and hence SNCF Réseau largely contributes to the labour unity of the Public Rail Group. The core businesses of SNCF Réseau offer varied and attractive professional career paths to all group employees, and SNCF Réseau welcomed nearly 300 employees from the other two EPICs.

With its many technical business lines, SNCF Réseau is also seeking greater gender equality and has set up an action plan to this end.

At 12.0%, the percentage of women at SNCF Réseau on 31 December 2015 has risen compared to 2014 (11.7% pro forma). In 2015, 312 women were hired, i.e. 13.8% of recruitments, sharply up compared to 2014 (298 or 11.2%). This rate continues to climb even though recruitment is primarily focused on the technical trades, which are not very conducive to women candidates.

2.6.2 TRAINING

Professional training is a major driver of the company's development strategy. It accounts for nearly 6% of the payroll budget each year.

Maintenance and Works continued to develop new training methods, by calling on all training players to develop various learning methods and adapt them to the new generation of employees recruited by SNCF Réseau. Technical management was strengthened in 2015 by reinforcing the basic skills of employees and managers for the most strategic maintenance business lines.

With respect to Traffic Management, the Safety Agreement of 3 February 2015 established the launch of the "Safety Excellence" process within the Public Rail Group.

2.6.3 LABOUR RELATIONS

In 2015, 22 agreements were signed with the Public Rail Group's trade unions, of which 9 were unanimous. The company's employee commitment is particularly reflected in 14 of these agreements.

In 2016, the job and skills planning agreement (GPEC) will demonstrate the company's will to adapt to the technological and societal changes that are transforming its business lines.

2.6.4 COMPENSATION AND PROFIT-SHARING

Control over payroll is one of the levers by which SNCF Réseau limits the impact of the employee benefit expense on the cost of a train path supplied to our customers. In June 2015, the Annual Mandatory Negotiations roundtable was unable to reach an agreement with the employee representative bodies.

However, on 9 July 2015, certain trade unions agreed on an employee-profit-sharing agreement, which was a first for SNCF. Under the agreement, and as of June 2016, employees of the two EPICS will receive a bonus in case they have met their 2015 performance objectives. From a compensation policy perspective, this agreement represents a very attractive employee savings vehicle, as the profit-sharing scheme is now linked to the company savings plan.

For more information, refer to Challenge 3: Improve our social performance in Section 4 of this report.

2.7 CHALLENGES AND OUTLOOK

In a context restricted by the continuing decline in traffic, SNCF Réseau re-affirmed the priority of maintenance and safety in 2016 by tightening the rules governing maintenance, setting an ambitious program for the renewal of points and crossings and the increase in safety programs, pursuing the renewal effort for the primary network (UIC groups 2 to 4), and increasing the policy to relinquish lines 7 to 9 (low traffic), as well as compliance upgrade investments and the priority given to Île de France. To achieve these ambitions, a strategic asset management policy will be crucial, and oversight will have to be reinforced to accompany the increase in sub-contracting.

The atmosphere is tense with respect to signalling and the pursuit of reliability objectives, steered at the regional level and by strategy. Traffic safety is being reinforced by the deployment of the PRISME modernisation program. Traffic management productivity and efficiency are supported by the Centralised Network Control program and significant operations: Bourgogne sud (October 2016), Grand Ouest Lyonnais (November 2016), Poste d'Aiguillage Informatisé (automated signalling centre), Gare de Lyon (April 2017), and Paris-Aulnay-Roissy-Mitry (PARM) (March and August 2017).

Commissionings and commercial operations for high-speed lines and their junctions will be phased in over the 2016-2017 period: the Eastern Europe high-speed line (2016, delayed for several months because of the Eckwersheim accident, the Bretagne Pays de la Loire high-speed line (May 2017), the Southern Europe Atlantic (SEA) line (July 2017) and the Nîmes-Montpellier bypass (October 2017).

In order to manage resources by anticipating the massive departures and improving recruitment via work-study programs, 2,100 hirings will be necessary in 2016 (350 job posted). The corporate labour framework will be adopted based on the core decree's formulation and the national rail division collective agreement by 1 July 2016. The job and skills planning agreement (GPEC) will be negotiated in 2016.

3 GOVERNANCE AND RISK TYPES

3.1 GOVERNANCE

SNCF Réseau was created by amended law no. 97-135 of 13 February 1997 (consolidated version from 1 January 2013), whose amended Decree no. 97-444 of 5 May 1997 (consolidated version from 11 November 2012) sets forth its duties and articles of incorporation. Law no. 2014-872 of 4 August 2014 related to railway reform in France (**the Rail Reform Law**) was published in the *Journal Officiel* on 5 August 2014 and entered into force on 1 January 2015. Its implementing decrees were published in the *Journal Officiel* on 11 February 2015 and entered into force on 1 July 2015, the date on which the safety certificates were granted allowing the entities to carry out their rail functions. The change in name from “Réseau Ferré de France” to “SNCF Réseau” was effective on 1 January 2015.

The governance of SNCF Réseau takes into account 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, SNCF Réseau 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.

3.1.1 BOARD OF DIRECTORS

- ***Composition and duties***

The Board of Directors rules on all decisions related to the strategic, economic, financial and technological orientations of SNCF Réseau and monitors their implementation.

On 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 and remains within the framework of the budget and the entity's programs.

The Board of Directors of SNCF Réseau has twenty-four members, broken down as follows:

- the Associate Director-General SNCF also Chairman of this Board,
- seven persons chosen by SNCF, at least half of them are SNCF employees,
- four representatives of the French State,
- four persons chosen by the French State on the basis of their competence
- eight representatives elected by the company’s employees.

The State’s representatives to the SNCF Réseau 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 SNCF Réseau 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 SNCF Réseau Board of Directors.

Finally, the SNCF Réseau Works Council secretary also sits in an advisory capacity on the Board of Directors.

Board members are appointed on a fixed date for five years and cannot hold more than two consecutive terms of office.

With regard to "independent" directors within a State-owned industrial and commercial institution, the company had adopted the concept presented in the French State Shareholder charter, namely "a director is said to be independent when this person maintains no relation of any kind with the company, its group or its management that could compromise his/her freedom of judgment". They adhere to the Board of Directors' charter.

The Board of Directors comprises 12 men and 12 women.

INDICATOR	**2015**
Number of times the Board of Directors met during the year	12

- ***Internal regulations and composition***

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. By Decree dated 13 July 2015, the following individuals have been appointed to the SNCF Réseau Board of Directors:

- **As representatives of the French State: on the proposal of the minister responsible for transport:** Mrs. Sylvie HUBAC (replaced in December by Mrs. Anne FLORETTE); on the proposal of the minister responsible for sustainable development: Mrs. Corinne ETAIX; on the proposal of the minister responsible for the economy: Mr. Bruno VINCENT; on the proposal of the minister responsible for the budget: Mr. Denis CHARISSOUX.

- **As persons chosen by the French State on the basis of their competence:** Mr. Claude GEWERC, as representative of the regional rail transport organising authorities; Mr. Pierre SERNE, as representative of the Syndicat des transports d'Île-de-France; Mrs Pascale VIE, as representative of the users of passenger or merchandise rail transport; Mrs. Anne LASSMAN-TRAPPIER, as representative of approved environmental protection associations pursuant to Article L. 141-1 of the French Environmental Code.

- **As persons chosen by SNCF to represent it:** Mr. Jean-Marc AMBROSINI, SNCF employee; Mrs. Sophie BOISSARD, SNCF employee; Mrs. Joëlle BRAVAIS, SNCF employee; Mrs. Patricia LACOSTE; Mrs. Elisabeth LULIN; Mr. Dominique MAILLARD; Mr. Stéphane VOLANT, SNCF employee.

- **As employee representatives:** (until 19 November, date of new elections for employee representatives) Mrs. Audrey DELAUNAY, SNCF employee, Mr. Laurent GANGBES, SNCF employee, Mr. Joseph GIORDANO, SNCF employee, Mr. Frédéric KACZOWKA, SNCF employee, Mr. Bernard MALGOUYRES, SNCF employee, Mrs. Céline PIERRE, SNCF employee. (Since 26 November, date of their first Board of Directors' meeting) Mrs. Fanny ARAV, SNCF employee, Mr. Didier BOUSQUIE, SNCF employee, Mrs. Muriel DAUVERGNE, SNCF employee, Mr. Jean-René DELEPINE, SNCF employee, Mrs. Christine MEQUIGNON, SNCF employee, Mrs. Céline PIERRE, SNCF employee, Mr. Thierry SALMON, SNCF employee and Mr. Guy ZIMA, SNCF employee.

3.1.2 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***

The Procurement Contract and Purchasing Committee has two different bodies depending on whether the mandate under examination is a contract intended to meet the sole needs of SNCF Réseau ("SNCF Réseau contracts") or a contract intended to meet the needs of SNCF Réseau and one or more Public Rail Group Entities ("Common Contracts").

The "SNCF Réseau contracts" board comprises nine members appointed by the Board of Directors, as follows:

- The Chairman of the Board of Directors or a representative;
- Three civil servants appointed by the Board of Directors on the proposal of the ministers responsible for the budget, competition and transport;
- Five Directors, of which two among the persons chosen for their competence and three from the employee representatives.

The "Common Contracts" board comprises nine members appointed by the Board of Directors.

The internal regulations of the Procurement Contract and Purchasing Committee stipulate that the Common Contracts board should have nine members appointed by the Board of Directors, as follows:

- Three civil servants appointed by the Board of Directors on the proposal of the ministers responsible for the budget, competition and transport;
- Two SNCF Directors, of which one from the SNCF employee representatives;
- Two SNCF Réseau Directors, of which one from the SNCF Réseau employee representatives;
- Two SNCF Mobilités Directors, of which one from the SNCF Mobilités employee representatives.

The Board of Directors of SNCF Réseau appoints one of these members to chair the board.

Each board chairman acts as the Committee's reporter to the Board of Directors for its related business.

The Committee rules on the legality of the procedures and the economic terms and conditions of the contracts. It is also asked to express an opinion on:
- Any amendment to a contract previously reviewed by the Committee, when the amendment has financial impacts beyond the maximum amount;
- Any amendment that modifies the initial amount of the related contract by increasing it beyond the limits set by the minister responsible for transport;
- Other instruments that exceed the authorised amount of the contracts that were reviewed by the Committee;
- Any amendment to the Procurement Contract Regulations of SNCF Réseau.

The Procurement Contract and Purchasing Committee comprises six men and two women.

- ***Audit, accounts and risk 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 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 Directors, the Committee is chaired by a Director appointed by the Board of Directors from among its members.

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.

Members of Executive Management, as needed, Directors concerned, on the invitation of the Chairman of the Board of Directors, and the Board's Secretary also have the right 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 statutory and consolidated financial statements by the statutory auditors, and the latter's independence.

The Audit committee comprises five men and two women.

- ***Commitments committee***

The Commitments committee assists the Board of Directors and prepares the latter's deliberations on matters related to investments or involving a financial commitment for the company: investment programs and development projects (development policy and financial aspects) and projects related to its property portfolio. The consultation thresholds are set in the internal regulations.

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 Commitments committee comprises four men and five women.

- ***Industrial and economic committee***

The Industrial and economic committee assists the Board of Directors in examining the major policy files of SNCF Réseau, particularly regarding economic and industrial issues.

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 Industrial and economic committee comprises five men and six women.

3.1.3 CHAIRMAN OF THE BOARD OF DIRECTORS

- ***Appointment and duties***

The appointment as Executive Board Deputy Chairman carries with it the appointment to SNCF Réseau's Board of Directors and the appointment as its Chairman.

Jacques RAPOPORT was appointed Deputy Chairman of the SNCF Réseau Executive Board by Decree on 15 July 2015. This Decree carries with it the appointment to SNCF Réseau's Board of Directors as its Chairman.

Decree no. 97-444 of 5 May 1997, as amended, related to the corporate purpose and Articles of Association of SNCF Réseau 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 Official Gazette of SNCF Réseau and the Official Gazette of the French Transport Ministry.

- ***System of delegations***

Pursuant to the provisions of 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. These delegations are published in the Official Gazette of SNCF Réseau.

3.1.4 COMPENSATION OF KEY MANAGEMENT PERSONNEL

In 2015, the taxable compensation paid to members of the SNCF Réseau Executive Committee amounted to €2,434,888 for an average of ten members.

The report of the French State Shareholder discloses the components of the compensation (as decided by ministerial authority) paid to the Chairman of the Board of Directors of SNCF Réseau, pursuant to Article 3 of Decree no. 53-707 of 9 August 1953.

3.1.5 EXECUTIVE MANAGEMENT AND THE COMPANY'S GENERAL ORGANISATION

Executive Management is tasked with the company's general management for which it is collectively responsible before the Board of Directors.

It prepares the Board of Directors' directions and decisions and defines the terms and conditions of implementation. It also formulates the major strategic options and the company's positions on general issues, and makes wide-ranging decisions related to organisation and governance.

During the Board of Directors' meeting on 30 July 2015, and pursuant to Article 31 of Decree no. 97-444 of 5 May 1997, related to the duties and articles of incorporation of SNCF Réseau, as amended by Decree no. 2015-140 of 10 February 2015, the Board of Directors approved the Establishment's general organisation.

Accordingly, the list of executives is as follows:
- the Chairman,
- the Deputy General Director,
- the Deputy General Director for Safety, Innovation and Industrial Performance,
- the General Director for Île-de-France,
- the Deputy General Director for Network Access.

Executive Management comprises:

- the Chairman;
- the Deputy General Director and the Deputy General Director for Safety, Innovation and Industrial Performance, whose mission is to second the Chairman in the company's operational management and serve as deputy in the executive function;
- the General Director for Île-de-France, who has authority over all SNCF Réseau components in Île-de-France:
- the Deputy General Director for Network Access
- the five Deputy General Directors for Engineering and Projects, Maintenance and Works, Traffic and Support Functions, Finance and Purchasing, Human Resources and the General Secretariat.

On1 January 2016, the position of General Director for Safety was created in order to oversee safety. The General Director for Safety works directly with the Executive Board and the Chairmen of SNCF Mobilités and SNCF Réseau to tighten and simplify safety management, particularly with regards to consultations between the three EPICs, and to coordinate safety policies. The position has the following delegations in the area of rail operational safety and occupational health and safety:

- Organise the general management of SNCF Réseau's rail operational safety, particularly for the implementation and related verification of the Safety Management System (SMS) and its update in connection with the safety certificate delivered by the EPSF (Public Rail Safety Body).
- Communicate the safety indicator values to the EPSF on a quarterly basis and prepare the annual SNCF Réseau safety report.
- Formulate the policy and objectives of rail operational safety and occupational health and safety.
- Formulate the transversal safety policies of SNCF Réseau and coordinate their implementation in conjunction with the rail companies.

The activity is managed through four business lines: Network Access, Traffic Management, Maintenance and Works, and Engineering and Projects, and the Île-de-France Executive Management supported by the transversal functions of Executive Management, Human Resources / General Secretariat, Finance and Purchasing, External Relations, Communication and Consultation and the Cabinet.

There are eleven regional departments that implement strategies and oversee the company's operational responsibilities in their respective territories, under the management of Deputy General Directors.

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:

3.2.1 FINANCIAL/MARKET RISKS

Interest rate risk: SNCF Réseau 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 program of €45 billion) or short-term (French commercial paper of €3 billion and Euro Commercial Paper of €5 billion) financing sources. SNCF Réseau also benefits from a €1.25 billion credit line that has never been drawn down.

Counterparty risk: SNCF Réseau 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: SNCF Réseau negotiates foreign currency financing, which is translated into euros.

In addition to these risks specific to financial market activities, SNCF Réseau is also exposed to financing risks related 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.

3.2.2 OPERATING RISKS

Legal risks: In addition to legal risks related to the possibility of the company being sued as an owner and operator, and also as prime contractor, SNCF Réseau is also regularly confronted with new legal risks related to developments in the regulatory framework to which it is subject, particularly regarding its rail infrastructure management or project management activities, and under the partnership agreements binding SNCF Réseau 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 that are likely to tarnish the company's image towards investors and partners. Other risks related 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).

Climate change risks: The network has already experienced extreme weather events that have an impact on rail infrastructures. In the face of climate change that impacts network traffic and safety, the new challenge is to adapt these infrastructures and improve their technical resistance.

3.3 INSURANCE POLICIES

The Risk and Insurance division is integrated with the Legal Expertise Centre of the Group's Legal Department in order to pool insurance policy purchases for the entire Public Rail Group.

In terms of insurance, SNCF has market coverage for the major risks that implicate its civil liability or impact its property and for the operating losses arising from damages to its assets or rail infrastructure.

Within the Group's Legal Department, and under the Legal Expertise Centre that combines the shared functions, the Risk and Insurance Department manages the insurance programs with the objective to optimise insurance coverage at Group level thanks to pooling between SNCF, its EPICs and its subsidiaries, to improve the guarantees and provide competitive pricing conditions.

Wishing to control insurance costs while improving guarantees, the Group has pooled its insurance purchases for the benefit of the new Public Rail Group components. The SNCF insurance programmes have thus been expanded to all the entities organised as part of the rail reform, namely SNCF, SNCF Mobilités, SNCF Réseau and the subsidiaries:

- The "Major Civil Liability Risk" insurance program of SNCF and its subsidiaries, renewed by tender, entered into force on 1 October 2014 for SNCF and its subsidiaries and 1 January 2015 for the Public Rail Group organised as part of the rail reform.
- Following a tender process, the new policy for the "Vehicle Fleet" insurance programme entered into force on 1 January 2015 for all the Public Rail Group components.
- The "Construction" insurance program of SNCF and its subsidiaries, which was reconfigured under the rail reform, has included SNCF Réseau since 1 January 2015.
- The "Damages to Goods" insurance programme of SNCF and its subsidiaries, which is being renewed for 2015 and 2016, also includes SNCF Réseau.

At the regional level (entities), seven inter-regional damages insurance centres integrated with the regional legal delegations of the Group's Legal Department are responsible for the amicable settlement of claims on behalf of the EPICs, and serve as the main intermediaries for insurance matters.

A reinsurance captive, SNCF Re*,* was created in 2012 in order to partly reinsure the damage risks of SNCF and the subsidiaries. This transfer of risks safeguarded the revenue of SNCF and its subsidiaries with coverages and deductibles adapted to their specific financial capacities and risks, while diminishing the higher rates demanded by insurers who saw a decline in their share of potential risk. Accordingly, SNCF Réseau has assumed or will assume a portion of the operating losses incurred by SNCF at the time of the Brétigny sur Orge accident in July 2013, the damages to rolling stock (TGV and TER) at the time of the Denguin accident in July 2014, and the damages resulting from the TGV DUPLEX 234 power car fire on 21 August 2015 at Saint Quentin Fallavier. In principle, the captive would not have to cover the damages and operating losses of the Eastern Europe high-speed line following the Eckwersheim accident in November 2015.

4 CORPORATE SOCIAL RESPONSIBILITY

4.1 GOVERNANCE AND MANAGEMENT

SNCF Réseau has an Environment and Sustainable Development Department (ESDD) under the General Secretariat that establishes the CSR policy and promotes it, both internally and externally. The ESDD also assists the business lines and transversal services with their CSR challenges. Its transversal involvement extends to all issues with significant societal and environmental impacts for the company's stakeholders, as outlined in this report.

This department relies on a Business and Regions network to further develop its realisations and fulfil commitments. This network contributes to the Public Rail Group's CSR network.

The website http://www.sncf-reseau.fr/en/substainable-development contains additional information on the CSR policy of SNCF Réseau and the management of sustainable development.

4.2 DIALOGUE WITH STAKEHOLDERS

As a State-owned industrial and commercial institution (EPIC), SNCF Réseau serves passengers, residents, elected representatives, environmental associations, users, employees, suppliers, financial partners, etc. The company will continue to respond to the expectations of all its partners.

Customer focus

SNCF Réseau enjoys close commercial relations with its customers and develops promising partnerships with a common objective: provide simple, rapid and efficient access to the national rail network, for the benefit of all its users and in response to low carbon mobility needs.

See also the commercial activity section (2.2.1) of this report.

Supplier focus

Alongside its suppliers, SNCF Réseau has pledged to develop a responsible purchasing policy based on a CSR supplier qualification and the inclusion of CSR criteria in supply, work and service contracts. The policy is based on the continuous improvement of supplier relations with a view to partnership.

At the end of 2015, SNCF renewed the Responsible Supplier Relations Label for a new three-year period. The label promotes a true progress approach in the following areas:

- Respect for the interest of suppliers and sub-contractors;
- The impact of purchasing on economic competitiveness;
- The inclusion of environmental and social factors in purchasing processes;
- Quality of supplier/subcontractor relations.

INDICATORS for supplier and customer relations with SNCF Réseau	2015
Traffic in train.km (M T.km)	497.8
Freight traffic from rail companies other than Fret SNCF (%)	37
Passenger traffic from rail companies* other than SNCF (%)	2.3
Satisfaction rating for rail company customers (out of 10)	5.5
Generic window consumption rate (%)	85.5
CSR performance of SNCF Réseau suppliers (average rating over 100 Eco-Vadis evaluations)	51

**including the Thalys and Eurostar subsidiaries*

The stakeholder mapping is available on the website.
http://www.sncf-reseau.fr/en/the-different-stakeholders

development policy, in order to accompany the Réseau 2020 corporate plan and the GPMR[1], and to provide a clearer picture of our activities to all our stakeholders. SNCF Réseau has thus determined the conditions for a responsible modernisation of the French rail network.

Four challenges have structured the CSR policy of SNCF Réseau:

4.3.1 CHALLENGE 1: SECURE A HIGH LEVEL OF NETWORK SAFETY, THUS CONTRIBUTING TO RAIL SYSTEM SAFETY

Securing the highest level of safety for traffic and persons on the national railway network is a major company commitment. This is the reason why the Department of Safety, Security and Risk Management (DSSR) of SNCF Réseau defines and manages the network's safety policies, which is translated into three fundamental requirements:

- guaranteeing infrastructure usage conditions so that rail companies can ensure safe circulation;
- providing rail transport operators with reliable and suitable information relative to the status of the infrastructure and its usage provisions, as well as the operating documentation,
- ensuring the safety of users, the company's personnel or service providers, third parties, goods transported, and the environment, by defining and implementing the necessary procedures.

Additional information on the SNCF Réseau safety policy is available on the internet (http://www.sncf-reseau.fr/en/ensuring-safety-and-maintenance) and the safety section (2.2.2) of this report.

4.3.1.1 Ensure that our work sites are completely safe

Safety is an absolute priority for SNCF Réseau in terms of the 1,500 modernisation projects underway in 2015, and prevention is central to the measures the company has undertaken. The objective is to reduce on-site work accidents for all SNCF Réseau and external companies employees.

[1] Grand network modernisation plan

INDICATORS	2015
Frequency index for work accidents with absence excluding commuting	21.2
Number of occupational illnesses reported	136
Total number of deaths involving external companies working for SNCF Réseau (nb)	2

Due to the rail reform, the indicator *Severity rate for work accidents with absence excluding commuting* cannot be presented for 2015.

4.3.1.2 Offer a safe network to rail companies

Acting as a true interface between numerous internal and external players, the Network Access Department contributes as much to the rail system's daily operations, through the allocation of infrastructure capacities, as it does to the formulation of projects that will shape the future network.

INDICATORS	2015
Number of noticeable safety events (nb)	149
Amount of investment expenditure capitalised for the current network's renewal and performance (M€)	2,665
Amount of investment expenditure capitalised for network compliance upgrades (M€)	254
Number of malicious acts involving SNCF Réseau property and financial assets (nb)	12,867

4.3.1.3 Protect rail traffic third parties

While traffic on the overall network is safe, there is room for improvement in certain areas that are deemed to be dangerous. Train collisions with individuals on tracks, in stations or on road, and accidents involving level crossings are the network's two main causes of mortality.
Thanks to structural improvements, compliance upgrades and reinforced prevention aimed at the general public (national level crossing safety day), the number of level crossing accidents has been halved over the last ten years.

Activity in schools

SNCF has signed a partnership agreement with the National Ministry of Education, under which it raises young people's awareness regarding accident risks and encourages responsible behaviour in mass transit. Known as School Volunteers, SNCF employees tour primary schools, grammar schools, and secondary schools in sensitive areas, communicating educational messages to the young people regarding safety and civic responsibility (tracks, level crossings, etc.). In the 2014/2015 school year, nearly 245,000 young people received awareness information from 465 School Volunteers, including 88 SNCF Réseau employees trained in classroom liaison.

Accessibility for persons with reduced mobility

In 2015, SNCF file a new national master plan with the Minister of Transport. Known as the Programmed Accessibility Agenda (Ad'AP) and budgeted at €900 million, it seeks to facilitate accessibility in 160 national stations over the 2015-2024 period. The plan will be accompanied by 20 new regional Ad'APs drawn up by the regional councils in their capacity as regional rail transport organising authorities and by the STIF in Île-de-France.

For additional information: http://www.accessibilite.sncf.com/ and the annual reports covering accessibility.

INDICATORS	2015
Total safety investments (M€)	101
Number of accidents involving people on the network*: • Number persons killed (excluding suicides and suicide attempts) • Number of persons seriously injured (excluding suicides and suicide attempts) • Number of suicides	 60 47 296
Number of school visits (nb) - Of which number of SNCF Réseau School Volunteers visits	9,879 1,928
Number of young people who received awareness information from SNCF School Volunteers (nb)	244,317
Investment to improve accessibility (M€)	131
Number of level crossings registered in the national safety programme that were eliminated	6

*This indicator does not include the 11 victims of the Eckwersheim accident since it did not occur "on the network" but at a project site.

4.3.1.4 Secure our infrastructures in the face of climate change

The growing intensity and frequency of climate events have disrupted traffic and significantly impeded rail infrastructures. Confronted with extreme weather events, the major challenges of SNCF Réseau involve adaptation and improved technical resistance with respect to track, installations, electrical equipment and works such as rail bridges.
Weather impacts on infrastructures are already evident, as it is the alteration of train traffic:

- Rails and catenaries expand during heatwaves;
- Cold snaps and frost can cause rolling stock and switching system breakage;
- Storms and heavy rains can result in flooding that can degrade the electronic systems and installations of trains or signalling equipment;
- Wind and storms currently cause trees to fall on tracks and could in future knock down catenary masts that supply electricity to trains, which impacts network traffic and safety.

To reduce the infrastructure's vulnerability, SNCF Réseau has introduced new measures that are already operational (e.g., speed reduction when there is rail deformation, reinforced tail, specific network maintenance, etc.) and is preparing a Business Continuity Pan (BCP) covering major flood risks throughout France.

Additional information on the consequences of climate disruption on the infrastructure (http://www.sncf-reseau.fr/en/fight-against-climate-change).

INDICATOR	2015
Percentage of train delays in minutes due to bad weather out of total causes that can be attributed to the infrastructure's management (%)	11.9

4.3.2 CHALLENGE 2: REDUCE OUR ECOLOGICAL FOOTPRINT AND CONSOLIDATE OUR ENVIRONMENTAL ASSETS

4.3.2.1 Optimise resources and recover materials as part of a circular economy approach

Managing our resource consumption

Economic and demographic development has increasing pressure on raw materials, ecosystems, soils, air and water. The renewal of the elements comprising railway infrastructures results in a drawdown on the planet's resources, while generating significant volumes of waste that have to be treated. As such, to help preserve these natural resources, the company strives to optimise their usage and rethink the products of the future.

As the second-largest property owner in France, SNCF Réseau controls diversified real estate assets of approximately 103,000 ha, spread throughout the territory. These assets primarily consist of railway rights-of-way (97,000 ha) for more than 60,000 km of track and 4.7 million square meters of buildings, as well as dormant property, for which the challenge is to reconcile regional development projects with future railway needs. With respect to the network's unused lines, SNCF Réseau provides rights-of-way that contribute to local development projects (greenways, tourism operations, etc.), while maintaining the right to reverse such projects under contracts.

SNCF Réseau has introduced a gradual process to reduce water consumption: a step-by-step roll-out of consumption monitoring, and a targeted action program to detect and correct leakage. Operations are adapted based on local restrictions.

INDICATORS	**2015**
Quantity of resources purchased, by type:	
- Wooden sleepers (units)	360,000
- Concrete sleepers (units)	616,000
- Rails (tons)	159,765
- Ballast (tons)	2,260,000
- Coper overhead lines (tons)	2,072
- Paper (tons)	1,450
Share of kilometres for lines closed during the year that were subject to right-of-way protection (%)	59
Water consumption of tertiary and industrial sites (M m^3)	1.02

Our circular economy commitment

Moving from a linear economy to a circular economy involving waste and its recycling is a major challenge for the company. The objective is to find innovative solutions in which waste and used products, re-inserted into value-creation channels through recycling and reclamation, become real resources.

The strategic circular economy plan related to infrastructure is based on securing the supply of materials by 2025/2030. The Purchasing Department set an SNCF Group objective for the recovery of materials at the end of their useful lives (€400 million over the 2013-2017 period).

The SNCF Réseau entities also initiate measures such as the implementation of shared platforms for waste management, recovering non-hazardous waste, and awareness-raising regarding sorting and, for staff working in the various fields, recycling.

INDICATORS	2015
Sales of end-of life materials (M€)	33
Total quantity of hazardous waste produced excluding wooden sleepers (tonnes)	2,493
Share of re-used rails (%) Share of recycled rails (%) Share of ballast rapidly re-used (%)	7 93 30 to 50
Volume of asbestos (tonnes): - removed from constructions - removed from rail installations (signalling)	 673 40
Volume of wooden sleepers recycled for energy purposes (tons)	62,244

4.3.2.2 Minimise the footprint of activities on water, air and soil, and control discharges

Reduction of polluting emissions

To control the environmental risks related to its industrial activities, SNCF Réseau constantly monitors its installations and sensitive sites (Installations Classified for Environmental Protection, (ICEP), renovation of sub-stations, decontamination of old service stations).

The Public Rail Group's water policy is to reduce the activity's pressure on water resources and aquatic systems. It sets targets for the reduction of water consumption and water discharges generated by industrial activities.

In respect with fine particle emissions related to the combustion of our diesel-engined vehicles and works trains, a master plan for electric or alternative energy conversion should considerably reduce air pollution.

INDICATORS	2015
Investments allocated to the decontamination of "polluted sites" (k€)*	200
Total environmental provisions (M€)	147
Number of environmental incidents (nb)	20

**corresponds to investments in the second half of 2015*

4.3.2.3 Make each employee a contributor to environmental excellence

It is essential for contributors to be accompanied, informed and trained if we are to integrate environmental excellence in business practices.

Implementation of environmental approaches

SNCF Réseau has initiated a certified environmental approach for its ICEP (industrial sites) and set up an adapted Environmental Management System (EMS) for its other entities that applies the main ISO 14001 requirements. The goal is to ensure that 100% of the entities have an adapted EMS by the end of 2016.

Project eco-design factors in the environment from the initial project studies and constantly reiterates this component in terms of technical versus environmental issues, Prevent, Reduce, and Offset practices, risk anticipation and planning management.

INDICATOR	2015
Percentage of Network entities with an EMS (ISO 14001 certified or with adapted EMS) %	13

Environmental research programs

The various SNCF Réseau business lines have launched extensive innovation, research and development programs to reduce the environmental footprint of the national rail network.

SNCF Réseau places research and innovation in the heart of its infrastructure development policy in order to “Develop and adapt the rail infrastructures for tomorrow”. For the company, this involves developing modern rail infrastructures that are respectful of the environment, socially responsible and economically viable.

INDICATORS	2015
Number of R&D research projects	99
Number of R&D research projects related to environmental issues	27
Total R&D investments (k€)	11,900
Total R&D investments related to environmental issues (k€)	1,300

Participatory innovation

SNCF Réseau employees can share their creativity and initiative through participatory innovation.
The SYNAPSE network brings together nearly 300 scientific and technical experts, in order to pool their knowledge and skills, and to allow cross-over between disciplines, business areas and divisions, outside the usual hierarchy. It includes an increasingly popular doctoral training course, with some 60 theses in progress, and a patent policy, with 31 patents registered since 2014.

Employee awareness-raising and training regarding environmental issues

SNCF employees are made aware of environmental issues and more largely sustainable development through regular updates and internal, national or regional reporting relayed to the company’s intranet sites. During the COP21 conference, internal awareness-raising was intensified with respect to the climate issue.

In 2015, nearly 377 employee of the Public Rail Group took part in 63 information sessions focusing on issues such as the foundation of the industrial environment, waste, EMS, environmental audits (according to the ISO 14001 standard), ICEP, internal information tools specifically for the environment, environmental law and the protection of nature, laws governing water, and dialogue and special training on rail system noise.

INDICATORS	2015
Number of SNCF employees trained in environmental issues (nb)	377
Of which SNCF Réseau employees (nb)	66
Number of environmental issue training hours for SNCF Réseau employees (hours)	529

4.3.2.4 Respect natural ecosystem equilibriums as part of the common good

The protection of natural sites

SNCF Réseau is particularly concerned by the challenge of protecting biodiversity. Railway lines can modify the ecological consistency of ecosystems and reduce the exchanges between species. However, railways can also serve as ecological corridors, or corridors for refuge or passage for certain species.

SNCF Réseau takes into account the environment in its studies for railway projects through an iterative process of consultation with field specialists during the project design phase, with increasing scales of accuracy. The company's initial priority is to prevent impacts on natural settings from the beginning of the project design phase. The focus on biodiversity is maintained in concessions with tight requirements stipulated in its contracts.

INDICATOR	2015
Number of restored ecological continuities for water streams out of the 110 that are regulated	2

A rational action policy regarding the management of vegetation

In its maintenance operations, SNCF Réseau uses agrochemicals that are necessary for the control of rail track vegetation and the upkeep of green areas. There is a significant interface between these treatments in terms of traffic safety and reliability, and the safety of personnel when they circulate in rights-of-way. SNCF Réseau has nevertheless pledged to lead by example in its choice of usages, traceability and the professionalism of its applications.

SNCF Réseau seeks out and implements alternative solutions to limit the use of agrochemicals, including anti-vegetation netting and eco-grazing. 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 trucks operated by SNCF Réseau.

INDICATORS	2015
Share of rail installations (NRN, sites) where there are initiatives to reduce or eliminate agrochemicals (%)	2.9

Contribution to participatory science and partnership commitment

In 2015, a partnership agreement was signed with the French Natural History Museum in order to gradually transfer all its ecological inventories to the National Inventory of the Natural Heritage and therefore record them by 2016.

The company is a founding member of the Linear Infrastructure and Biodiversity Club. This organisation, which comprises several linear infrastructure managers (rail transport, and infrastructures covering roads and motorways, energy, and waterways), supports research projects that facilitate the ecological protection of their networks.

The company also cooperates with France Nature Environnement (FNE) – a federation of over 3,000 associations – regarding several environmental issues.

In 2015, SNCF Réseau and the French league for the protection of birds signed a framework agreement for the preservation of lineside biodiversity. The agreement defines a multi-year joint actions program.

INDICATORS	2015
Number of management agreements with green space managers and surface area concerned	401,950 ha

4.3.2.5 Reduce our greenhouse gas emissions and improve our energy efficiency

Regarding all the methods for transporting commodities and persons across the territory, the railway network provides a more sustainable medium for alternative mobility, since it is less dependent on fossil fuels. Moreover, while the activity offers a worthwhile alternative within the framework of climate policies, it does not dispense the company from working in an effort to improve its energy efficiency and decrease its own GHG emissions.
Accordingly, the Public Rail Group has committed to a Climate policy for 2015 (year of COP21) by publishing a GHG reduction target of 20% between 2014 and 2025 on the UN's NAZCA platform http://climateaction.unfccc.int/company/sncf).

GHG emissions for SNCF Réseau and the rail system

To meet its objective, SNCF Réseau has defined short, medium and long-term actions whose implementation has already begun:

- eco-driving program for service cars and works trains,
- energy savings program,
- "start and stop" system for the thermal locomotives of SNCF Réseau,
- commissioning of new and more efficient equipment,
- circular economy and eco-design.

See regulatory GHG emissions report.

INDICATORS	2015
Total GHG emissions of the SNCF Public Rail Group (scope1+2) (k eq CO_2)	1,056
Total GHG emissions of SNCF Réseau (scope1+2) (k eq CO_2)	154
Tonnes of CO_2 avoided because of the rail system (k eq CO_2)	9,872

Contribution to energy transition

In 2014, SNCF Immobilier launched an energy efficiency program for its property holdings (25,500 tertiary and industrial buildings and 3,000 SNCF stations). The primary objective is to cut energy consumption by 20% between 2012 and 2022. The program also seeks to develop renewable energies, with a goal of 24% in 2022, for the "greening" of the energy mix.

A 2014-2025 master plan for works trains and service cars has been drawn up in order to gradually replace thermal engines with models that have less environmental impact, including electric engines.

INDICATORS	2015
Electricity consumption specific to the rail network (GWh)	770
Share of electric traction trains in circulation, all rail companies combined (%)	76.9
Energy consumption of tertiary and industrial site buildings: - electricity (GWh) - gas (GWh)	 86.5 33.5
Fuel consumption of the vehicle fleet (M L)	19.1
Fuel consumption of works trains and locomotives (M L)	11.6

4.3.3 CHALLENGE 3: IMPROVE OUR SOCIAL PERFORMANCE

This section completes Section 2.6 above.

4.3.3.1 Develop human capital through a long-term employment policy

Workforce

The strength of SNCF Réseau lies in the 54,000 employees who make up its four core businesses. Eleven regional departments and an Île-de-France Executive Management Department in addition to 72 entities provide a local response to guarantee the safety and quality of the rail infrastructure.
The activity of SNCF Réseau requires a permanent presence on certain sites and therefore work schedules that include shifts (including nights and week-ends). Human Resources management pays particular attention to the personnel concerned by these schedules.

Mobility

In 2014, the group's companies signed a "Group mobility" charter to support the development of career paths within the Group.

Mobility begins at the recruiting stage at SNCF Réseau, with incentive measures to better match needs with skills. The significance of the work load requires the timely use of human resources and an emphasis on geographical mobility.
Accordingly, SNCF Réseau makes use of Mobility Initiative Centres (MIC) to accompany employees in new positions.

SNCF Réseau also contributes to the solidarity of the Public Rail Group:

- SNCF Réseau will continue to develop pre-qualifying training programs for its strategic business lines to retrain the women and men of SNCF Mobilités or the parent EPIC that are interested in the extensive range of posted offers provided by SNCF Réseau.
- There will be an active cooperation with the MICs to promote the network's businesses and to accompany and train volunteer candidates.

Compensation

Control over payroll is one of the levers by which SNCF Réseau limits the impact of the employee benefit expense on the cost of a train path supplied to our customers.
Since 2007, the company has sought to control the level of the general amounts granted while paying particular attention to employees whose salary adjustments feature critical aspects: trigger of the Monetary Conditions Index for low salaries (< French minimum wage) and trigger of the individual purchasing power guarantee for each rail worker whose primary gross compensation adjustment is lower than the inflation rate calculated over a period of four years.

On 9 July 2015, certain trade unions agreed on an employee-profit-sharing agreement, which was a first for SNCF. On June 2016, employees of the two EPICS will receive a bonus in case they meet their 2015 performance objectives.

INDICATORS	**2015**			
Total number of employees (on 31 December) excluding work-study students and assisted contracts	54,118			
Breakdown of employees by category (Executives/ Managers/ Supervisors/ Workers)	E 547	M 13,358	S 20,581	W 19,632
Geographical employee breakdown (IDF/Regions)	IDF 16,421		Regions 37,697	
Breakdown of employees by type of contract (open-ended contracts/fixed-term contracts /work-study students, assisted contracts)	OEC 53,902	FTC 216	WS 2,170	AC 2,246
Total employees by age bracket (5 year intervals) - less than 26 - 26 to 30 - 31 to 35 - 36 to 40 - 41 to 45 - 46 to 50 - 51 to 55 - 55 and over	 2,811 6,564 7,013 7,211 8,130 6,808 8,366 7,215			
Total number of recruitments (nb of OEC) - Of which permanent or railway employee status (nb) - Of which contractual (nb)	2,259 1,775 479			
Number of work-study students recruited under OEC (nb)	391			
Total number of redundancies (nb of OEC)	181			
Share of employees based on work schedules (A for office work schedule and B+C for shift work schedules including WE and nights)	A 8,144		B+C 45,974	
Gross employee benefit expense (M€)	3,402			
Average Employee Cost (balance on 31 December) (€)	60,603			
Total of the 10 highest salaries (M€)	2.7			
Sick leave rate (%)	3.8			
Number of days absence per employee (nb)	9.4			

Jobs and skills management

In 2016, the negotiation of the job and skills planning agreement (GPEC) will demonstrate the company's will to accelerate its adaptation to the technological and societal changes that are transforming its businesses.

Changes already under way in the various business lines have a significant employee impact in terms of quantity and quality. The challenge for the economic performance will be to carry out investment projects in new lines or in the existing network, while optimising costs and guaranteeing quality and safety.

As the business lines evolve, the basic training supplied by operators has been recast and includes new digital tools.

4.3.3.2 Promote women's access to all jobs and fight against discrimination

Promote gender equality

With its many technical business lines, SNCF Réseau is also seeking greater gender equality and wishes to increase the number of women on its teams, which remains largely insufficient. An action plan has been set up to this end.

On 10 July 2015, a unanimous agreement to promote gender and professional equality in the company was signed with three trade unions. The agreement covers a four-year period (2015-2018) and comprises four lines of action: an increase in the number of women hired by the company, the guarantee of equitable rules governing professional career paths, the fight against all forms of sexism, and initiatives favouring the work-life balance.

Combined with the Afnor Professional Equality Label awarded in 2014 (for three years), the numerous initiatives of the "SNCF au féminin" network and actions such as "Gender equality week", this agreement demonstrates the company's will to fast-tack its transformation as an innovative and responsible social player. Its goal: to develop a culture founded on values of equality and fairness between women and men, beginning at their recruitment and extending throughout their professional careers.

INDICATORS	**2015**			
Share of women in total workforce and by category (Executives/ Managers/ Supervisors/ Workers) (%)	12.0			
	E 15.0	M 18.6	S 12.4	W 7.1
Share of men in total workforce and by category (Executives/ Managers/ Supervisors/ Workers) (%)	88.0			
	E 85.0	M 81.4	S 87.6	W 92.9
Share of women recruited (%)	13.8			
Share of men recruited (%)	86.2			
Share of women managers recruited at SNCF Réseau (%)	35.1			
Share of women in governance bodies (%)	45.8			
Share of women in operational management (DET, DT) (%)	8.3			

Fight against discrimination

On 5 November 2015, SNCF won a "gender equality management" award for the awareness-raising kit that it distributed to its managers in April. The company has confirmed that its commitment to an overall gender equality policy is ongoing.
The seventh company agreement (2015-2017) to promote employment of the disabled people began in 2015.

The agreement's key commitments for the 2015-2017 period:

- recruitment of 300 disabled workers;
- 75 disabled work-study students recruited as part of the new HANTRAIN scheme;
- 100 disabled work-study students welcomed regardless of their degree;
- 300 disabled trainees welcomed over the duration of the agreement.

The set-up of SNCF Réseau's "Disability Mission" initiative on 1 July 2015 falls under the employer responsibilities of the EPIC and creates new expectations. The following areas are subject to particular scrutiny:

- Job protection: accompany employees requesting disabled workers recognition from regional disability authorities;
- Protected shelter purchasing: *described in Section 4 "Regions" with solidarity purchasing*.
- Recruitment: ensure that disabled workers receive optimal treatment; develop the Hantrain scheme; introduce new training programs as needed.

Inter-generational contract and transfer of skills at SNCF Réseau

In the midst of a high turnover in human resources, both currently and in the couple of years to come, SNCF Réseau has drawn up training recommendations and introduced benchmarks to accompany the integration of new recruited people in the entities.
A mentoring system calling upon experienced employees from other entities has been created to reinforce the Île-de-France entities resources.

INDICATORS	**2015**
Number of disabled workers (nb)	2,069
Employment rate for disabled workers (%)	3.63

4.3.3.3 Guarantee the well-being of each employee

Work life quality

In its program to improve work life quality and manage stress, SNCF offers a multi-phased plan whose purpose is to identify risk situations by monitoring indicators (absenteeism rate, frequency and severity of work-related accidents, etc.).
Since the plan's creation in 2009, over 200 work life quality assessments have been conducted in the entities, followed by corrective action plans. These assessments identified areas where the quality of life within the teams could be improved.

Allure survey

SNCF Réseau uses the Allure process to survey its employees. It serves as a measurement tool for the entities and management teams to collectively oversee managerial and social performance.

This internal survey provides a means for managers and HR players to better understand the perception and feelings of the teams through an employee satisfaction rating based on four managerial and social performance factors: involvement, quality of life, skills, and management and confidence.

Allure stated the strengths and difficulties felt by employees. It measures the progress achieved between two surveys and represents a participatory approach at the service of dialogue and confidence.
SNCF Réseau carries out this survey based on two-year cycles, and guarantees the anonymity of the responses and the annual reporting.

The first survey took place in 2015 with a 51% participation rate, while the second had a 57% participation rate. Action plans are under way.

Prevention of psychosocial risks

In its annual program to prevent psychosocial risks and improve working conditions (PAPACT), the managers of the three EPICs use a grid to evaluate psychosocial risks and work life quality for the potential implementation of action plans. The program provides a means for examining structural operations and a parallel analysis of employee health and safety.

4.3.3.4 Work-time organisation

End of career

To ease the transition from work to retirement, employees at the end of their career have the option of organising their working hours via a program of gradual cessation of work (CPA), set or degressive, which can last from one to three years (with from 50% to 80% of full-time working hours). Furthermore, an end-of-work sub-account of their time saving account (CET) allows them to accumulate up to 250 days so that they can leave the company earlier.
Lastly, the skills sponsorship project, which is open to all employees, offers older workers the option of preparing for active retirement through volunteer work (SNCF Foundation).

Part time

Following the signature of a collective agreement covering part-time work, SNCF Réseau employees can reduce their weekly working time. The work schedule can be reduced by 50% to 91.4%, thus providing time for a personal or professional project.
The gender equality agreement supports the professional-private life balance, and fathers or mothers requesting part time work schedules can expect a positive response.

INDICATORS	2015
Share of part-time in the workforce (%)	5.8

Telecommuting

Telecommuting was set up within the company as part of alternate telecommuting: the person carries out his or her work alternatively between home and the company's premises.
Telecommuting corresponds to a social demand and facilitates the professional-private life balance. It thus contributes to the reduction of stress and focuses energy on company objectives.
SNCF Réseau specifically supports telecommuting when the relocation of work premises extends the travel time of personnel and all requests are considered.

INDICATORS	2015
Number of employees who telecommute (nb)	507

Training policy

Professional training is a major lever in the company's development strategy. Nearly **6% of the payroll** is dedicated to training each year. The maintenance and upgrade of employee skills is a component of the new organisational and regulatory environment: creation of SNCF Réseau, the application of a new aptitude ruling and the implementation of the new training law.

- M&T continued to develop new training methods, by assembling all the training players to create and develop various learning paths and adapt them to the new generation of employees recruited by SNCF Réseau. Technical management was reinforced in 2015 by bolstering the fundamental skills set of employees and managers for the most strategic maintenance business lines.
- With respect to Traffic, the Safety Agreement signed on 3 February 2015 launched the "Safety Excellence" process within the Public Rail Group. There are six key features:
  - Develop a "Proactive" behaviour;
  - Install a system of analysis by "Risk";
  - Manage the interfaces between entities and at the corporate unit level;
  - Simplify to a maximum the procedures and documentation made available to each employee;
  - Create managerial conditions that are conducive to the personal involvement of employees;
  - Obtain tools and equipment that are cutting edge in terms of innovation and digital technology.

The 2015 work-study policy contributed to skill sets in all categories. The training covers school-leaving certificates (professional high school diploma), advanced vocational training certificate (BTS), bachelor's degrees, and engineering degrees (CNAM, CESI, etc.).

To meet these ambitions, the investment budget allocated to continuous training remained significant in 2015. It is consistent with the commitments under the training, inter-generational, gender and professional equality, and diversity agreements.

INDICATORS	2015
Number of training hours during the year (thousands h)	2,552
Share of payroll dedicated to training (%)	6.8

Ethical conduct

The SNCF Ethics Department defines the Group's policy in order to shed light on ethics issues. Each SNCF Réseau employee is given a conflict of interest guide. It offers several recommendations with respect to the appropriate conduct to be adopted in cases of conflict of interest, particularly in regard to transparency. In the event of uncertainty or questioning, employees care refer to an ethics officer via a dedicated e-mail address.

Social relations

The SNCF EPIC “oversees social relations at the Public Rail Group level, particularly in terms of labour negotiations and the coordination of employee representative bodies falling within the scope of the Public Rail Group (law of 4 August 2015). Among the top employee representative bodies is the Public Rail Group’s Central Works Council.
Since 10 March 2015, negotiations between management and the Public Rail Group’s trade unions have focused on building a common contractual framework, in accordance with the law of 4 August 2014. These procedures are part of the compliance process in respect with freedom of association and the right to collective bargaining stipulated in international and European standards such as the International Labour Organization conventions, the principles of the UN Global Compact and the Declaration of the Rights of Man and of the Citizen.

Harmony and fairness for all personnel are the founding principles of these agreements, in order to guarantee social unity within the group for all SNCF employees, whether statutory or contractual.

In 2015, 22 agreements were signed at the Public Rail Group, some of which are described above.

INDICATORS	**2015**
Number of agreements during the year (nb)	22
Number of notifications filed by employee representative bodies (nb)	199

4.3.4 CHALLENGE 4: REINFORCE OUR REGIONAL INVOLVEMENT

Rail network safety, an efficient transport services offering, regional access, economic and social development, the role of local authorities, and accessibility are some of the issues involved in the sustainable mobility of goods and persons on the national network. To respond to these issues, SNCF Réseau has introduced concrete and innovative measures, with the participation of all its stakeholders.

On1 January, the Environmental Authority (EA) of the General Council of the Environment and Sustainable Development handed down 92 decisions on a case-by-case basis and 62 impact analysis opinions were published. SNCF Réseau is one of the main intermediaries of this authority. Created in 2009, the role of the EA is to:

- Decide whether or not to order an impact analysis for an investment project through a case-by-case review process;
- Issue an external opinion on all the impact analysis files of investment projects, which is posted on the Internet and attached to the public enquiry dossier.

INDICATORS	2015
Number of impact analysis opinions issued by the EA (nb)	9
Number of case-by-case reviews filed with the EA (nb)	11
Number of case-by-case reviews resulting in a decision not to conduct an impact analysis (nb)	10
Amount of investment expenditure capitalised for major development projects (M€)	2,337
Amount of investment expenditure capitalised for regional development projects (M€)	619

4.3.4.1 Putting regional dialogue in the heart of our practices

Established throughout France, the company launched consultation and proximity initiatives for citizens, local authorities and persons in difficulty.

Consultation, a wish for dialogue

For over 15 years, SNCF Réseau has carried out a public consultation and participation policy based on three key pillars: consideration of regional needs, economic and public performance, and preservation of the environment. This dialogue and listening process is initiated for each project developed by the company.

SNCF Réseau has acquired genuine know-how in the area of consultation. Building on the impetus generated by lawmakers, SNCF Réseau began implementing innovative and voluntary approaches in 1997. Since then, the company has developed a real culture of dialogue with stakeholders and the general public.
The company adopted a charter for the conduct of consultations in 2011 and new dialogue mechanisms have been tested beyond the discussions held for new rail line proposals.

Because of this participatory approach, the project and human resources management teams of SNCF Réseau have been able to integrate a consultation process in numerous company sectors, based on the regional challenges.

For more information on Consultation and the annual consultations mapping (http://www.sncf-reseau.fr/en/consultation).

INDICATORS	2015
Number of consultations (nb)	26
Number of voluntary consultations (nb)	14
Number of partnerships with national and local associations with respect to sustainable development (nb)	111

4.3.4.2 Actively contribute to regional economic and social development through solidarity purchasing and SMEs

Solidarity and responsible purchasing

SNCF Réseau drives local development through a purchasing policy that favours SMEs. In 2015, 25% to 30% of the purchases of SNCF Réseau were transacted with local SMEs. In

addition, a significant portion of the company's purchasing involves solidarity purchases through various means: integration workshops and projects, sheltered and adapted work sector (Disability, Adapted Enterprise, ESATs (centres & aid services for work)), occupational reintegration companies, intermediary associations and ETTIs (temporary work integration enterprises). The insertion of social clauses in work contracts is requested in order to develop equal opportunity through assisted employment in sensitive regions.
To support its solidarity commitment and in partnership with local authorities, SNCF Réseau allocates a certain amount of surface area space, particularly for the construction of social housing.

INDICATORS	**2015**
Total SNCF Réseau solidarity purchases (direct and indirect) (M€)	3.9
Equivalent number of jobs obtained by the protected and adapted sector	38
Number of integration projects (nb)	35
Number of assisted contracts generated by integration projects (nb)	288
Number of hours of social integration achieved through social clauses (h)	51,316
Surface areas transferred during the year (hectares) Of which surface areas transferred for the construction of housing (hectares)	107 15
Number of housing units constructed (nb) Of which number of social housing units constructed (nb)	950 600

SNCF Foundation

SNCF Foundation organises its mission to support the general interest according to three major themes: education, culture and solidarity. The Foundation also offers skills sponsorship. The latter consists in an employee sharing his know-how with an association during his or her working hours, for up to ten days per year. Nearly 200 SNCF Réseau employees participated in this initiative. www.fondation-sncf.org/ .

INDICATORS	**2015**
SNCF Réseau payment to the SNCF Foundation (k€)	500
Number of projects supported by the SNC Foundation (nb)	800
Number of SNCF Réseau employees who participated in skills sponsorship (nb)	245

For more information on sur the regional presence of SNCF Réseau.

4.3.4.3 Prevent and reduce railway noise

To reduce noise pollution, SNCF Réseau takes action on the existing rail network and in connection with the network's modernisation and the development of new lines. The acoustic dimension is thus taken into account from project inception to avoid the risk of discomfort and reduce it where necessary. The reduction of noise emissions thus requires initiatives, at times combined, covering rolling stock, infrastructure, track and operations.

Railway Noise Black Spots (RNBS)

A national policy governing the resorption of railway noise black spots was set up several years ago by the French State, in relation with SNCF Réseau and its partners. The process consists in identifying the most critical situations and implementing treatment operations to resorb the noise emissions. Some 58,000 buildings and 500,000 residents are potentially concerned. Significant investments have been earmarked since 2008 (€140 million).

In addition, the company participates in innovation and research programs at the national and European level (cooperation with DB Netze).

Adverse noise effects related to rail projects

During rail projects, SNCF Réseau limits adverse noise effects related to the various work phases and uses certified heavy equipment that complies with the noise standards. Residents are systematically informed about a project's nature, anticipated duration, the expected adverse noise effects and the measures taken to limit them.

For more information on railway noise reduction measures (http://www.sncfreseau.fr/en/preventing-and-reducing-railway-noise-to-protect-quality-of-life).

INDICATORS	2015
Investments earmarked for the resorption NBS during development and modernisation projects (M€)	8.8
Number of NBS buildings treated (nb)	2,405
Population benefiting from NBS treatment (Number of persons)	5,550

4.4 EXTRA-FINANCIAL REPORTING METHODOLOGY

The social, societal and environmental reporting initiative of SNCF Réseau is based on the reporting obligation indicated in Articles L. 225-102-1 and R. 225-104 to R. 225-105 of the French Commercial Code. It is inspired by the international standards and norms, notably:

- The transparency principles of the Global Reporting Initiative (GRI 3), that SNCF Réseau has been using as a reporting framework since its 2009 sustainable development report (at the time of RFF);
- The ISO 26000 standard on the Social Responsibility of Organisations.

Reporting governance, the process, the timetable and the methodological specificities of certain indicators are explained in a methodology note available on-line. It is based on the preparation of an extra-financial reporting protocol that has not been published to date, although the company has referenced it internally.

Due to the rail reform and the resulting changes in scope, the reference years of this reporting is 2015. SNCF Réseau will publish a sustainable development report in mid-2016. The indicator summary table is available on-line.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

31 December 2015

SNCF RESEAU GROUP ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

IFRS In € millions

15-17 rue Jean-Philippe Rameau – 93212 La Plaine Saint-Denis Cedex

Contents

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED ASSETS

In € millions	**Notes**	**31/12/2015**	**31/12/2014 restated**
Intangible assets	4.1.1	247	98
Property, plant and equipment	4.1.2	57,476	61,738
Financial assets	6	3,827	2,750
Investments in companies consolidated under the equity method		9	-
Deferred tax assets	7.3	3,691	3,801
Non-current assets		**65,250**	**68,388**
Inventories and work-in-progress	4.6.1	478	-
Operating receivables	4.6.2	2,658	1,785
Grants receivable	4.6.3	2,052	2,117
Financial assets	6	172	678
Cash and cash equivalents	6	2,523	2,863
Current assets		**7,882**	**7,442**
Assets classified as held for sale	4.4	1	1
Total assets		**73,132**	**75,830**

As the balance sheet presentation was modified in 2015, the 2014 balance sheet has been restated so that its presentation is comparable with that of 2015. The reconciliation between the two presentation formats is described in Note 2 – "Major events".

CONSOLIDATED EQUITY AND LIABILITIES

In € millions	Notes	31/12/2015	31/12/2014 Restated
Share capital	6.4	9,765	9,765
Reserves and accumulated deficit		-21,395	-11,661
Equity attributable to equity holders of the parent		**-11,630**	**-1,897**
Non-controlling interests (minority interests)		-	-
Total equity		**-11,630**	**-1,897**
Non-current employee benefits	5	837	15
Non-current provisions	4.7	583	430
Investment grants	4.2	26,011	24,222
Non-current financial liabilities	6	44,720	41,550
Right of use granted to the concession holder	4.3	2,469	2,065
Non-current liabilities		**74,620**	**68,281**
Current employee benefits	5	52	-
Current provisions	4.7	32	25
Operating payables	4.6.4	4,204	3,035
Grants	4.2	1,793	1,966
Current financial liabilities	6	4,059	4,418
Current liabilities		**10,140**	**9,444**
Liabilities associated with assets classified as held for sale	4.4	2	2
Total equity and liabilities		**73,132**	**75,830**

As the balance sheet presentation was modified in 2015, the 2014 balance sheet has been restated so that its presentation is comparable with that of 2015. The reconciliation between the two presentation formats is described in Note 2 – “Major events”.

CONSOLIDATED INCOME STATEMENT

In € millions	Notes	31/12/2015	31/12/2014 restated
Revenue	3.1	6,264	6,026
Purchases and external charges	3.2	-2,848	-3,698
Employee benefit expense	3.3	-1,202	-132
Taxes and duties other than income tax	3.4	-146	-86
Other operating income and expenses		27	-5
Gross profit	**3**	**2,095**	**2,104**
Depreciation and amortisation	4.1.4	-1,776	-1,583
Net movement in provisions		-56	-41
Investment grants released to profit or loss	4.2.3	618	582
Net proceeds from asset disposals	4.1.5	72	89
Current operating profit/(loss)		**952**	**1,152**
Impairment losses	4.5	-9,600	-
Operating profit/(loss)		**-8,648**	**1,152**
Share of net profit of companies consolidated under the equity method		1	-
Operating profit/(loss) after share of net profit of companies consolidated under the equity method		**-8,646**	**1,152**
Net borrowing and other costs	6.1	-1,212	-1,299
Net finance cost of employee benefits	5.3	-13	-
Finance cost		**-1,225**	**-1,299**
Net profit/(loss) from ordinary activities before tax		**-9,871**	**-146**
Income tax expense	7	-45	-67
Net profit/(loss) from ordinary activities		**-9,916**	**-213**

As the income statement presentation was modified in 2015, the 2014 income statement has been restated so that its presentation is comparable with that of 2015. The reconciliation between the two presentation formats is described in Note 2 – "Major events".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions	Notes	31/12/2015	31/12/2014
Net profit/(loss) for the year		**-9,916**	**-213**
Other comprehensive income:			
Change in fair value of cash flow hedges	6.3.1.1	344	-516
Tax on change in fair value of cash flow hedges		-134	173
Total recyclable other comprehensive income		**211**	**-344**
Actuarial gains and losses arising from employee defined benefit plans	5	-14	-2
Tax on actuarial gains and losses arising from defined benefit plans		-	1
Total non-recyclable other comprehensive income		**-14**	**-2**
Total comprehensive income/(loss) for the year		**-9,719**	**-558**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € millions	Share capital	Non-recyclable reserves	Recyclable reserves	Accumulated reserves	Net profit/(loss) for the year	Total equity
Equity published as at 31/12/2013	**9,765**	**-**	**-637**	**-10,412**	**-60**	**-1,344**
Opening correction	-	-	-	-	-	-
Impact of changes in accounting method	-	-	-	6	-	6
Equity restated as at 01/01/2014	**9,765**	**-**	**-637**	**-10,406**	**-60**	**-1,338**
Net profit/(loss) for the year	-	-	-	-	-213	-213
Other comprehensive income	-	-2	-344	-	-	-345
Total comprehensive income	**-**	**-2**	**-344**	**-**	**-213**	**-558**
Appropriation of earnings	-	**-**	-	-60	60	-
Change in scope	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Equity restated as at 31/12/2014	**9,765**	**-2**	**-981**	**-10,466**	**-213**	**-1,897**
Impact of changes in accounting method	-	-	-	-	-	-
Equity restated as at 31/12/2014	**9,765**	**-2**	**-981**	**-10,466**	**-213**	**-1,897**
Net profit/(loss) for the year	-	-	-	-	-9,916	-9,916
Other comprehensive income	-	-14	211	-	-	197
Total comprehensive income	**-**	**-14**	**211**	**-**	**-9,916**	**-9,719**
Appropriation of earnings	-	-	-	-213	213	-
Change in scope	-	-	-	-13	-	-13
Other changes	-	-	-	-1	-	-1
Equity published as at 31/12/2015	**9,765**	**-15**	**-770**	**-10,693**	**-9,916**	**-11,630**

CONSOLIDATED CASH FLOW STATEMENT

In € millions	Notes	31/12/2015	31/12/2014 restated
Net profit/(loss) for the year attributable to equity holders of the parent		-9,916	-213
Net profit for the year attributable to non-controlling interests		-	-
Net profit/(loss) for the year		**-9,916**	**-213**
Eliminations of:		-	-
share of profit of associates		-1	-
deferred tax expense (income)		44	45
depreciation, amortisation, and provisions		10,817	1,030
revaluation gains/losses (fair value)	6.1	20	83
net proceeds from disposals and gains and losses on dilution	4.1.5	-72	-89
Other non-cash income and expenses		-	-
Cash from operations after net borrowing costs and taxes		**893**	**855**
Eliminations of:		-	-
current income tax expense (income)	7	-	22
net borrowing costs	6.1	1,188	1,216
dividend income		-	-
Cash from operations before net borrowing costs and taxes		**2,082**	**2,094**
Impact of change in working capital requirement	4.6	222	60
Taxes paid (collected)		-25	-22
Cash flow from operating activities		**2,279**	**2,132**
Acquisitions of subsidiaries, net of cash acquired	4.5.	-158	-
Disposals of subsidiaries, net of cash transferred(2)		-	-
Purchases of intangible assets and property, plant and equipment	4.1	-5,116	-5,614
Disposals of intangible assets and property, plant and equipment		76	128
New concession financial assets		-	-
Cash inflows from concession financial assets		-	-
Purchases of financial assets		-	-
Disposals of financial assets		-	-
Changes in loans and advances		-	-
Investment grants received	4.2.3	1,196	1,298
Cash flow used in investing activities		**-4,002**	**-4,188**
Cash from equity transactions		2	-
Issue of borrowings		4,005	4,749
Repayments of borrowings		-1,622	-2,261
Net borrowing costs paid		-1,167	-1,248
Dividends paid to Group shareholders		-	-
Dividends paid to non-controlling interests		-	-
Increase/(decrease) in cash borrowings		100	409
Increase/(decrease) in derivatives		-	-
Cash flow from financing activities		**1,318**	**1,648**
		-	-
Impact of changes in exchange rates		-	-
Impact of changes in accounting principles		1	-
Impact of changes in fair value		-	2
Increase (decrease) in cash and cash equivalents		**-404**	**-406**
Opening cash and cash equivalents	6	2,851	3,257
Closing cash and cash equivalents	6	2,447	2,851

** including impact from the addition of the Infrastructure division (€155 million) and the Eurailscout BV share capital increase (€3 million)*

As the cash flow statement presentation was modified in 2015, the 2014 cash flow statement has been restated so that its presentation is comparable with that of 2015. The reconciliation between the two presentation formats is described in Note 2 – "Major events".

PRESENTATION OF THE STATE-OWNED INSTITUTION SNCF RÉSEAU

1 January 2015, date on which the French rail reform came into effect, RFF adopted the name SNCF Réseau. 1 July 2015, SNCF Mobilités transferred all assets, rights and obligations related to infrastructure management (see breakdown of the transaction in Note 2.1 “Rail reform”) to SNCF Réseau. The Boards of Directors of SNCF Réseau and SNCF Mobilités approved the transaction on 18 and 25 June 2015, respectively.

The transfers were recognised on July 1, 2015. Hence, during 2014, the RFF Group consolidated financial statements represented the historical financial statements of the new SNCF Réseau Group.

SNCF Réseau is a State-owned industrial and commercial institution (EPIC), subject to rules applicable to industrial and commercial companies with respect to its financial management and accounting. It keeps its accounts in accordance with the legal and regulatory provisions prevailed in France. It was created by the Law 97-135 of 13 February 1997, as an independent entity and owner of the French railway infrastructures previously allocated to SNCF, with retroactive effect to 1 January 1997.

The SNCF Réseau head office is located at 15-17 rue Jean-Philippe Rameau – 93212 La Plaine Saint-Denis.

Within the SNCF Group, one of the world’s leading mobility and logistics groups, SNCF Réseau maintains, upgrades, develops and sells access to the French national rail network to promote regional solidarity.

The consolidated financial statements for the year ended 31 December 2015 were approved by the Board of Directors on 9 March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING STANDARDS BASE

The terms "SNCF Réseau Group", "Group" and "SNCF Réseau" designate the parent company EPIC SNCF Réseau and its consolidated subsidiaries.

The terms “State-owned institution SNCF Réseau”, "EPIC", "EPIC Réseau", "Réseau" and "EPIC SNCF Réseau" refer solely to the parent company.

The figures shown in the tables are expressed in million of euros. Rounding off may, in certain cases, gave rise to insignificant differences in aggregate amounts.

1.1 APPLICATION OF IFRS

Pursuant to European Regulation 1606/2002 of 19 July 2002, the consolidated financial statements of SNCF Réseau Group for the year ended 31 December 2015 have been prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union at this date. The IFRS framework may be consulted on the European Commission website as adopted in the European Union:

(http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm).

The basis of preparation for the 2015 consolidated financial statements detailed in the following notes is the result of:

- standards and interpretations of mandatory application for fiscal years commencing on or before 1 January 2015, as described in a grey inset in each note to the financial statements;

- elected accounting options and exemptions applied in the preparation of the 2015 financial statements. These options and exemptions are described in the notes to the financial statements concerned.

1.1.1 Standards and interpretations published by the IASB whose application is mandatory for fiscal years commencing on or after 1 January 2015

The amendments to standards and interpretations and new published standards applicable as of 1 January 2015 which, in particular, have an impact on the Group consolidated financial statements are as follows:

Standard or interpretation	Summarised description	2015 impacts	Date of adoption (fiscal year beginning as of)
IFRIC 21 "Levies"	This interpretation, retrospectively applicable, covers the recognition of levies not falling under IAS 12 "Income taxes." Its purpose is to clarify the mandatory event that gives rise to the recognition of a liability to pay a levy without treating the offset of this liability.	The application of IFRIC 21 had no impact on fiscal year 2015, as SNCF Réseau elected for the early adoption of this interpretation in fiscal year 2014.	IASB: 01/01/2014 EU: 17/06/2014 Group: 01/01/2014

1.1.2 Standards and interpretations not adopted in advance for the preparation of 2015 consolidated financial statements

The Group has not opted for the early application of the other standards and interpretations applicable to fiscal years starting on or after 31 December 2015, regardless of whether they were adopted by the European Commission.

In particular, the Group did not adopt the following standards for its 2015 consolidated financial statements:

Standard or interpretation	Summarised description	Expected impacts	Date of adoption (fiscal year beginning as of
IFRS 15 "Revenue from contracts with customers"	This new standard proposes a single revenue recognition model applicable to all types of customer contracts, regardless of the entity's business segment. This model, which follows five key steps, is based on the transfer of control which may be continuous or at a given time. The notion of risks transfer and rewards is no longer predominant. Revenue is recognised on the supply of goods or services for the amount of the consideration expected in exchange.	Analysis ongoing	IASB: 01/01/2018 EU: Not adopted Group: awaiting adoption
IFRS 9 "Financial instruments"	The purpose of the revised standard is to replace the current IAS 39 on financial instruments. The three covered topics are the classification and measurement of financial instruments, a methodology for the impairment of financial assets and	Analysis ongoing	IASB: 01/01/2018 EU: Not adopted Group: awaiting adoption

	hedge accounting.		

1.2 ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the Group accounts, management must make estimates, as numerous items included in the consolidated financial statements cannot be precisely valued . The accounting estimates used for the 31 December 2015 financial statements were prepared under the current context of uncertainty regarding business outlooks. Management is required to revise its estimates in the event of a change in circumstances on which they are based or as a result of new information or further experience. As such, the estimates adopted on 31 December 2015 may be materially modified and subsequent actual results may materially differ from these estimates based on different assumptions or conditions.

These estimates and assumptions primarily concern:

- Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication that a non-financial asset may have lost value, necessitating the performance of tests.

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

- Derivative 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 6).

Fair value is determined:

- o either based on quoted prices in an active market (level 1 according to IFRS 7); or
- o 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
- o 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 not quoted prices. Consequently they are valued based on models commonly used by market participants to assess these financial instruments.

Valuation for derivative instruments calculated in-house are tested every six months for consistency with the valuation provided by our counterparts.

- Recognition of deferred tax assets

A deferred tax asset is recognised when it is probable that the Group will generate future taxable profits against which unused tax savings may be offset. The Group's ability to recover these tax assets is analysed based on its business plan, contingencies relating to the economy and the uncertainties surrounding markets in which the Group is active. (see Note 4.5. – “Impairment testing of non-current assets”).

- Employee benefit-related items

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

- Provision for environmental risks

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

Amounts recorded for site decontamination are based on the best possible estimate resulting from year-end assessments and take into account valuation for known risks currently being assessed (see Note 4.7).

Amounts recorded for the removal of asbestos from rolling stock correspond to the estimated costs at the end of the equipment's life. These costs are determined based on new contracts signed, orders placed or the target prices of ongoing calls for tender.

1.3. BASIS OF CONSOLIDATION

Entities under control, joint ventures and associates

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

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

Entities in which the Group exercises significant influence over financial and operating policies, but which are not controlled (associates) are equity-accounted. Significant influence is presumed to exist where the Group holds an interest of 20% or more.

The list of Group entities, joint ventures, joint operations, and associates is presented below.

Name of the entity	% interest	% control	Consolidation method
SNCF Réseau	100	100	Parent company
SFERIS	100	100	Full consolidation
CDG Express Etudes	33.33	33.33	Method applicable to joint operations
EURAILSCOUT BV	50	50	Equity accounting

The entry of Sféris and Eurailscout BV into the scope of consolidation was subsequent to the transfer of the Infrastructure division to SNCF Réseau.

Airefsol, previously 33% owned by SNCF Réseau, and equity-accounted, was sold on 1 July 2015 to SNCF under the rail reform, and has therefore been removed from the scope of consolidation.

2. MAJOR EVENTS

2.1 RAIL REFORM

The rail reform law enacted on 4 August 2014 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 segment players by maintaining the status of railway employees and unifying their group;
- Greater regulatory authority to guarantee the impartiality of network accessibility.

The 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 of 1 January 2015, the date of effect of the reform law, an economically integrated group organised according to three EPICs was set up:

- The EPIC SNCF (Société Nationale des Chemins de fer Français until 30 November 2014), now SNCF Mobilités, continues to carry out all the transport activities of the former SNCF Proximités, SNCF Voyages and SNCF Logistics segments, and manage the stations of the Gares & Connexions segment.
- The EPIC Réseau Ferré de France (RFF), now SNCF Réseau, unifies all the infrastructure management functions by combining the Infrastructure and Rail Network Operation and Management activities formerly part of the SNCF Infrastructure division.
- A "parent" EPIC, created on 1 December 2014 as part of the reform and called SNCF, is responsible for the public rail group's strategic control and steering, economic coherence, industrial integration, social unity and cohesion.

The rail reform law also strengthened the rules governing the financing of investments to develop the French national rail network in order to limit the increase in the SNCF Réseau debt. To limit the SNCF Réseau debt, the legislator defined the “golden rule” principle: should the maximum threshold defined for the Net Debt/Gross Profit ratio be exceeded, the investment projects will be funded by the State, local authorities or any other requesting party. The golden rule application decree is currently being drafted.

The application decrees of 11 February 2015 set out the date of effective implementation for the transfer of assets and liabilities between the three EPICs. The date of implementation, 1 July 2015, corresponds to the issue date of the new safety certificates.

Accordingly, on 1 July, and pursuant to the transfer agreements, the SNCF Réseau Group received assets and liabilities from the Infrastructure division. The net value of the transferred assets and liabilities, calculated using the SNCF Group financial statements for the half-year ended 30 June 2015, was €155 million. In exchange for these transfers, SNCF Réseau paid SNCF Mobilités a total of €155 million.

Considering the above, the transfer balance sheet was prepared using IFRS net carrying amounts, as provided by French law; it breaks down as follows:

(In € millions)	**01/07/2015**
Intangible assets	73
Property, plant and equipment	713
Financial assets	32
Deferred taxes	68
Non-current assets	**887**
Inventories and work-in-progress	491
Operating receivables	1,396
Current assets	**1,887**
TOTAL ASSETS	**2,774**

(In € millions)	**01/07/2015**
Employee benefits	847
Provisions	121
Non-current liabilities	**968**
Operating payables	1,650
Transfer debt	155
Current liabilities	**1,805**
TOTAL LIABILITIES	**2,774**

On 1 July 2015, non-current assets were transferred from SNCF Réseau to the new SNCF in the net amount of €1 million.

Finally, these initial transfers were followed by the transfer on 1 July 2015 from SNCF Mobilités to SNCF Réseau of sites comprising freight terminals and military tracks in the amount of €54 million.

2.2 COMPARABILITY OF FISCAL YEARS

The presentation of the consolidated statement of financial position, the consolidated income statement, and the consolidated cash flow statement was modified in 2015. These changes were made to reflect SNCF Réseau's post-reform business model and for purposes of alignment with the Public Rail Group financial statements.

In order to facilitate the comparison of the financial statements between fiscal years 2014 and 2015, the figures published by SNCF Réseau on 31 December 2014 were restated. The breakdown of these restatements is shown in the following reconciliation tables.

The following table shows the reconciliation between SNCF Réseau's 2014 published assets and the restated format:

(In € millions)	31/12/2014 published	Reclassifications	31/12/2014 restated
Intangible assets	98	-	98
Investment property	355	-355	-
Property, plant and equipment	61,384	355	61,738
Non-current financial assets	1,181	1,568	2,750
Derivative instruments	1,177	-1,177	-
Deferred assets	3,801	-	3,801
Non-current assets	**67,996**	**392**	**68,388**
Trade receivables	839	-839	-
Other receivables	892	-892	-
Operating receivables	-	1,784	1,785
Grants receivable	2,360	-243	2,117
Current financial assets	467	211	678
Derivative instruments	263	-263	-
Cash and cash equivalents	2,864	-	2,863
Assets held for sale	1	-1	-
Current assets	**7,685**	**-242**	**7,442**
Assets held for sale	-	1	1
TOTAL ASSETS	**75,681**	**150**	**75,830**

The following changes were made to the presentation of assets:

- Reclassification of "Fixed asset receivables" and "Current accounts" from "Current financial assets" to "Operating receivables";
- Combination of headings for a more summarised presentation:
    - Investment property is no longer presented separately in the balance sheet but is allocated to property, plant and equipment;
    - Derivative instruments are no longer presented separately on specific lines in the balance sheet but included in current and non-current financial assets according to their maturity;
    - "Trade receivables" and "Other receivables" are reclassified as "Operating receivables".

The following table shows the reconciliation between SNCF Réseau 2014 published equity and liabilities and the restated format:

(In € millions)	31/12/2014 published	Reclassifications	31/12/2014 restated
Capital injection	9,765	-	9,765
Reserves and accumulated deficit	-11,661	-	-11,661
Equity attributable to equity holders of the parent	**-1,897**	**-**	**-1,897**
Total equity	**-1,897**	**-**	**-1,897**
Employee benefits	-	15	15
Provisions	446	-15	430
Grants	24,222	-	24,222
Non-current borrowings	39,545	-39,545	-
Derivative instruments	2,001	-2,001	-
Non-current financial liabilities	-	41,550	41,550
Right of use granted to the concession holder	1,947	118	2,065
Other liabilities	91	-91	-
Non-current liabilities	**68,250**	**31**	**68,281**
Provisions	25	-	25
Trade payables	322	-322	-
Grants	1,816	149	1,966
Other payables	902	-902	-
Operating payables	-	3,035	3,035
Current borrowings	4,090	-4,090	-
Other financial liabilities	1,944	-1,944	-
Derivative instruments	228	-228	-
Current financial liabilities	-	4,418	4,418
Liabilities associated with assets held for sale	2	-2	-
Current liabilities	**9,327**	**115**	**9,444**
Liabilities associated with assets held for sale	-	2	2
TOTAL EQUITY AND LIABILITIES	**75,681**	**149**	**75,830**

The following changes were made to the presentation of equity and liabilities:

- Reclassification of "Fixed asset payables" and "Current accounts" from "Other current and non-current financial assets" to "Operating payables";
- Identification of employee benefits in a separate heading, considering the transfer to SNCF Réseau of personnel assigned to infrastructure management tasks;
- Combination of headings for a more summarised presentation:
  - Derivative instruments and borrowings are no longer presented separately on specific lines in the balance sheet but included in current and non-current financial liabilities according to their maturity;
  - "Trade and other payables" are included within the new heading "Operating payables".
  - heading "Other non-current liabilities" is deleted, the balance (deposits and guarantees) being classified as "Non-current financial liabilities".

The following table shows the reconciliation between SNCF Réseau 2014 published income statement and the restated format:

(In € millions)	**31/12/2014 published**	**Reclassifications**	**31/12/2014 restated**
Revenue	5,917	109	6,026
Operating grants	149	-149	-
Delegated management fees	-3,218	3,218	-
Other network expenses	-160	160	-
Purchases and external charges	-	-3,698	-3,698
Employee benefit expense	-	-132	-132
Taxes and duties other than income tax	-86	-	-86
Other operating income and expenses	-504	500	-5
Gross profit	2,097	**7**	2,104
Depreciation and amortisation	-1,569	-14	-1,583
Net movement in provisions	-15	-26	-41
Investment grants released to profit or loss	582	-	582
Other current income	147	-147	-
Other current expenses	-91	91	-
Net proceeds from asset disposals	-	89	89
Current operating profit/(loss)	**1,152**	**-**	**1,152**
Non-current income	-	-	-
Non-current expenses	-	-	-
Impairment losses	-	-	-
Operating profit/(loss)	**1,152**	**-**	**1,152**
Gross borrowing costs	-1,308	1,308	-
Income from cash and cash equivalents	7	-7	-
Net borrowing and other costs	-	-1,299	-1,299
Other financial income	8	-8	-
Other financial expenses	-5	5	-
Finance cost	**-1,299**	**-**	**-1,299**
Income tax expense	-67	-	-67
Share of net profit of companies consolidated under the equity method	-	-	-
Minority interests	-	-	-
Net profit/(loss) attributable to equity holders of the parent	**-213**	**-**	**-213**

The following changes were made to the income statement presentation:

- "Delegated management fees" is deleted and included within "Purchases and external charges", as these fees disappeared with the reform;
- The other reclassifications were carried out to comply with the income statement presentation and gross profit of the Public Rail Group (see gross profit definition in Note 3).

The following table shows the reconciliation between SNCF Réseau 2014 published cash flow statement and the restated format:

(In € millions)	31/12/2014 published	Reclassifications	31/12/2014 restated
Net profit/(loss) for the year	**-213**		**-213**
Eliminations:			
tax expense (income)	67	-67	-
deferred tax expense(income)		45	45
depreciation, amortisation and provisions	1,567	-539	1,030
grants released to profit or loss	-582	582	-
other income and expenses calculated	25	-25	-
revaluation gains/losses (fair value)		83	83
net proceeds from disposals and gains and losses on dilution	-88	-1	-89
Cash from operations after net borrowing costs and taxes	**775**	**79**	**855**
Eliminations:			
current income tax expense (income)		22	22
net borrowing costs	1,301	-85	1,216
Cash from operations before net borrowing costs and taxes	**2,076**	**16**	**2,093**
Impact of change in working capital requirement	64	-2	61
Taxes paid (collected)	-22	-	-22
Cash flow from operating activities	**2,118**	**14**	**2,132**
Purchases of intangible assets and property, plant and equipment	-5,991	376	-5,614
Disposals of intangible assets and property, plant and equipment	130	-2	128
Investment grants received	1,888	-590	1,298
Cash flow used in investing activities	**-3,972**	**-216**	**-4,188**
Issue of borrowings	7,596	-2,847	4,749
Repayments of borrowings	-4,953	2,691	-2,261
Net borrowing costs paid	-1,440	193	-1,248
Increase/(decrease) in cash borrowings	16	393	408
Increase/(decrease) in investments	236	-236	-
Cash flow from financing activities	**1,455**	**194**	**1,648**
Impact of changes in exchange rates			
Impact of changes in accounting principles			
Impact of changes in fair value		3	3
Increase (decrease) in cash and cash equivalents	**-399**	**-6**	**-406**
Opening cash and cash equivalents	3,251	6	3,257
Closing cash and cash equivalents	2,851	-	2,851

The following changes were made to the cash flow statement presentation:

- Presentation of the elimination of tax impact on two separate lines (deferred and current tax);
- Removal of the heading "Grants released to profit or loss", now combined with "Depreciation, amortisation and provisions";
- Reclassification of "Fair value adjustments" presented in borrowing costs to a specific line under "Cash from operations after net borrowing costs and taxes";
- Reclassification of capitalised interest from "Cash flow from financing operations" to "Cash flow used in investing operations";
- Presentation of commercial paper issues, net of repayments, and reclassification under "Increase/(decrease) in cash borrowings.

2.3 IMPAIRMENT LOSS

An impairment test was carried out in connection with 31 December 2015 closing. The components of this test are detailed in Note 4.5. – "Impairment testing of non-current assets". The outcome of this test led to the recognition of a €9.6 billion impairment loss for Infrastructure CGU assets.

2.4 RAIL ACCIDENT

14 November 2015, a TGV test train derailed, resulting in 53 casualties, including 11 deaths, in Eckwersheim, Alsace. The internal report on the immediate investigation carried out by the SNCF General Safety Audit Department was submitted to the Chairmen of the Public Rail Group on 19 November 2015. After examining the events recorder, the investigators established that the speed of the test train at the moment it entered the track section exceeded the recommended speed for a test program. This resulted in a late braking sequence which should have been initiated much earlier. A provision covering the insurance deductible was charged to the SNCF Réseau financial statements for the year ended 31 December 2015 (see Note 4.7. – "Provisions for liabilities and charges").

2.5 TAX AUDIT

Since July 2015, SNCF Réseau has been the subject of a tax audit concerning fiscal years 2012, 2013 and 2014. In December 2015, a tax reassessment interrupting the limitation period was received for fiscal year 2012. The grounds for reassessment were rejected by SNCF Réseau in a letter dated 12 February 2016. No provision was therefore recorded in the 2015 financial statements.

2.6 SUBSEQUENT EVENTS

18 February 2016, the Chairman of the Board of Directors resigned. He will continue to carry out his duties until his successor is appointed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. GROSS PROFIT

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

Revenue mainly comprises services carried out in the context of railway activities and is recognised at the date on which these services are rendered.

Expenses directly related to operating activities include primarily purchases, subcontracting costs, other external services, employee costs, taxes and duties other than income tax, and other miscellaneous items. All charges to employee-related provisions and, specifically, charges related to employee commitments (excluding the finance cost), are included in "Employee benefits expense".

Gross profit is separate from current operating profit, which includes the majority of non-cash items (depreciation and amortisation, provisions, impairment, etc.) and other miscellaneous items not directly attributable to another income statement account. Impairment and impairment reversals of operating assets are recognised below gross profit under "Net change in provisions". In this case, the gross profit allocation is entered when the loss becomes effective.

Charges to provisions for liabilities and charges are also recognised under "Net movement in provisions," are unused reversals. Used reversals are recognised with the expense they hedge within gross profit.

3.1 REVENUE

Revenue mainly comprises services carried out in the context of railway activities and is recognised at the date on which these services are rendered. These infrastructure fees primarily break down as follows:

- train path access fees,
- booking fees,
- traffic fees,
- station access fees (platform fees),
- electrical traction usage fees, including the fees to use electrical traction installations (RCE) and the electricity transmission and distribution fees (RCTE).

Added to these infrastructure fees is the rate compensation paid by the French State to cover the marginal cost of freight traffic, together with the fees paid by freight companies. They are recognised in revenue as they are analysed as price supplements.

Other income primarily comprises sales of supplies (old materials) and "non-traffic related" products comprising rental income.

Revenue breaks down as follows:

In € millions	31/12/2015	31/12/2014 restated	Change
Access fees	1,985	1,957	28
Booking fees	2,056	2,024	32
Traffic fees	1,410	1,367	44
Platform fees	94	100	-6
Additional electrical traction usage and electricity transmission fees*	259	261	-1
Other proceeds	43	45	-2
Infrastructure fees	**5,848**	**5,754**	**94**
Freight compensation	31	109	-77
Other income	384	163	221
Total revenue	**6,264**	**6,026**	**238**

* of which electricity transmission fees: €158 million

3.2 PURCHASES AND EXTERNAL CHARGES

Purchases and other external charges break down as follows:

In € millions	31/12/2015	31/12/2014 restated	Change
Delegated management fees	-1,619	-3,218	1,599
Electricity transmission and traction means	-243	-160	-83
Upkeep and maintenance	-278	-49	-229
Professional fees and IT services	-240	-223	-17
Other purchases and external charges	-468	-48	-419
Purchases and external charges	**-2,848**	**-3,698**	**851**

Assuming the transfers had taken place on 1 January 2015, the estimated amount of purchases and external charges, net of capitalised production, would total €1,916 million.

Delegated management fees (until 30 June 2015)

Prior to the rail reform, SNCF carried out the following three activities for SNCF Réseau which it invoiced accordingly:

- creation of the system which organises all rail traffic on the network, referred as “train running diagrams”;
- management of safety and control systems and traffic management;
- supervision, maintenance, repair and other measures necessary for the operation of the network and all technical facilities.

The amount shown therefore corresponds to the amount for the first half of 2015.

Following the implementation of the rail reform on 1 July 2015, the heading “Delegated management fees” was replaced in the second half of the year by “Employee benefit expense and external purchases”.

Other purchases and external charges

This heading includes the rental expenses borne by SNCF Réseau.

3.3 EMPLOYEE BENEFIT EXPENSE AND HEADCOUNT

Employee benefit expense mainly comprises wages, employee benefits and employee profit-sharing. It includes the costs incurred for the individual training right (DIF), which represent an expense for the period and no provision is recognised. from 1 January 2015, pursuant to Law 2014-288 of 5 March 2014 related to professional training, employment and social democracy, the DIF was replaced by the personal training account (CPF).

Employee benefit expense also includes the Competitiveness and Employment Tax Credit (CICE) introduced by the amending finance act of 29 December 2012.

31 December 2015, the employee benefit expense and headcount break down as follows:

In € millions	**31/12/2015**	**31/12/2014 restated**	**Change**
Wages and salaries	-1,192	-113	-1,079
Other employee benefits	-3	-5	1
Seconded and temporary employees	-6	-14	8
Total employee benefit expense	**-1,202**	**-132**	**-1,070**
Average number of equivalent full-time employees	**27,325**	**1,533**	**25,792**

In 2015, the average number of equivalent full-time employees was 27,325 FTE. This was calculated using the same scenario as that used for employee benefit expense, i.e. the transfer of the employees of SNCF Infra and Rail Network Operation and Management on 1 July 2015.

Assuming the transfers had taken place on 1 January 2015, the average number of equivalent full-time employees would be 53,694 FTE for an employee benefit expense of €2,372 million, net of capitalised production.

3.4 TAXES AND DUTIES OTHER THAN INCOME TAX

Taxes and duties other than income tax included in gross profit mainly comprise the Territorial Economic Contribution (CET).

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

In € millions	31/12/2015	31/12/2014 restated	Change
Property taxes	-28	-24	-4
Territorial Economic Contribution	-69	-48	-21
Other taxes and duties other than income	-50	-14	-35
Taxes and duties other than income	**-146**	**-86**	**-60**

Assuming the transfers had taken place on 1 January 2015, estimated taxes and duties other than income would amount to €210 million.

4. OPERATING ASSETS AND LIABILITIES

4.1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

4.1.1 Intangible assets

Intangible assets include purchased and internally-developed software.

Software purchased for valuable consideration is recognised at acquisition costwhich 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 which is generally less than 5 years.

Internally-developed software is recognised in assets at production cost where it meets the corresponding IAS 38 criteria.

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.

Net intangible assets on 31 December 2015 break down as follows:

	31/12/2015			31/12/2014 restated		
In € millions	**Gross**	**Amortisation / impairment**	**Net**	**Gross**	**Amortisation / impairment**	**Net**
Concessions, patents, software	352	-267	84	166	-100	66
Other intangible assets	148	-68	80	33	-16	17
Intangible assets in the course of development	82	-	82	16	-	16
TOTAL	**582**	**-336**	**246**	**214**	**-116**	**98**

Movement in net intangible assets break down as follows:

In € millions	Concessions, patents, software	Other intangible assets	Intangible assets in the course of development	**Total**
Net carrying amount as at 01/01/2014	**27**	**15**	**31**	**72**
Acquisitions	4	-	36	**39**
Amortisation and provisions	-16	-6	-	**-22**
Other changes	51	8	-51	**8**
Net carrying amount as at 31/12/2014 (restated)	66	17	16	**98**
Acquisitions	2	-	63	**65**
Disposals	-	-	-	**-**
Amortisation and provisions	-34	-31	-	**-64**
Impairment losses	-23	-22	-	**-45**
Changes in consolidation scope	46	-	28	**73**
Exchange differences	-	-	-	**-**
Other changes	27	115	-24	**119**
Net carrying amount as at 31/12/2015	**84**	**80**	**82**	**246**

Acquisitions in 2015 included internally generated software commissioned or in the course of development.

Changes in consolidation scope include the impact of the transfer of the Infrastructure division to SNCF Réseau (see Note 2.1 – "Rail reform") for €73 million.

Intangible assets totalling €142 million were commissioned in 2015 (including "industrial process" components of €115 million), compared with €59 million in 2014.

The impact on "Impairment losses" in 2015 stemmed from the €45 million impairment loss recorded for the Infrastructure CGU, as developed in Note 4.5 – "Impairment losses".

4.1.2 Property, plant and equipment

Property, plant and equipment primarily consist of French national rail network infrastructures. They are valued at acquisition or production cost.

Rail infrastructures

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 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 with the sum of fees invoiced by the partners or concession holder plus the present value of future fees payable, multiplied by the percentage completion.

SNCF Réseau carries out annual impairment tests on assets in the course of construction, by comparing their carrying amount with their recoverable amount, corresponding to their value in use. The objective is to identify, via a provision for dormant projects, the risk of non-completion of the project which could result in costs being capitalised with no assets ultimately created.

When investment in a project is discontinued, the expenditure recognised is written down to its

recoverable amount. If an exceptional event calls project completion into question, the expenses are written down in full.
Impairment is calculated net of earned grants related to the corresponding projects.

Investment property

Investment property consists of property assets held by the Group in order to collect rents or for capital appreciation.

Investment property is measured at acquisition cost and depreciated on a straight-line basis over the respective useful lives.

On the first-time application of IFRS, the carrying amount of investment property 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.

Rolling stock

Expenses under multi-year major overhaul programmes are capitalised as a separate overhaul component which is then depreciated.

Overhauls performed at the end of the initial useful life of a component, together with refurbishment and transformation costs, are capitalised in assets where they extend the useful life.

As with the dismantling obligations, asbestos removal obligations for rolling stock are offset against an increase in the value of the equipment in balance sheet assets.

Net property, plant and equipment on 31 December 2015 break down as follows:

	31/12/2015			31/12/2014 restated		
In € million	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Investment property	361	-23	339	377	-22	355
Land and buildings	8,904	-2,648	6,256	8,244	-645	7,598
Tracks, earthworks, engineering works and level crossings	40,417	-17,431	22,986	38,977	-10,218	28,759
Industrial and technical plant (ITP) and other assets	990	-800	191	85	-61	23
Electrification, telecommunications, signalling	12,863	-7,370	5,494	11,980	-5,287	6,694
Transportation equipment	1,001	-802	199	5	-2	3
Property, plant and equipment in the course of construction	22,035	-22	22,013	18,319	-13	18,306
TOTAL	**86,572**	**-29,096**	**57,476**	**77,986**	**-16,248**	**61,738**

Movement in net property, plant and equipment break down as follows:

In € millions	Investment property	Land and buildings	Tracks, earthworks, engineering works and level crossings	Industrial and technical plant (ITP) and other assets	Electrification, tele-communications, signalling	Transportation equipment	Property, plant and equipment in the course of construction	Total
Net carrying amount as at 01/01/2014	**376**	**6,905**	**26,399**	**23**	**5,190**	**4**	**17,572**	**56,468**
Acquisitions	2	-	82	6	-	-	5,935	6,025
Disposals	-21	-1	-	-	-	-	-	-22
Depreciation and provisions	-2	-117	-924	-7	-511	-1	11	-1,551
Impairment losses	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-	-
Other changes	-	811	3,202	1	2,015	-	-5,211	819
Net carrying amount as at 31/12/2014 restated	**355**	**7,598**	**28,759**	**23**	**6,694**	**3**	**18,306**	**61,739**
Acquisitions	-	-	71	3	-	-	5,622	5,697
Disposals	-15	-	-	-2	-	-	-1	-18
Depreciation and provisions	-	-139	-972	-33	-555	-13	-9	-1,721
Impairment losses	-	-1,720	-6,238	-52	-1,493	-55	-	-9,557
Changes in consolidation scope	-	152	3	203	31	252	72	713
Exchange differences	-	-	-	-	-	-	-	-
Other changes	-1	364	1,362	48	817	10	-1,978	623
Net carrying amount as at 31/12/2015	**339**	**6,256**	**22,986**	**190**	**5,494**	**199**	**22,013**	**57,476**

Changes in consolidated scope correspond to the impact of the transfer of the Infrastructure division to SNCF Réseau (see Note 2.1 – "Rail reform") for €713 million.

Property, plant and equipment totalling €2,600 million were commissioned in 2015:

- €2,211 million related to railway projects;
- €203 million related to the GSMR PPP;
- €63 million related to capitalised interest;
- €123 million related to various projects, including rail equipment, machinery and other operating projects.

The breakdown of depreciation charges is shown in Note 4.1.4.

Following the annual analysis of projects in progress, a net charge of €9 million was recorded for "dormant" projects in fiscal year 2015.

The impact on "Impairment losses" in 2015 stemmed from the €9,555 million impairment loss recorded for the Infrastructure CGU, as developed in Note 4.5 – "Impairment losses".

The share of the SEA concession financed by third parties was recorded on a percentage completion basis for €805 million on 31 December 2014 and €738 million on31 December 2015 (see "Other changes").

4.1.3 Investments

Capital expenditure flows break down as follows:

In € millions	**31/12/2015**	**31/12/2014 restated**
Intangible assets	-5,706	-6,025
Property, plant and equipment	-65	-39
Total acquisitions	**-5,771**	**-6,064**
Changes in amounts payable on intangible assets and PP&E	655	451
Intangible assets and PP&E capital expenditure flows	**-5,116**	**-5,613**

Investments in intangible assets in 2015 included IT project capitalised production for €57 million.

Investments in property, plant and equipment in 2015 totalled €5,706 million, including capitalised production for €1,933 million.

This amount primarily comprised:

- €5,231 million in infrastructure investments which break down as follows:
    - €1,933 million in direct production;
    - €1,251 million in production relating to PPPs and concessions (GSMR €157 million, BPL €488 million, CNM €416 million, SEA €185 million);
    - €1,891 million in production acquired from mandated third parties;
    - €156 million in major repairs;
- €285 million in capitalised interest;
- €54 million in ongoing Freight acquisitions from SNCF Mobilités;
- €136 million in other investments.

4.1.4 Depreciation and amortisation

Intangible assets

Intangible assets, mainly comprising software and industrial processes, are amortised on a straight-line basis over their estimated useful life, i.e. between one and five years.

Property, plant and equipment

For its infrastructure, 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 the following periods defined in accordance with the recommendations of technical experts in the relevant field:

Land	Not depreciated
Improvements to land	20 to 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	15 to 50 years
Telecommunications	5 to 30 years
Level crossings	15 years
Engineering works	30 to 70 years

Trains	30 years
Improvements to buildings owned by third parties	10 to 15 years
Machinery and equipment	5 to 20 years
Furniture and office equipment	5 to 7 years
IT and telecommunications	3 to 5 years
Vehicles	5 years

Depreciation and amortisation break down as follows:

In € millions	31/12/2015	31/12/2014 restated	Change
Amortisation of intangible assets	-62	-22	-41
Depreciation of property, plant and equipment	-1,713	-1,561	-152
Depreciation and amortisation	**-1,776**	**-1,583**	**-193**

4.1.5 Net proceeds from asset disposals

Real estate and asset disposals not directly related to the activity are included in separate transactions below gross profit. This presentation has been adopted in order to provide the most reliable overview possible of the Group's recurring performance.

The net proceeds from disposal correspond to the difference between the selling price and the net carrying amount of the asset.

31 December 2015, net proceeds from asset disposals totalled €72 million (compared to €89 million on 31 December 2014) and mainly comprised the sale of various complexes and properties.

4.2 GRANTS FOR INVESTMENT PROJECTS

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

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 recognised 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 vary 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 yet to be claimed”, 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 completion percentage of work, to mirror the recognition of production in progress.

Grants yet to be claimed are recorded under balance sheet assets and described in Note 4.6.3 – “Grants receivable”.

4.2.1 Summary of non-current grants

In € millions	31/12/2015	31/12/2014 restated
Grants for assets in the course of construction	10,185	8,549
Net grants on commissioned assets	12,390	12,103
Grants for upgrade work	3,435	3,569
Total	**26,011**	**24,222**

Grants for assets in the course of construction

Grants for assets in the course of construction presented in non-current liabilities correspond to earned grants, based on the percentage of work completion.

Earned grants on 31 December 2015 total €10,185 million, including investment grants of €2,803 million in respect of the SEA PPP project.

Movement for the period break down as follows:

In € millions

Gross amount on 31/12/2014	Increase	Commissioning	Reclassification	Gross amount on 31/12/2015
8,549	2,398	-762	-	10,185

Grants for commissioned assets

Grants for commissioned assets by type of asset break down as follows:

In € millions	Intangible assets	Land and buildings	Tracks, earthworks, engineering works and level crossings	ITP, electrification, telecom	Total
Net carrying amount on 31/12/2014 restated	**7**	**1,650**	**7,711**	**2,734**	**12,103**
Grants allocated to commissioned assets during the year	30	115	244	372	762
Change in scope	-	8	-	-	8
Share of grant released to profit or loss	-11	-66	-207	-200	-483
Net carrying amount on 31/12/2015	**27**	**1,708**	**7,749**	**2,907**	**12,390**

Grants 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 release them to profit or loss according to the schedule presented in the table below:

In € million

Year of commissioning	Commissioning date	Period of release	Amount commissioned	Accumulated release	Net amount on 31/12/2015
2004	01/07/2004	38	675	-204	471
2005	25/03/2005	42	574	-147	427
2006	09/05/2006	42	878	-202	676
2007	21/03/2007	35	734	-184	550
2008	17/04/2008	33	69	-16	53
2009	17/01/2009	42	844	-183	661
2010	22/01/2010	38	436	-113	323
2011	01/01/2011	51	20	-3	17
2012	01/01/2012	28	255	-67	188
2013	01/01/2013	41	75	-6	69
Total			4,560	-1,125	3,435

4.2.2 Summary of current grants

Grants presented in current liabilities correspond to grants claimed in advance.

In € million	31/12/2015	31/12/2014 restated
Operating grants claimed in advance	181	154
Investment grants claimed in advance	1,612	1,812
Total	**1,793**	**1,966**

4.2.3 Investment grants

Investment grants had the following impacts on cash flows:

In € million	31/12/2015	31/12/2014 restated
Grant allocations	2,045	2,564
Change in receivables on grants	-849	-1,266
Investment grants received	**1,196**	**1,298**

4.2.4 Investment grants released to profit or loss

In € million	31/12/2015	31/12/2014 restated	Change
Investment grants released to profit or loss	484	457	26
Grants for upgrade and compliance work released to profit or loss	134	125	9
Total investment grants released to profit or loss	**618**	**582**	**35**

4.3 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 €2,469 million on 31 December 2015 compared with €2,065 million on 31 December 2014. It represents consideration for the share of the investment financed by the concession holder. The amount is based on the percentage of completion, which stood at 96% on 31 December 2015, communicated by the concession-holding third party based on the initial arrangement.

4.4 ASSETS AND LIABILITIES HELD FOR SALE

Article 63 of the 2006 Finance Act authorises the declassification of SNCF Réseau real estate assets that are no longer 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 that the Board of Directors has decided to sell are classified in "Assets held for sale" and are subject to a specific accounting treatment in application of IFRS 5.

The liabilities related to these assets are presented separately in the balance sheet under "Liabilities directly associated with assets held for sale".

These assets cease to be depreciated from the date of their transfer to this category.

The liabilities related to these assets are presented separately in the balance sheet under “Liabilities directly associated with assets held for sale”.

These assets cease to be depreciated from the date of their transfer to this category.

31 December 2015, assets declared as useless for railway purposes and to be sold had a net value of €1 million.

4.5 IMPAIRMENT TEST OF NON-CURRENT ASSETS

The Group assesses at each balance sheet date whether there is any indication that an asset may have lost value, necessitating the performance of a test.

To carry out this impairment testing, assets are grouped into Cash-Generating Units (CGU). A CGU is defined as the smallest group of identifiable assets whose use generates cash flow that are largely independent. SNCF Réseau has identified two CGUs: the “Infrastructure” CGU and the “Property” CGU.

Impairment of infrastructures 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 infrastructure fees;
- the amount of future costs associated with management agreements, or State financial aid,
- the average residual useful life of the assets.

The impairment test involves comparing 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 with the present value of future cash flows 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 test is based on flows calculated over ten years of the business trajectory, extended by 5 years to establish a normative year. The normative year, in this case 2030, represents the year in which the state of the network will be considered as stabilised with a sufficient level of performance. The network’s financial trajectory was still being finalised on 31 December 2015. Nevertheless, Management considers that the established financial trajectory represents the best view of the entity’s business outlook for the next ten years.

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 to which SNCF Réseau could evolve.

An impairment is recognised if the net carrying amount of the Infrastructure CGU exceeds the value in use. 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.

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 into account 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. When it 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.

Impairment of the Infrastructure CGU assets

The Infrastructure CGU comprises (i) National Rail Network assets representing 30,000 km of lines in service and renewal work in progress for an amount of €33.4 billion net of the grant, (ii) high speed lines on the verge of completion valued at €3.5 billion net of the grant and the concession grantor's financing, and (iii) other ongoing projects amounting to €1.5 billion net of the grant, for an overall total of €38.5 billion. The CGU, as such, also comprises deferred tax receivables for an amount of €3.7 billion on 31 December 2015, for an overall total of €42.2 billion.

30 June 2015, there were indications of impairment loss for two main reasons. First, the consideration of new SNCF Mobilités traffic forecasts resulted in the adoption of lower rail traffic growth assumptions, in particular due to the increase in intermodal competition. Subsequently, the various reports that appeared in early 2015 pointed out the need to intensify the National Rail Network's everyday maintenance and renewal effort.

At the time of the 2015 half-yearly closing, the SNCF Réseau financial trajectory definition was in the process of preparation and discussion within the Public Rail Group and with the French State. The necessary conditions were not in place to test and update the economic value of the CGU's assets since the French State had not arbitrated the key financial trajectory assumptions underlying this test.

31 December 2015 closing, discussions with the French State were ongoing prior to the signing of the multi-year performance agreement stipulated by the law of 4 August 2014. Nevertheless, the work conducted in the second half of 2015 allowed management to draw up a financial trajectory for SNCF Réseau that included the changes and key assumptions discussed with the French State.

The key assumptions and their quantification that underlie the asset impairment test were approved by the Board of Directors on 9 March 2016. SNCF Réseau considers that the financial trajectory drawn up on this basis represents the best estimate of the business outlook for the next 15 years.

These various components were taken into account for 31 December 2015 impairment test, despite the difficulty in assessing the impacts of these new issues.

Recap of the methodological components

To consider the specific nature of a monopoly rail infrastructure network and its financing, SNCF Réseau adapted the valuation methodologies as follows:

- For the lines in service and the renewal outstanding (€33.4 million net of grant), the value in use is calculated based on cash flow forecasts drawn from the 2016 budget and the aforementioned 2016-2030 financial trajectory. The normative year 2030 represents the year in which the company will judge the renewed network's status with respect to the performance and safety objectives shared with the public authorities.
- In the cash flow forecast after corporate tax, the tax adopted is the tax paid at a 34.43% rate and not the notional tax, so as to take into account the utilisation of loss carry-forwards.
- The reference net carrying amount (NCA) that is compared with the value in use to determine any asset impairment loss includes, at the year-end date, the NCA of assets in service, less the corresponding investment grants, plus renewal asset outstanding (net of the grant), the DTA receivables and the WCR.

The cash flows relating to four major high-speed lines, currently being completed (€3.5 billion net of the grant and the concession grantor's financing), and scheduled for commissioning in 2016 and 2017, namely the Eastern high-speed line, the Bretagne – Pays-de-la-Loire high-speed line, the Nîmes-Montpellier bypass, and the Southern Europe Atlantic high-speed line were tested separately.

With respect to the SEA concession, the cash flow forecasts took into account the line's renewed operation following the concession grantor's operating phase, which is to say as of 2061.

The test was conducted using an indefinite cash flow projection rate of 1.7% and a future cash flow discount rate of 5.5%.

The value of other assets in the course of construction (€1.5 billion on31 December 2015) is analysed separately as part of a specific review (see Note 4.1.2).

Presentation of the key assumptions

The impairment test key assumptions cover the level of infrastructure fees, as shown in the traffic forecasts, public backing and current network maintenance.

Traffic forecasts under the 15-year plan were prepared for the Public Rail Group for the first time. They are consistent with the SNCF Mobilités forecasts.

Despite a change in behaviour for certain customers in the passenger activity with the development of intermodal competition, such as long-distance bus transport and car-pooling, SNCF Réseau is anticipating an increase in traffic thanks to a better quality of service that benefits all rail companies.

The public backing contributing to the support of this renewal trajectory was approved based on commitments confirmed by the French State.

In addition, the French State approved the rail index sequencing adopted for the estimate of infrastructure fees.

The allocations paid by SNCF to SNCF Réseau pursuant to the rail reform law were also taken into account. Given the strategies communicated by the French State, they were qualified as investment grants used to finance network renewal.

Rail network maintenance in fact comprises two major categories of activity:

- Renewal: facilities replacement or significant upgrade;
- Facilities maintenance: preventive and corrective maintenance and tail.

The SNCF Réseau financial trajectory calls for a much more substantial renewal effort for the existing network than in the previous decade. It also includes the first major renewals of the high-speed lines currently in service. Priority is given to the Ile-de-France network and the major lines with the most traffic. The effort is two-phased: a gradual step-up in the process until 2020 so as to progressively mobilise human and material resources and subsequently a stabilisation from 2020 to 2027, followed by a gradual decrease until the normative year 2030 to reach a replacement level that is aligned with the network.

Maintenance costs have gradually fallen due to the productivity plans implemented and the Network's improvement over the decade.

The combined effect of an unprecedented maintenance effort and a forecast traffic increase have optimised the trajectory.

Impairment test results

The recoverable amount of the assets tested totalled €31.0 billion on31 December 2015. The terminal value, calculated using the indefinite projection of cash flows generated on 2030, represents 95% of this recoverable amount. As the value is lower than the benchmark asset tested, i.e. €40.6 billion (including deferred tax assets of €3.7 billion on 31 December 2015 and assets under construction for the four major high-speed lines on the verge of completion for €3.5 billion), SNCF Réseau recorded an impairment loss of €9.6 billion.

This impairment was fully allocated to the intangible assets and property, plant and equipment of the CGU, insofar as the company considers that its deferred tax assets, as presented in Note 7.3, are fully recoverable. Based on the cash flows adopted to determine the recoverable amount of the CGU, the loss will be fully absorbed in 2060.

The estimates and assumptions taken into account to assess the recoverable amount of the assets are based on discussions and arbitrations with the French State.

This recoverable amount also depends on the French State's implementation of all resources and commitments necessary for its support and the company's ability to meet its productivity plans.

Actual results and certain future assumptions could significantly differ from the adopted estimates.

The impacts on the income statement are as follows:

In € million	31/12/2015	31/12/2014 restated	Change
Impairment – Intangible assets	-45	-	-45
Impairment – Property, plant and equipment	-9,555	-	-9,555
Impairment	**-9,600**	**-**	**-9,600**

Sensitivity analyses

Sensitivity to the valuation parameters:

A change of +/- 10 basis points in the discount rate represents a change of -/+ €1.1 billion in the recoverable amount.
A change of +/- 10 basis points in the perpetual growth rate results in a change of +€0.7 billion.

Sensitivity to cash flows over the 2016-2030 period (including corporate tax impact):

A change of +/- €100 million in net annual renewal expenses represents a change of -/+ €2.0 billion in the recoverable amount. This amount is indicative only since, beyond a certain threshold, the impact of the change in renewal expenses on the recoverable amount of assets is not linear and the impacts may be material for maintenance, traffic and therefore infrastructure fees.

An annual change of +/- €100 million in the infrastructure fees or the backing of the French State represents a change of +/- 1.9 billion in the recoverable amount.

4.6 OPERATIONAL WORKING CAPITAL REQUIREMENT

In € million	31/12/2015	31/12/2014
Inventories and work-in-progress	10	-2
Operating receivables	-640	53
Operating payables	852	9
Impact of the change in the WCR in the consolidated cash flow statement	**222**	**60**

4.6.1 Inventories and work-in-progress

Inventories are stated at the lower of cost price and net realisable value. Cost price is equal to acquisition or production cost. Production cost includes both direct and indirect production expenses.

Cost price is calculated using the weighted average cost method.

Inventories are written down based on the turnover, nature, age and useful life of items.

31 December 2015, inventories and work-in-progress break down as follows:

In € million	31/12/2015 Gross	Write-down	Net	31/12/2014 Net	Change
Raw materials	502	-111	391	-	391
Finished goods	68	-	68	-	68
Work-in-progress	18	-	18	-	18
Inventories and work-in-progress	**588**	**-111**	**478**	**-**	**478**

The change in inventories and work-in-progress observed between 31 December 2014 and 31 December 2015 was attributable to the transfers.

Net write-down of inventories and work-in-progress in 2015 totalled €6 million.

4.6.2 Operating 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. Receivables are subsequently measured using the effective interest rate method. An impairment loss 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/or statistical analyses.

Operating receivables break down as follows:

In € million	31/12/2015 Gross	Impairment	Net	31/12/2014 restated Net	Change
Trade receivables and related accounts	1,229	-20	1,209	839	370
Amounts payable to the French State and local authorities	525	-	525	477	48
Other operating receivables	925	-1	923	467	456
Of which supplier credit notes receivable and advances	*555*	-	*555*	*442*	*113*
Net operating receivables	**2,678**	**-21**	**2,657**	**1,784**	**874**

Trade receivables and related accounts mainly comprised infrastructure fee receivables for €960 million (net value) on 31 December 2015.

The change in "Other operating receivables" primarily corresponds to the sums paid in advance to suppliers under PPPs (BPL and CNM) and concessions (SEA).

Movements in the impairment of trade receivables and other operating receivables in 2015 and 2014 were as follows:

In € million	31/12/2014 restated	Charges	Reversals	Change in scope	31/12/2015
Trade receivables and related accounts - impairment	-22	-5	10	-3	-20
Other operating receivables - impairment	-1	-2	2	-	-1
Total	**-23**	**-7**	**11**	**-3**	**-21**

In € million	31/12/2013	Charges	Reversals	Change in scope	31/12/2014
Trade receivables and related accounts - impairment	-29	-17	24	-	-22
Other operating receivables - impairment	-3	-3	4	-	-1
Total	**-32**	**-19**	**28**	**-**	**-23**

Trade receivables past due break down as follows (gross value):

In € million	Not past due	Impaired	Past due but not impaired				Total
			< 3 months	4 to 6 months	7 to 12 months	> 12 months	
As at 31 December 2015	860	17	294	22	16	20	1,229
As at 31 December 2014 (restated)	770	27	50	5	5	4	861

Other operating receivables mostly mature in less than one year.

4.6.3 Grants receivable

A grant receivable is recognised when, for a project, the claimed funding amounts to less than the project's percentage completion at the balance sheet date.

Grants receivable break down as follows:

In € million	31/12/2015	31/12/2014 restated
Grants to be collected	1,501	1,515
Grants not yet claimed	598	638
Provisions for impairment	-46	-36
Total	**2,052**	**2,116**

Grants to be collected break down as follows (gross value):

In € million	Not yet due	Written down	Due but not written down				Total
			< 3 months	From 4 to 6 months	From 7 to 12 months	< 12 months	
On 31 December 2015	163	52	225	38	274	749	1,501
On 31 December 2014 restated	134	47	93	551	147	543	1,515

On 31 December 2015, grants due but not written down at over 12 months mainly concern the Agence de Financement des Infrastructures Transport de France.

4.6.4 Operating payables and other accounts in credit

Operating payables include payments to third parties with respect to operating activities (trade payables, employee-related payables, taxes and duties other than income tax, etc.), and asset acquisitions.

Payables are recorded at nominal value on issue, except for payables with a maturity of more than one year, which are discounted to present value where the impact of discounting is material.

Operating payables break down as follows:

In € million	31/12/2015	31/12/2014 restated
Trade payables and related accounts	2,283	2,159
o/w amounts payable to suppliers of PP&E	*839*	*1,837*
Payments received on account for orders	316	333
o/w advances received on sales of PP&E	*7*	*9*
Employee-related payables	578	22
Amounts payable to the French State and local authorities	447	193
Other operating payables	133	85
Deferred income	447	243
Total operating payables	4,204	3,035

4.7 PROVISIONS FOR LIABILITIES AND CHARGES

Provisions are recorded when, at the balance sheet date, the Group has a present obligation to a third party as a result of a past event and the settlement of this obligation will require an outflow of company resources.

This obligation may be legal, regulatory or contractual. It may also result from Group practice or external commitments that create valid expectations in third parties that the Group will assume certain responsibilities.

The estimated amount of the provision reflects the outflow of resources that is likely to be necessary to settle the Group's obligation. If a reliable estimate of this amount cannot be made, no provision is recorded. Disclosure is provided in the notes to the financial statements.

Provisions are discounted when the impact of the time value of money is deemed material. The discount rate is determined with reference to a closing market rate based on leading corporate bonds with a maturity comparable to the estimated maturity of the provision. The reference used is Bloomberg AA for the Eurozone.

A contingent liability is a possible obligation that arises from past events whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Group, or a probable obligation where it is not probable that an outflow of resources will be required. Except for contingent liabilities recognised as part of a business combination, contingent liabilities are not recorded. Disclosure is provided in the notes to the financial statements.

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

In € million	01/01/2015	Change in scope	Charges	Reversals (used)	Reversals (not used)	Other changes	31/12/2015	of which current	of which non-current
Tax, employee and customs risks	-	40	6	-	-	-	46	-	46
Environmental risks	107	42	5	-6	-4	2	147	-	147
Litigation and contractual risks	146	40	40	-5	-25	-	194	20	174
Relocation costs	-	-	16	-	-	-	16	11	5
Other	202	-	13	-	-4	-	212	1	211
Total provisions	**455**	**122**	**80**	**-11**	**-33**	**2**	**615**	**32**	**583**

Changes in consolidated scope include the impact of the transfer of the Infrastructure division to SNCF Réseau (see Note 2.1 – "Rail reform").

4.7.1 Provisions for tax, employee-related and customs risks

The Group respectively recognises provisions for tax, employee-related and customs risks when it has an obligation as a result of a past event towards the tax authorities, personnel and social security organisations or customs authorities. The Group sets aside provisions for challenged tax reassessments when it considers that an outflow of resources is probable.

The amount on 31 December 2015 comprises the provision recorded for an ongoing employee litigation. The provision, previously recorded in the accounts of the Infrastructure division, and included in the transfer balance sheet on 1 July 2015, was subject to an additional charge in the second half of 2015.

4.7.2 Provisions for environmental risks

This provision covers the costs of environmental protection and site restoration and clean-up. It specifically includes a provision for asbestos lawsuits filed against the Group as well as the elimination of creosote-treated railway sleepers and machines containing polychlorinated biphenyls.

The French government decree of 3 June 2011 related to the protection of the public against health risks resulting from exposure to asbestos in buildings that came into effect on 1 February 2012 was to be accompanied by implementation decrees. These decrees were published at the end of December 2012 for an implementation date of 1 January 2013. They define the criteria for assessing the state of the materials to be investigated, the content of the report on the identification of asbestos-containing materials as well as the content of the asbestos technical file summary sheet. An action plan has been implemented covering the compliance of the asbestos technical analyses within the deadline stipulated by the new decree, i.e. by 2021.

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

Amounts recorded for the removal of asbestos from rolling stock correspond to the estimated costs at the end of the equipment life. These costs are determined based on the prices currently invoiced by scrap metal dealers and asbestos removers.

At the year-end, environmental risks covered by provisions mainly concerned the following items:

- Creosote-treated railway sleepers (rail installations and sites): €62 million
- Asbestos-related costs: €46 million

4.7.3 Provisions for contractual litigation and risks

The provision for contractual litigation and risks mainly includes risks associated with legal disputes and contract settlements in addition to contractual risks.

The Group is involved in several unresolved legal disputes arising in the normal course of its activities

Such disputes are provided based on an assessment of the related risk and the probability of realisation.

Unused reversals were mainly attributable to the elimination of risks related to current litigation or the adjustment of their measurement.

Ongoing litigation

- Litigation regarding floods in Arles in December 2003

The Marseille administrative court rejected all the 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. As the plaintiffs filed an appeal, the €119 million provision was maintained in 31 December 2015 financial statements.

- 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, SNCF Réseau and SNCF Mobilités 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 challenged the expert reports.

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

€1 million provision, corresponding to the insurance deductible, was maintained in the financial statements on 31 December 2015.

- Eckwersheim TGV high-speed train accident

On 14 November 2015, a test train on the high-speed train derailed, leaving 11 dead and 42 injured in Eckwersheim, Alsace, on the new future East European line. In the minutes following the accident, the General Director for Railway System Safety initiated an immediate investigation with the SNCF General Safety Audit Department, at the request of the SNCF Executive Board. The internal report was submitted to the Chairmen on 19 November 2015. After examining the events recorder, the investigators established that the speed of the test train at the moment it entered the track section exceeded the recommended speed for a test program. This high speed was due to a late braking sequence in the test train. A €3 million provision, corresponding to the insurance deductible, was recorded in the 31 December 2015 financial statements.

The remaining provisions for contractual litigation and risks comprise amounts that are individually immaterial.

4.7.4 Provisions for relocation

Regarding the relocation of the SNCF Réseau head office in the first half of 2016, a provision for charges in the amount of €16 million was recorded relating to the company's estimated commitments concerning the empty premises.

5 EMPLOYEE BENEFITS

5.1 DESCRIPTION OF EMPLOYEE BENEFITS

Under the law of 4 August 2014 covering the rail reform of 1 July 2015, the employees transferred from EPIC SNCF Mobilités were guaranteed the full earned rights to their employee benefits. The same plans therefore remain in effect within EPIC SNCF Réseau.

from 1 January 2016, the benefits granted to the employees transferred from EPIC SNCF Mobilités will be gradually extended to the employees of the former Réseau Ferré de France (RFF). Around 1,500 employees are involved.

5.1.1 Pension and similar plans

These benefits comprise end-of-career or termination benefits paid to contractual employees at retirement. In France, these benefits are determined in accordance with the national collective agreement or the company agreement in force. Paid at employment termination, they represent a post-employment benefit calculated on the last estimated end-of-career salary.

5.1.2 Provident plan

The provident plan concerns supplementary benefits for EPIC SNCF Réseau top executives not otherwise covered.

5.1.3 Social welfare initiatives

A number of social welfare initiatives have been implemented for the personnel of EPIC SNCF Réseau: access to infrastructures, consultation of social workers, etc. Both active (short-term benefits) and retired employees (post-employment benefits) may benefit from these initiatives.

A provision in the amount of benefit granted to retired employees has been recognised.

5.1.4 Compensation for work-related injuries

Compensation for work-related injuries is self-financed for active and retired employees of EPIC SNCF Réseau, independently of the current general regime.

Life annuities are provided in full at the date of grant to injured employees without any seniority conditions. They represent long-term (active employees) and post-employment benefits (retired employees).

5.1.5 Gradual cessation of activity

The gradual cessation of activity is a procedure used to adjust the work time of employees who have reached the end of their careers. A work-time formula is thus arranged to provide a transition period between professional activity and retirement. The last agreement signed by EPIC SNCF Mobilités that came into effect in July 2008 offers the possibility of a gradual or complete cessation for EPIC personnel. The grant of benefits is based on a combination of criteria: years of service, hardship and employee category. The agreement is treated as a long-term benefit in the consolidated financial statements pursuant to IAS 19.

The calculation is mainly based on the assumption related to the expected proportion of employees to be covered by the procedure.

5.1.6 Long-term service awards and other benefits

This heading combines the other long-term employee benefits granted by the Group, particularly bonuses with respect to long-term service awards (France).

5.2. CHANGE IN THE NET POSITION OF THE PLANS

5.2.1 Breakdown of liabilities

The Group's main employee benefit plans gave rise to the recognition of the following liabilities:

In € million	**31/12/2015**	**31/12/2014**
Pensions and other similar benefits	18	15
Provident obligations	16	-
Social welfare initiatives	96	-
Compensation for work-related injuries	464	-
Liabilities relating to post-employment benefits	**595**	**15**
Compensation for work-related injuries	16	-
Long-service awards and other benefits	30	-
Gradual cessation of activity	189	-
Time savings account	59	-
Liabilities relating to other long-term benefits	**294**	**-**
Total liabilities	**889**	**15**
- of which non-current	*837*	*15*
- of which current	*52*	-

5.2.2 Change in liabilities

In € million	**31/12/2015**	**31/12/2014**
Total liabilities at opening date	**15**	**11**
Current service cost	26	2
Past service cost	-	-
Effect of plan settlements	-	-
Net financial interest	6	-
Actuarial gains and losses generated during the period	20	3
Benefits paid to employees by the company	-26	-1
Effect of changes in Group structure	848	-
Foreign exchange impact	-	-
Other	-	-
Total liabilities at closing date	**889**	**15**

31 December 2014, long-term liabilities relating to employee benefits mainly comprised a provision for end-of-career benefits (€15 million) for Réseau Ferré de France employees.

1 July 2015, pursuant to the law of 4 August 2014 on rail reform, SNCF Réseau recovered around 56,000 employees from EPIC SNCF Mobilités. A total liability of €847 million was recorded in the SNCF Réseau balance sheet for the accumulated vested rights of the beneficiaries, and break down by type of plan as follows:

End-of-career benefits	€5 million
Top-up scheme for senior executives	€16 million
Social welfare initiatives	€92 million
Compensation for work-related injuries - retirees and inactive employees	€453 million
Compensation for work-related injuries - active employees	€17 million
Gradual cessation of activity	€184 million
Time savings account	€51 million
Long-service awards	€24 million
Other benefits	€5 million

With regards to transferred commitments, the decline in the discount rate between 1 July (2.05%) and 31 December 2015 (1.75%) generated actuarial losses of €33 million (including €8 million in finance cost). These losses were partially offset by experience adjustments of €9 million for these plans and the actuarial gain of €4 million recorded following the increase in the discount rate for the end-of-career benefits of the former RFF.

Changes in the present value of obligations, the fair value of plan assets and the net liabilities (assets) for 2015 are as follows:

In € million	Pensions and other similar benefits	Provident obligations	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	31/12/2015
Present value of the obligation at opening date	**15**	**-**	**-**	**-**	**-**	**-**	**15**
Current service cost	3	-	1	8	13	2	**26**
Employee contribution	-						**-**
Past service cost arising from a plan amendment	-	-	-	-	-	-	**-**
Past service cost arising from a plan curtailment	-	-	-	-	-	-	**-**
Effect of settlements	-	-	-	-	-	-	**-**
Finance cost	-	-	1	3	1	-	**6**
Actuarial gains and losses generated during the period	-4	-	4	13	7	-	**20**
Benefits paid to employees by the company	-1	-	-2	-13	-9	-1	**-26**
Effect of changes in Group structure	5	16	92	470	235	29	**848**
Foreign exchange impact	-						**-**
Other	-	-	-	-	-	-	**-**
Present value of the obligation at closing date	**18**	**16**	**96**	**480**	**248**	**30**	**889**
Of which present value of unfunded obligations	*18*	***16***	***96***	***480***	***248***	***30***	***889***

Changes in the present value of obligations, the fair value of plan assets and the net liabilities (assets) for 2014 are as follows:

In € million	Pensions and other similar benefits	Provident obligations	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	**31/12/2014**
Present value of the obligation at opening date	**11**	**-**	**-**	**-**	**-**	**-**	**11**
Current service cost	2	-	-	-	-	-	**2**
Employee contribution	-						**-**
Past service cost arising from a plan amendment	-	-	-	-	-	-	**-**
Past service cost arising from a plan curtailment	-	-	-	-	-	-	**-**
Effect of settlements	-	-	-	-	-	-	**-**
Finance cost	-	-	-	-	-	-	**-**
Actuarial gains and losses generated during the period	3	-	-	-	-	-	**3**
Benefits paid to employees by the company	-1	-	-	-	-	-	**-1**
Effect of changes in Group structure	-	-	-	-	-	-	**-**
Foreign exchange impact	-						**-**
Other	-	-	-	-	-	-	**-**
Present value of the obligation at closing date	**15**	**-**	**-**	**-**	**-**	**-**	**15**
Of which present value of unfunded obligations	*15*	**-**	**-**	**-**	**-**	**-**	***15***

5.3 EMPLOYEE BENEFIT PLAN EXPENSES

For the basic plans and other defined-contribution plans, the Group expenses contributions payable when they are due. No provision is recognised as the Group does not have any obligation beyond the contributions paid.

In the case of defined-benefit plans, when benefits are covered by third parties (insurance contracts, provident organisations unrelated to the Group), and the Group has no legal or implicit obligation to cover any losses relating to past services over the period or prior periods, no obligation is recognised and the insurance/provident premiums paid are recognised as payments to a defined contribution plan, the obligation to provide benefits to employees being the sole responsibility of the third party organisation. In the other cases, the obligations are subject to actuarial valuations and provisions are recorded on the balance sheet upon vesting of benefit rights by employees.

The actuarial liability (or present value of the obligation with respect to defined benefits) is determined according to the projected unit credit actuarial method, which stipulates that each period of service gives rise to an additional unit of benefit and measures each unit separately to determine the final obligation. These calculations include assumptions concerning the discount rate, mortality, employee turnover and expected future salary levels.

In the case of plans partially or fully funded by plan assets, the net liability (asset) is recognised in the amount of the negative or positive difference between the present value of the obligation and the fair value of the plan assets.

Changes in the net obligation are recorded according to their nature.

The net charge for the period is recognised:

- In current operating profit for the portion corresponding to service costs representing the straight-line vesting of benefits, past service costs relating to a plan amendment and curtailment and the impact of settlements. Past service costs are immediately recorded in profit or loss whether the rights are vested or not.
- In finance cost for the portion corresponding to the net financial interest (cost of the reverse discounting of the debt less the implicit return on plan assets, if any, and the interest on the asset ceiling impact) and the actuarial gains and losses generated by other long-term benefits.

5.3.1 Net expense with respect to defined benefit plans

The income statement expense for 2015 and 2014 breaks down as follows:

31/12/2015 In € million	Pensions and other similar benefits	Provident obligations	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time-savings account	Long-service awards and other benefits	**TOTAL**
Current service cost	3	-	1	8	13	2	**26**
Past service cost	-	-	-	-	-	-	**-**
Of which effect of plan amendments	-	-	-	-	-	-	**-**
Of which effect of plan curtailments	-	-	-	-	-	-	**-**
Effect of settlements on the obligation	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
Gross profit	**3**	**-**	**1**	**8**	**13**	**2**	**26**
Net financial interest	-	-	1	3	1	-	**6**
Actuarial gains and losses generated during the year with respect to long-term benefits	-	-	-	-	7	-	**7**
Other	-	-	-	-	-	-	**-**
Finance cost	**-**	**-**	**1**	**3**	**8**	**-**	**13**
Total	**3**	**-**	**2**	**11**	**22**	**2**	**39**

31/12/2014 In € million	Pensions and other similar benefits	Provident obligations	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time-savings account	Long-service awards and other benefits	**TOTAL**
Current service cost	2	-	-	-	-	-	**2**
Past service cost	-	-	-	-	-	-	**-**
Of which effect of plan amendments	-	-	-	-	-	-	**-**
Of which effect of plan curtailments	-	-	-	-	-	-	**-**
Effect of settlements on the obligation	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
Gross profit	**2**	**-**	**-**	**-**	**-**	**-**	**2**
Net financial interest	-	-	-	-	-	-	**-**
Actuarial gains and losses generated during the year with respect to long-term benefits	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
Finance cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2**	**-**	**-**	**-**	**-**	**-**	**2**

5.3.2 Net expense with respect to defined contribution plans

The expense recorded for defined contribution plans included in “Employee benefits expense” amounted to €306 million in 2015.

5.4 ACTUARIAL ASSUMPTIONS AND GAINS AND LOSSES

5.4.1 Main actuarial assumptions used

Provisions for employee obligations are calculated on an actuarial basis, using the projected unit credit method. The parameters used in the modelling of the main employee benefits are as follows:

Discount rate

Obligations relating to the main post-employment benefits were discounted at the closing date's market rate based on leading corporate bonds of comparable maturity. The benchmark used to determine the discount rate is Bloomberg AA for the Eurozone.

Mortality table

EPIC SNCF Réseau social welfare initiatives and provident obligations were measured using a prospective mortality table by sex specific to railway employees (special pension plan base). This table prepared by the Caisse de Prévoyance Retraite (provident pension fund) was validated by a certifying actuary.

A table including a degradation coefficient was extrapolated for compensation for work-related injuries/illnesses. Based on the certified table, the mortality tables of the other plans were also modified.

These mortality table changes satisfy the requirement of the revised standard according to which mortality assumptions must reflect that of the plan members both during and after employment.

Gradual cessation of activity plan membership

The amount of the obligation under the gradual cessation of activity agreement was calculated using a membership assumption rate of 31.89%. A 100 point increase or decrease in this assumption would have an impact of around €6 million on the obligation amount.

Assumptions used for the EPIC SNCF Réseau main plans

The main actuarial assumptions used for the measurement of the EPIC SNCF Réseau plans are described below:

	31/12/2015	31/12/2014
Discount rate	1.75%	0.92%
Inflation rate	1.75%	0%
Benefit remeasurement rate		
Provident obligations	*2.80%*	*NA*
Social welfare initiatives	*1.75%*	*NA*
Compensation for work-related injuries	*1.75%*	*NA*
Gradual cessation of activity	*2.37%*	*NA*
Retirement benefits and long-service awards	*2.37%*	*1.84%*
Mortality table		
Provident obligations and social welfare initiatives	*CPR H / CPR F*	*NA*
Active and retired employees with work-related injuries	*CPR AT*	*NA*
Widows of employees with work-related injuries	*CPR F*	*NA*
Gradual cessation of activity	*CPR 80% H / CPR 20% F*	*NA*
Retirement benefits and long-service awards	*CPR 80% H / CPR 20% F*	*Insee table*
Gradual cessation of activity plan membership	31.89%	NA

The 2014 assumptions solely concern the retirement termination benefits granted to former RFF employees.

5.4.2 Analysis by nature of actuarial gains and losses

Actuarial gains and losses are recognised according to the plan's qualification:

- For defined benefit plans covering post-employment benefits, actuarial gains and losses are recognised in other comprehensive income under non-recyclable reserves. They are never recycled in profit or loss but can be reclassified in undistributed reserves if the entity concerned is removed from the consolidation scope.
- For other long-term defined benefit plans (long-service awards, unemployment, salary maintenance, gradual cessation of activity, etc.), actuarial gains and losses are immediately recognised in finance cost.

Change and breakdown of actuarial gains and losses

31/12/2015 **In € million**	Pensions and other similar benefits	Provident obligations	Social welfare initiatives	Post-employment Compensation for work-related injuries	**TOTAL Post-employment benefits**	Long-term compensation for work-related injuries	Gradual cessation of activity and time-savings account (**)	Long-service awards and other benefits (*)	**TOTAL Long-term benefits**
Opening actuarial gains (losses)	**-3**	**-**	**-**	**-**	**-3**				
Experience adjustments relating to liabilities	-	-	-	7	**8**	1	-	1	**1**
Effects of changes in demographic assumptions relating to liabilities (1)	-	-	-	-	**-**	-	-	-	**-**
Effects of changes in financial assumptions relating to liabilities	4	-1	-4	-20	**-21**	-	-7	-	**-8**
Actuarial gains and losses on the obligation generated over the year	**4**	**-**	**-4**	**-13**	**-14**	**-**	**-7**	**-**	**-7**
Foreign exchange impact	-				**-**			-	**-**
Other	-	-	-	-	**-**	-	-	-	**-**
Closing actuarial gains (losses)	**1**	**-**	**-4**	**-13**	**-16**				
Total experience adjustments	*-*	*-*	*-*	*7*	***8***	*1*	*-*	*1*	***1***
Total impacts relating to changes in actuarial assumptions	*4*	*-1*	*-4*	*-20*	***-21***	*-*	*-7*	*-*	***-8***

31/12/2014 In € million	Pensions and other similar benefits	Provident obligations	Social welfare initiatives	Post-employment Compensation for work-related injuries	**TOTAL Post-employment benefits**	Long-term compensation for work-related injuries	Gradual cessation of activity and time-savings account (**)	Long-service awards and other benefits (*)	**TOTAL Long-term benefits**
Opening actuarial gains (losses)	**-**	**-**	**-**	**-**	**-**				
Experience adjustments relating to liabilities	-	-	-	-	**-**	-	-	-	**-**
Effects of changes in demographic assumptions relating to liabilities (1)	-	-	-	-	**-**	-	-	-	**-**
Effects of changes in financial assumptions relating to liabilities	-3	-	-	-	**-3**	-	-	-	**-**
Actuarial gains and losses on the obligation generated over the year	**-3**	**-**	**-**	**-**	**-3**	**-**	**-**	**-**	**-**
Foreign exchange impact	-				**-**			-	**-**
Other	-	-	-	-	**-**	-	-	-	**-**
Closing actuarial gains (losses)	**-3**	**-**	**-**	**-**	**-3**				**-**
Total experience adjustments	-	-	-	-	**-**	-	-	-	**-**
Total impacts relating to changes in actuarial assumptions	*-3*	-	-	-	***-3***	-	-	-	**-**

Analysis of the obligation's sensitivity to the main actuarial assumptions

The amounts below correspond to the decrease (actuarial gain) or increase (actuarial loss) in obligations as recognised on 31 December 2015.

31/12/2015 In € million Actuarial (gains) losses	Pensions and other similar benefits	Provident obligations	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time-savings account	Long-service awards and other benefits	**TOTAL**
Sensitivity to the discount rate	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change of + 0.25pt	-1	-1	-4	-16	-6	-1	**-29**
Change of – 0.25pt	1	1	4	17	6	-	**29**
Change of + 0.25pt	-	-	-	-	-	-	**-**
Change of – 0.25pt	-	-	-	-	-	-	**-**
Change of + 1pt	-	-	-	-	6	-	**6**
Change of - 1pt	-	-	-	-	-6	-	**-6**

5.5. MANAGEMENT COMPENSATION

The Group's key management personnel are members of the SNCF Réseau Group Executive Committee. Their cumulative taxable compensation indicated below corresponds to short-term benefits.

	31/12/2015	31/12/2014	Change
Average number of managers during the year	10	9	1
Total compensation in € thousands	**2,435**	**1,911**	**524**

6. CAPITAL AND FINANCING

6.1 NET INDEBTEDNESS

Net indebtedness is the sum of current and non-current financial liabilities less:

- current and non-current financial assets,
- cash and cash equivalents,

when the financial assets and liabilities arise from transactions which, in substance, only involve exchanges of cash flow: issue or receipt of cash in consideration for a cash reimbursement or expected cash reimbursement.

Net indebtedness excludes the following items:

- Public Private Partnership-related (PPP) financial assets and liabilities.
- Pension assets and liabilities which are covered by IAS 19 (see Note 5).
- Non-controlling interest purchase commitments as they are equity transactions and do not involve an exchange of cash flow. Keeping in line with the exclusion of equity from net indebtedness, the financial liabilities arising from these transactions are also excluded.
- Non-consolidated investments, classified as available-for-sale assets.

6.1.1 Net borrowing costs

Net borrowing costs consist of:

- net changes in fair value and hedges,
- interest paid on Group borrowings,
- interest received on available cash balances,

“Net borrowing and other costs” also includes other financial income and expenses.

Net changes in fair value and hedges records:

- gains and losses on financial instruments at fair value through profit or loss,
- the ineffective portion of hedges,
- the change in fair value of borrowings using the fair value option.

These items are presented after hedging transactions and include fair value gains and losses on derivative instruments not qualified for IFRS hedge accounting.

Net borrowing and other costs break down as follows:

In € million	**31/12/2015**	**31/12/2014**	**Change**
Net interest expense	**-1,191**	**-1,189**	**-3**
Net changes in fair value and hedges	**-20**	**-112**	**92**
Other financial income	**21**	**8**	**14**
Other financial expenses	**-21**	**-5**	**-16**
Net borrowing and other costs (*)	**-1,212**	**-1,299**	**86**

(*) Excluding the financial cost of employee benefits

6.1.2 Calculation of net indebtedness

The following tables present the categories and classes of financial assets and liabilities as well as the methods used for their fair value measurement.

The fair value of asset or liability derivative instruments is classified as current or non-current based on the final maturity of the derivative. Financial assets or liabilities maturing in less than 12 months at the balance sheet date are recorded in current financial assets or current financial liabilities.

The loans, borrowings and fair value of derivative instrument line items include accrued interest.

For financial instruments recognised at fair value in the balance sheet, the fair value hierarchy is shown by category and comprises the following three levels under IFRS 13:

- Level 1: fair value measured using quoted prices by reference to the closing stock market price for listed financial instruments.
- Level 2: fair value measured using inputs other than quoted prices that are observable directly or indirectly on the market. It is used for unlisted financial instruments, for which there exists listed instruments of a similar nature and maturity and by reference to the stock market price of such instruments.
- Level 3: fair value determined using valuation techniques not based on observable market data. It is used for other unlisted instruments. The fair value is determined using valuation techniques such as the revalued net asset method, discounted cash flows or option valuation models.

31/12/2015					Accounting qualification					Fair value			
In € million	Notes	**Current**	**Non-Current**	**Net indebted -ness**	At fair value through equity	Loans, receivables, debt at amortised cost	At fair value through profit or loss	Qualified for hedging	Net carrying amount of the class on the balance sheet	Level 1	Level 2	Level 3	Fair value of the class
Equity investments		-	1	1	-	1	-	-	1	-	-	-	-
Other loans and receivables	6.1.2.1	-	6	6	-	6	-	-	6	-	6	-	6
Sub-total loans and receivables		-	7	7	-	7	-	-	7	-	6	-	6
Pension assets		-	-	-	-	-	-	-	-	-	-	-	-
Available-for-sale assets	6.1.2.1	-	-	-	-	-	-	-	-	-	-	-	-
Assets at fair value through profit or loss	6.1.2.1	47	-	47	-	-	47	-	47	47	-	-	47
Positive fair value of hedging derivatives	6.3	67	1,641	1,709	-	-	-	1,709	1,709	-	1,709	-	1,709
Positive fair value of trading derivatives	6.3	58	-	58	-	-	58	-	58	-	58	-	58
PPP financial assets	6.1.2.1	-	2,179	-	-	2,179	-	-	2,179	-	2,179	-	2,179
Financial assets		**172**	**3,827**	**1,820**	**-**	**2,186**	**104**	**1,709**	**3,999**	**47**	**3,951**	**-**	**3,998**
Cash and cash equivalents	6.1.2.2	**2,523**	**-**	**2,523**	**-**	**-**	**2,523**	**-**	**2,523**	**2,523**	**-**	**-**	**2,523**
Bonds	6.1.2.3	1,859	40,032	41,891	-	29,614	-	12,278	41,892	-	48,704	-	48,704
Other borrowings	6.1.2.3	353	114	467	-	37	-	425	462	-	467	-	467
SNCF borrowings	6.1.2.3	184	675	858	-	701	-	157	858	-	1,233	-	1,233
Finance-lease borrowings	6.1.2.3	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total borrowings		**2,396**	**40,821**	**43,216**	**-**	**30,353**	**-**	**12,860**	**43,212**	**-**	**50,404**	**-**	**50,404**
of which:		-	-	-	-	-	-	-	-	-	-	-	-
measured at amortised cost		717	29,635	30,353	-	30,353	-	-	30,353	-	37,540	-	37,540
recognised using cash value hedge accounting		857	7,726	8,583	-	-	-	8,583	8,583	-	8,583	-	8,583
recognised using fair value hedge accounting		821	3,455	4,277	-	-	-	4,277	4,277	-	4,277	-	4,277
designated at fair value		-	-	-	-	-	-	-	-	-	-	-	-
Negative fair value of hedging derivatives	6.3	16	1,641	1,657	-	-	-	1,657	1,657	-	1,657	-	1,657
Negative fair value of trading derivatives	6.3	26	-	26	-	-	26	-	26	-	26	-	26
Sub-total borrowings and derivatives		**2,438**	**42,462**	**44,899**	**-**	**30,353**	**26**	**14,517**	**44,895**	**-**	**52,087**	**-**	**52,087**
Cash borrowings and overdrafts	6.1.2.3	1,622	-	1,622	-	1,622	-	-	1,622	1,622	-	-	1,622
Amounts payable on non-controlling interest purchase commitments		-	-	-	-	-	-	-	-	-	-	-	-
PPP financial liabilities	6.1.2.3	-	2,258	-	-	-	-	-	-	-	2,258	-	2,258
Financial liabilities		**4,059**	**44,720**	**46,521**	**-**	**31,974**	**26**	**14,517**	**46,517**	**1,622**	**54,345**	**-**	**55,967**
Net indebtedness		**1,365**	**40,893**	**42,178**	**-**	**29,789**	**-2,601**	**12,808**	**39,995**	**-948**	**50,394**	**-**	**49,446**

The items excluded from net indebtedness do not appear in the "net indebtedness" column (shaded cells) or the "net indebtedness" sub-total.

31/12/2014					Accounting qualification					Fair value			
In € million	Notes	**Current**	**Non-Current**	**Net indebted-ness**	At fair value through equity	Loans, receivables, debt at amortised cost	At fair value through profit or loss	Qualified for hedging	Net carrying amount of the class on the balance sheet	Level 1	Level 2	Level 3	Fair value of the class
Equity investments		-	-	-	-	-	-	-	-	-	-	-	-
Other loans and receivables	6.1.2.1	-	6	6	-	6	-	-	6	-	6	-	6
Sub-total loans and receivables		-	6	6	-	6	-	-	6	-	6	-	6
Pension assets		-	-	-	-	-	-	-	-	-	-	-	-
Available-for-sale assets	6.1.2.1	-	-	-	-	-	-	-	-	-	-	-	-
Assets at fair value through profit or loss	6.1.2.1	415	-	415	-	-	415	-	415	415	-	-	415
Positive fair value of hedging derivatives	6.3	126	1,177	1,303	-	-	-	1,303	1,303	-	1,303	-	1,303
Positive fair value of trading derivatives	6.3	137	-	137	-	-	137	-	137	-	137	-	137
PPP financial assets	6.1.2.1	-	1,567	-	-	1,567	-	-	1,567	-	1,567	-	1,567
Financial assets		**678**	**2,750**	**1,861**	**-**	**1,573**	**552**	**1,303**	**3,428**	**415**	**3,012**	**-**	**3,428**
Cash and cash equivalents	6.1.2.2	**2,863**	**-**	**2,863**	**-**	**-**	**2,863**	**-**	**2,863**	**2,863**	**-**	**-**	**2,863**
Bonds	6.1.2.3	1,876	36,605	38,481	-	26,019	-	12,464	38,483	-	46,235	-	46,235
Other borrowings	6.1.2.3	4	466	470	-	38	-	425	464	-	464	-	464
SNCF borrowings	6.1.2.3	406	822	1,227	-	864	-	363	1,227	-	1,650	-	1,650
Finance-lease borrowings	6.1.2.3	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total borrowings		**2,285**	**37,893**	**40,178**	**-**	**26,922**	**-**	**13,252**	**40,174**	**-**	**48,349**	**-**	**48,349**
of which:		-	-	-	-	-	-	-	-	-	-	-	-
measured at amortised cost		616	26,381	26,996	-	26,922	-	-	26,922	-	35,097	-	35,097
recognised using cash value hedge accounting		968	7,514	8,483	-	-	-	8,483	8,483	-	8,483	-	8,483
recognised using fair value hedge accounting		701	3,994	4,695	-	-	-	4,695	4,695	-	4,695	-	4,695
designated at fair value		-	-	-	-	-	-	-	-	-	-	-	-
Negative fair value of hedging derivatives	6.3	33	2,001	2,034	-	-	-	2,034	2,034	-	2,034	-	2,034
Negative fair value of trading derivatives	6.3	194	-	194	-	-	194	-	194	-	194	-	194
Sub-total borrowings and derivatives		**2,513**	**39,894**	**42,407**	**-**	**26,922**	**194**	**15,285**	**42,402**	**-**	**50,577**	**-**	**50,577**
Cash borrowings and overdrafts	6.1.2.3	1,905	-	1,905	-	1,905	-	-	1,905	1,905	-	-	1,905
Amounts payable on non-controlling interest purchase commitments		-	-	-	-	-	-	-	-	-	-	-	-
PPP financial liabilities	6.1.2.3	-	1,656	-	-	1,656	-	-	1,656	-	1,656	-	1,656
Financial liabilities		**4,418**	**41,550**	**44,312**	**-**	**30,483**	**194**	**15,285**	**45,963**	**1,905**	**52,233**	**-**	**54,138**
Net indebtedness		**877**	**38,800**	**39,589**	**-**	**28,910**	**-3,220**	**13,983**	**39,673**	**-1,373**	**49,221**	**-**	**47,848**

6.1.2.1 Financial assets

In € million	**Current**	**Non-current**	**31/12/2015**	Level 1	Level 2	Level 3
Other loans and receivables	**-**	**6**	**6**	**-**	**6**	**-**
Available-for-sale assets	**-**	**-**	**-**	**-**	**-**	**-**
Assets at fair value through profit or loss	**47**	**-**	**47**	**47**	**-**	**-**
Positive fair value of derivatives	**125**	**1,641**	**1,766**	**-**	**1,766**	**-**
Positive fair value of hedging derivatives	67	1,641	1,709	-	1,709	-
Positive fair value of trading derivatives	58	-	58	-	58	-
PPP financial assets	**-**	**2,179**	**2,179**	**-**	**2,179**	**-**
Financial assets	**172**	**3,827**	**3,999**	**47**	**3,951**	**-**

In € million	**Current**	**Non-current**	**31/12/2014**	Level 1	Level 2	Level 3
Other loans and receivables	**-**	**6**	**6**	**-**	**6**	**-**
Available-for-sale assets	**-**	**-**	**-**	**-**	**-**	**-**
Assets at fair value through profit or loss	**415**	**-**	**415**	**415**	**-**	**-**
Positive fair value of derivatives	**263**	**1,177**	**1,440**	**-**	**1,440**	**-**
Positive fair value of hedging derivatives	126	1,177	1,303	-	1,303	-
Positive fair value of trading derivatives	137	-	137	-	137	-
PPP financial assets	**-**	**1,567**	**1,567**	**-**	**1,567**	**-**
Financial assets	**678**	**2,750**	**3,428**	**415**	**3,012**	**-**

6.1.2.1.1 Loans and receivables at amortised cost

"Loans and receivables at amortised cost" mainly comprise receivables connected with shareholdings, current account advances to associates or unconsolidated entities, guarantee deposits as well as trade and other receivables.

These loans and receivables are initially recognised at their fair value plus transaction costs. At each balance sheet date, these assets are measured at amortised cost using the effective interest rate method.

The guarantee deposits arising from leases are recognised at nominal value.

Trade and other receivables are initially recognised at fair value, which in most cases corresponds to their nominal value. An impairment loss is recorded according to the risk of non-recovery.

Amounts payable by customers under construction contracts are included under this heading.

6.1.2.1.2 Available-for-sale assets

Available-for-sale assets include Group investments in the share capital of unconsolidated companies that the Group does not hold for short-term profit and investments that do not qualify for inclusion in other asset categories.

Group investments are measured at fair value unless this cannot be reliably determined, in which case they are retained in the balance sheet at acquisition cost. Fair value is determined based on the financial criteria most appropriate to the specific situation of each company. The most commonly adopted criteria are the market value or the share in equity held and the profitability outlook if the market value cannot be obtained.

Other investments are measured at fair value using the market data, yield curves and credit spreads of each securities issuer. The measurement of these investments is compared to the listed price when available.

Fair value gains and losses on available-for-sale assets are recorded in a specific account in other comprehensive income. Amounts recognised in equity are only transferred to profit or loss on disposal of the asset. In the event of a significant or extended fall in the fair value below the net carrying amount, an impairment loss is recognised. This is recorded in an impairment loss account through profit or loss and cannot be reversed if it concerns shares.

No asset was classified as “Available-for-sale assets” in 2014 and 2015.

6.1.2.1.3 Assets at fair value through profit or loss (trading assets)

Trading assets consist of assets that the Group intends to sell in the near term in order to realise a capital gain and assets recorded in this category by designation.

Assets are measured at fair value at the balance sheet date and fair value gains and losses are recorded in finance cost.

6.1.2.1.4 PPP financial assets

PPP financial assets include grants yet to be claimed for ongoing PPP projects in the amount of €2,179 million, including €962 million for BPL, €742 million for CNM and €474 million for GSM-R.

These grants receivable by SNCF Réseau from the French State can be used to repay its debts with Eiffage for BPL, Oc’Via for CNM and Synerail for GSM-R.

Regarding BPL and CNM, SNCF Réseau should receive grants and repay the related borrowings (same amounts as the grants) from 2017.

Regarding GSM-R, the grant receivable amount was lower than the related borrowing as the project is not fully financed.

6.1.2.1.5 Positive fair value of derivative financial instruments

Derivative financial instruments are described in Note 6.3.

6.1.2.2 Cash and cash equivalents

Cash and cash equivalents consist of immediately available liquid assets (cash) and short-term investments, easily converted into a known amount of cash with an initial maturity of less than or equal to three months and which are exposed to a negligible risk of change in value. In particular, investments in French mutual funds (SICAV) and monetary funds with marginal sensitivity are classified in this category and notably French mutual funds and monetary funds classified by the French Financial Markets Authority (AMF) in the Euro monetary category or which have a sensitivity of less than 0.25 basis points.

For these securities, the fair value adopted is the UCITS net asset value. The fair value falls under Level 1 of the fair value hierarchy set forth in paragraph 72 of IFRS 13. These securities are valued at fair value and fair value gains and losses are recorded in finance cost.

However, considering their residual life at closing, other investments, particularly, negotiable debt securities, are recognised at nominal value, as the Group considers this to be a reasonable estimate of their market value.

Current bank facilities classified as current financial liabilities are included in cash and cash equivalents in the cash flow statement.

In € million	**31/12/2015**	**31/12/2014**	**Change**
Monetary mutual funds equivalent to cash and negotiable debt securities maturing in less than three months (*)	2,169	2,359	-190
Cash at bank and in hand	353	503	-150
Cash and cash equivalents in the statement of financial position	**2,523**	**2,863**	**-340**
Accrued interest payable	-	-	-
Current bank facilities	75	12	63
Cash and cash equivalents in the cash flow statement	**2,447**	**2,850**	**-403**

(*) *including deposits and commercial paper*

6.1.2.3 Financial liabilities

Borrowings and other financial liabilities are initially measured at fair value less transaction costs and subsequently at amortised cost determined using the effective interest rate.

Certain borrowings are subject to fair value or cash flow hedge accounting. In addition, certain borrowings with detachable embedded derivatives recorded using hedge accounting are recorded at fair value ("fair value" option). Fair value gains and losses are recorded in finance cost.

The option to record liabilities at fair value through profit or loss is used when the corresponding liabilities comprise an embedded derivative significantly modifying the cash flows which would otherwise result in the contract or where the Group is unable to value the embedded derivative separately.

The fair value of financial liabilities is determined using measurement techniques such as option valuation models or the discounted cash flow method. The models take into account assumptions based on market data at the balance sheet date.

Borrowings break down as follows :

In € million	**Current**	**Non-current**	**31/12/2015**	Level 1	Level 2	Level 3
Bonds	1,859	40,032	41,891	-	48,704	-
Other borrowings	353	114	467	-	467	-
SNCF borrowings	184	675	858	-	1,233	-
Sub-total borrowings	**2,396**	**40,821**	**43,216**	**-**	**50,404**	**-**
of which:	-	-	-	-	-	-
measured at amortised cost	717	29,635	30,353	-	37,540	-
recognised using cash value hedge accounting	857	7,726	8,583	-	8,583	-
recognised using fair value hedge accounting	821	3,455	4,277	-	4,277	-
designated at fair value	-	-	-	-	-	-
Borrowings and derivatives	**2,438**	**42,462**	**44,899**	**-**	**52,087**	**-**
Cash borrowings and overdrafts	1,622	-	1,622	1,622	-	-
PPP financial liabilities	-	2,258	2,258	-	2,258	-
Financial liabilities	**4,059**	**44,720**	**48,779**	**1,622**	**54,345**	**-**

In € million	**Current**	**Non-current**	**31/12/2014**	Level 1	Level 2	Level 3
Bonds	1,876	36,605	38,481	-	46,235	-
Other borrowings	4	466	470	-	470	-
SNCF borrowings	406	822	1,227	-	1,650	-
Sub-total borrowings	**2,285**	**37,893**	**40,178**	**-**	**48,349**	**-**
of which:	-	-	-	-	-	-
measured at amortised cost	616	26,381	26,996	-	35,097	-
recognised using cash value hedge accounting	968	7,514	8,483	-	8,483	-
recognised using fair value hedge accounting	701	3,994	4,695	-	4,695	-
designated at fair value	-	-	-	-	-	-
Borrowings and derivatives	**2,513**	**39,894**	**42,407**	**-**	**50,577**	**-**
Cash borrowings and overdrafts	1,905	-	1,905	1,905	-	-
PPP financial liabilities	-	1,656	1,656	-	1,656	-
Financial liabilities	**4,418**	**41,550**	**45,968**	**1,905**	**52,233**	**-**

Pursuant to Article 2111-17-1 of the rail reform, SNCF Réseau publishes every year the amount of reclassified debt in the French State debt as well as the related forecast changes. Based on the current information published by INSEE, the reclassified debt amounted to €10.4 billion.

6.1.2.3.1 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 for a repayment value of €3.9 billion (carrying amount of €4.2 billion) in 2015 through 19 operations (4 primary issues and 15 additional issues) carried out on the euro and pound sterling bond markets.

It bears mentioning the issue in 2015 of a single private placement with a 100-year maturity for a repayment amount of €25 million.

Public issues in 2015 break down as follows:

In € million	Nominal amount	Currency	Maturity date	Interest rate	Balance sheet amount
2015 public bond issues					4,243
EMTN - RFF 5.35% 12-07-2029	326	GBP	12/07/2029	5.350%	618
EMTN 23-10-2018 0.05% EUR	1,100	EUR	23/10/2018	0.050%	1,100
EMTN RFF 1.125% 25/05/2030 EUR	1,450	EUR	25/05/2030	1.125%	1,448
EMTN RFF 2.625% 29-12-2025	200	EUR	29/12/2025	2.625%	236
EMTN RFF 3.125% EUR 25-10-2028	200	EUR	25/10/2028	3.125%	240
EMTN RFF 3.30% 18-12-2042 EUR	200	EUR	18/12/2042	3.300%	264
EMTN RFF 4.375% 02/06/2022	100	EUR	02/06/2022	4.375%	128
EMTN RFF 5% 10-10-2033	100	EUR	10/10/2033	5.000%	160
EMTN SNCFR 1.475% 30/03/2065	50	EUR	30/03/2065	1.475%	50

In € million	Nominal amount	Currency	Maturity date	Interest rate	Balance sheet amount
Public bonds					**35,192**
Total CAD BOND 4.70% 01-06-2035	277	CAD	01/06/2035	4.700%	233
Total EMTN RFF 2% 12-11-2026 CHF	150	CHF	12/11/2026	2.000%	139
Total EMTN RFF CHF 2% 24-11-2034	100	CHF	24/11/2034	2.000%	92
Total EMTN RFF CHF 2.625% 10-03-2031	125	CHF	10/03/2031	2.625%	151
Total EMTN RFF CHF 2.625% 11-03-37	130	CHF	11/03/2037	2.625%	165
Total EMTN RFF CHF 2.875% 26-02-21	300	CHF	26/02/2021	2.875%	322
Total EMTN RFF CHF 3% 24-04-2019	450	CHF	24/04/2019	3.000%	445
Total RFF 3.25% 30-06-2032 - CHF -	250	CHF	30/06/2032	3.250%	253
Total EMTN - RFF 6% 12-10-2020	2,000	EUR	12/10/2020	6.000%	2,040
Total EMTN 23-10-2018 0.05% EUR	1,100	EUR	23/10/2018	0.050%	1,100
Total EMTN RFF 0.375% EUR 25-02-2016	1,000	EUR	25/02/2016	0.375%	1,004
Total EMTN RFF 1.125% 25/05/2030 EUR	1,450	EUR	25/05/2030	1.125%	1,448
Total EMTN RFF 2.625% 29-12-2025	1,100	EUR	29/12/2025	2.625%	1,172
Total EMTN RFF 3.125% EUR 25-10-2028	1,875	EUR	25/10/2028	3.125%	1,961
Total EMTN RFF 3.30% 18-12-2042 EUR	1,000	EUR	18/12/2042	3.300%	1,097
Total EMTN RFF 4.25% 07-10-2026	3,600	EUR	07/10/2026	4.250%	3,912
Total EMTN RFF 4.375 02/06/2022	3,000	EUR	02/06/2022	4.375%	3,192
Total EMTN RFF 4.45% 27-11/2017	1,300	EUR	27/11/2017	4.450%	1,321
Total EMTN RFF 4.50% 30-01-2024	3,850	EUR	30/01/2024	4.500%	4,221
Total EMTN RFF 5% 10-10-2033	3,200	EUR	10/10/2033	5.000%	3,522
Total EMTN SNCFR 1.475% 30/03/2065	50	EUR	30/03/2065	1.475%	50
Total RFF GOVT BOND IPCH 28-02-2023	2,000	EUR	28/02/2023	2.450%	2,516
Total EMTN - RFF 5.25% 31-01-2035 £	475	GBP	31/01/2035	5.250%	739
Total EMTN - RFF 5.35% 12-07-2029	326	GBP	12/07/2029	5.350%	557
Total EMTN - RFF 5.5 % 01-12-2021 £	800	GBP	01/12/2021	5.500%	1,109
Total EMTN - RFF 5.25% 07-12-2028 £	650	GBP	07/12/2028	5.250%	873
Total EMTN RFF 4.83% 25-03-2060 £	550	GBP	25/03/2060	4.830%	785
Total EMTN RFF 5% 11-03-2052 £	550	GBP	11/03/2052	5.000%	771

In € million	Nominal amount	Currency	Average maturity	Balance sheet amount
Private bonds				**6,700**
Private bond	500	CHF	2020	517
Private bond	4,834	EUR	2043	4,990
Private bond	315	GBP	2037	378
Private bond	300	HKD	2016	36
Private bond	45,000	JPY	2023	368
Private bond	500	NOK	2032	65
Private bond	370	USD	2025	346

In € million	Nominal amount	Currency	Average maturity	Balance sheet amount
Other loans				**466**
EIB loan	425	EUR	03/08/2019	425
Loan from Greater Paris region	44	EUR	03/04/2028	38
Syndicated loan	1,250	EUR	19/07/2017	-1
Deposits and guarantees	-	-	31/12/1899	4

SNCF Réseau has a 5-year €1.25 billion syndicated credit facility, which was not used in 2015. The residual balance sheet amount corresponds to the amortisation of issue costs.

6.1.2.3.2 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 the SNCF long-term debt breaks down as follows:

In € million		Nominal amount	Average maturity	Balance sheet amount
SNCF long-term debt				**858**
EUR	Floating	68	2021	67
EUR	Fixed	613	2023	634
EUR	Inflation	-	-	-
GBP	Fixed	-	-	-
GBP	Floating	44	2016	60
CHF	Fixed	102	2016	96
CHF	Floating	-	-	-

6.1.2.3.3 Cash borrowings and overdrafts

Overdrafts (€75 million on 31/12/2015 vs €12 million on 31/12/2014) mainly comprise current accounts and bank loans.

Cash borrowings primarily comprise treasury notes of more than 3 months (€1,188 million on 31/12/2015 vs €1,797 million on 31/12/2014) and cash collateral liabilities (€358 million on 31/12/2015 vs €96 million on 31/12/2014).

For its internal financing and cash management, SNCF Réseau uses both national and international short-term financing and investment instruments such as "Treasury bills" and "Commercial Paper", granting diversified access to liquid financial resources. Foreign-currency denominated negotiable debt securities are hedged using currency swaps.

The amortised cost of cash borrowings (excluding cash collateral) breaks down as follows:

In € million	Total amount	Maturity 0 to 6 months	Maturity 6 to 12 months	Maturity exceeding 1 year
Short-term debt	**1,188**	**914**	**274**	**-**
AUD	67	67	-	-
EUR	25	25	-	-
USD	1,096	822	274	-

6.1.2.3.4 PPP financial liabilities

The BPL, CNM and GSMR borrowings relate to the Brittany Pays de Loire, Nimes Montpellier Bypass and Global System for Mobile communication for Railways PPPs. They represent SNCF Réseau's debt to its partners that are pre-financing part of the projects. SNCF Réseau will have to reimburse these debts from 2017.

The grants receivable concerning these projects are presented in Note 6.1.2.1.4. Claims were received by the company in 2015 for the CNM and BPL PPPs for €574 million. These claims were challenged by the company and are subject to analysis, the impacts of which were not taken into account in the 2015 financial statements.

6.2 MANAGEMENT OF FINANCIAL RISKS AND DERIVATIVE INSTRUMENTS

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 manual procedure which specifies the controls to be performed and the manner in which they are to be carried out in order to ensure that, on a day-to-day basis, transactions entered 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.

SNCF Réseau is exposed to the following risks related to the use of financial instruments:

- market risks:
    - interest rate risk
    - currency risk
- liquidity risks
- credit and counterparty risks

6.2.1 Management of interest rate risk

As part of its financial strategy and to limit its exposure to an increase in its financial expenses, SNCF Réseau has defined principles in order to minimise its exposure to interest rate risk.

The current historically low interest rates and the desire to maintain long-term economic equilibriums led the SNCF Réseau Board of Directors to opt for a breakdown of net debt in repayment value that was 90% fixed-rate, 6% floating-rate and 4% inflation-indexed. A limited margin around each of these thresholds is authorised by the Board of Directors.

Compliance with this breakdown is verified on a daily basis.

To achieve this breakdown, SNCF Réseau may use option-based derivatives or interest rate swaps for hedging purposes.

The breakdown by rate of borrowings, before and after consideration of derivative financial instruments (hedging or trading), is as follows:

Breakdown of borrowings by rate	Initial debt structure		Debt structure after interest rate hedging	
In € million	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Fixed rate	38,218	35,066	36,761	33,148
Floating rate	1,958	2,096	4,868	5,448
Inflation	3,036	3,016	1,584	1,583
Total LT borrowings (*)	**43,213**	**40,178**	**43,213**	**40,178**
Floating-rate ST borrowings	1,188	1,797	1,188	1,797
Total borrowings (*)	**44,401**	**41,976**	**44,401**	**41,976**

(*) Excluding PPP debt and LT deposits and guarantees received

Sensitivity of financial instruments to interest rate risks

The sensitivity of profit or loss to the risk of interest rate fluctuations is related to:

- floating-rate net debt after taking into account hedges;
- fair value option debt;
- derivative instruments not qualified as hedges in the meaning of IAS 39.

The sensitivity of recyclable reserves (equity) to the risk of interest rate fluctuations is related to derivatives qualified as cash flows hedges.

The sensitivity of cash flows of floating-rate instruments was calculated taking into account 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 cost.

Conversely, changes in the value of derivatives designated as cash flows 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 on 31 December remains constant during one year.

Given the relatively low market rates in 2015, 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 2014.

In € million		31/12/2015				31/12/2014			
		Profit or loss		Equity		Profit or loss		Equity	
		Impact after change in interest rates of				Impact after change in interest rates of			
Type of instrument		+50 bp	-50 bp	+50 bp	-50 bp	+50 bp	-50 bp	+50 bp	-50 bp
Floating-rate financial instruments (after taking into account hedges)		8	-8	-	-	8	-8	-	-
Fair value hedging ineffectiveness	(a)	8	-8	-	-	8	-8	-	-
Fair value option debt		-	-	-	-	-	-	-	-
Derivatives not qualified as hedges	(b)	2	-2		-	-26	20	-	-
Derivatives qualified as cash flow hedges	(c)	37	-41	693	-780	42	-49	728	-813
TOTAL impact	**(a + b + c)**	**46**	**-51**	**693**	**-780**	**23**	**-37**	**728**	**-813**

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) Impact of the shift in the interest rate curve on derivatives not recognised using hedge accounting

(c) The ineffective portion of cash flow hedges and the impact on equity (OCI) attributable to changes in the value of the hedging instrument

6.2.2 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.

In million of foreign currency	Net foreign currency exposures						
31/12/2015	**CAD**	**CHF**	**GBP**	**HKD**	**JPY**	**NOK**	**USD**
Foreign currency-denominated debt	277	2,107	3,682	300	45,000	500	370
Foreign currency derivatives	277	2,107	3,682	300	45,000	500	370
Net foreign currency exposure	-	-	-	-	-	-	-
31/12/2014	**CAD**	**CHF**	**GBP**	**HKD**	**JPY**	**NOK**	**USD**
Foreign currency-denominated debt	277	2,276	3,980	300	45,000	500	370
Foreign currency derivatives	277	2,276	3,980	300	45,000	500	370
Net foreign currency exposure	-	-	-	-	-	-	-

Closing exchange rates for the main currencies are as follows:

ECB rates	**31/12/2015**	**31/12/2014**
AUD	1.4897	1.4829
CAD	1.5116	1.4063
CHF	1.0835	1.2024
GBP	0.7340	0.7789
HKD	8.4376	9.4170
JPY	131.0700	145.2300
NOK	9.6030	9.0420
SEK	9.1895	9.3930
USD	1.0887	1.2141

Foreign currency-denominated transactions are translated by the subsidiary into its functional currency at the exchange rate prevailing on the transaction date.

Monetary items in the balance sheet are retranslated at the closing exchange rate at each balance sheet date, and the resulting translation differences are recorded in profit or loss or as a separate equity component if they relate to hedging transactions qualifying as net investments or cash flow hedges under IFRS.

The commercial activities of the Group do not expose it to material foreign currency risk.

Excluding subsidiaries operating in their own country, SNCF Réseau's net indebtedness denominated in currencies other than the euro is managed in line with the acceptable risk limit defined in the same general framework. SNCF Réseau uses currency swaps for this purpose, generally set up when the borrowing is issued.

The breakdown by currency of loans and borrowings, before and after adjustment for derivatives (hedging and trading), is as follows:

	Initial debt structure		Structure after currency hedging	
In € million	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Euro	34,648	31,779	43,213	40,178
Pound sterling	5,334	5,309	-	-
US dollar	346	314	-	-
Yen	368	332	-	-
Swiss franc	2,182	2,096	-	-
Norwegian crown	65	69	-	-
Canadian dollar	233	247	-	-
Hong Kong dollar	36	33	-	-
Australian dollar	-	-	-	-
Other	-	-	-	-
Total loans and borrowings	**43,213**	**40,178**	**43,213**	**40,178**

6.2.4 Credit and counterparty risk management

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.

Pursuant to IFRS 13, the fair value of derivatives was estimated taking into account the CVA (Credit Value Adjustment) and the DVA (Debit Value Adjustment). These items did not have a material impact on the value of derivatives on 31 December 2015.

SNCF Réseau is exposed to counterparty risk in connection with its cash investments and the subscription of derivatives from its financial partners, insofar the debtor refuses to honour all or part of its commitment or does not have the means to respect it.

To manage and limit this risk, investment instruments and derivatives are only entered into with financial institutions corresponding to the credit rating and equity criteria validated by the SNCF Réseau Board of Directors.

A limited commitment amount by institution is determined according to these criteria.

Compliance with the authorised threshold by counterparty is monitored on a daily basis.

To hedge counterparty risk regarding its derivative financial instruments, SNCF Réseau performs margin calls with its financial counterparties whose rating is lower than the threshold defined by the Board of Directors. Collateral (in cash only) is called up in the amount of the market value of the financial instrument portfolios for each counterparty whom SNCF Réseau is at risk.

The transactions which could generate counterparty risk are mainly financial investments and financial instruments as described below. Customer credit risk is limited and presented in Note 4.6.2.

6.2.4.1 Financial investments

The general framework defines the counterparty approval procedure, which is based on a quantitative and qualitative analysis of counterparties.

Volume limits according to investment terms are defined for each counterparty, taking into account its rating. The extent to which authorised limits are used, based on the nominal amount of the transactions, is daily measured and reported.

Financial investments are diversified. They primarily consist of negotiable debt instruments (certificates of deposit, commercial paper), treasury note repos and subscriptions to French money market mutual funds (UCITS). Given their short residual term and breakdown, no major credit risk exposure is generated.

6.2.4.2 Derivative financial instruments

Derivative transactions seek to manage interest rate and foreign currency risk.

The general framework defines the counterparty approval procedure, which is based on a quantitative and qualitative analysis of counterparties. Investment volume and term limits are also defined for each counterparty, taking into account its equity and rating. The extent to which authorised limits are used is measured daily and reported.

The counterparty approval procedure for derivative products also involves the signature of a framework agreement. A collateral agreement is also signed with certain counterparties in order to limit counterparty risk.

Pursuant to the amendment to IFRS 7 "Disclosures — Offsetting Financial Assets and Financial Liabilities", the following tables present the fair value of foreign currency and interest rate derivative instruments used by SNCF Réseau, entered into under framework agreements comprising an enforceable master netting clause.

The "Cash collateral" column corresponds to the outstanding on collateralisation agreements for derivative financial instruments that do not meet the offsetting criteria established by IAS 32 "Financial instruments: presentation."

31/12/2015 *In € million*	**Gross amount**	**Amounts offset in the balance sheet**	**Net amounts presented in the balance sheet**	**Amounts not offset in the balance sheet**		**Net amounts based on IFRS 7**
				Cash collateral	Derivative instruments	
Asset derivatives	1,766	-	1,766	357	1,180	229
Liability derivatives	1,683	-	1,683	-	1,180	503

31/12/2014 *In € million*	Gross amount	Amounts offset in the balance sheet	Net amounts presented in the balance sheet	Amounts not offset in the balance sheet		Net amounts based on IFRS 7
				Cash collateral	Derivative instruments	
Asset derivatives	1,440	-	1,440	96	1,161	183
Liability derivatives	2,228	-	2,228	-	1,161	1,067

6.2.5 Liquidity risk

Due to the proactive management of its liquidity, the quality of its signature and its frequent presence on international capital markets, SNCF Réseau enjoys diversified access to both short-term (treasury bills, commercial paper) and long-term (public and private bond issues) financing sources.

In addition, SNCF Réseau has a 5-year syndicated credit line of €1.25 billion. This facility was not drawn down in 2015.

In € million	31/12/2015	31/12/2014
Less than 1 year	1,791	1,336
1 to 2 years	1,409	1,612
2 to 3 years	1,197	1,409
3 to 4 years	846	83
4 to 5 years	2,379	785
6 to 10 years	13,692	14,659
11 to 20 years	15,092	13,042
> 20 years	6,498	6,946
Changes in fair value (designated at “fair value”)	-	-
Changes in fair value (hedge accounting)	308	303
Total loans and borrowings	**43,212**	**40,174**
Fair value of non-current derivatives	-	824
Fair value of current derivatives	-83	-35
Total loans and borrowings (including derivatives)	**43,129**	**40,963**

The following table presents non-discounted contractual cash flows for financial liabilities on 31 December 2015 and 31 December 2014 (corresponding to amounts to be repaid, including interest, with the floating-rate portion pegged to the fixing on 31 December).

Maturity schedule of contractual cash flows *In € million*	**31/12/2015**						**31/12/2014**					
	Total	**Less than 1 year**	**1 to 5 years**	**6 to 10 years**	**11 to 20 years**	**More than 20 years**	**Total**	**Less than 1 year**	**1 to 5 years**	**6 to 10 years**	**11 to 20 years**	**More than 20 years**
Bonds	**-62,203**	**-2,948**	**-11,525**	**-18,439**	**-19,263**	**-10,028**	**-59,594**	**-3,159**	**-9,155**	**-19,636**	**-16,987**	**-10,659**
Principal	-40,911	-1,433	-5,740	-13,055	-14,426	-6,257	-38,272	-1,678	-3,621	-14,032	-12,084	-6,858
Interest cash flow	-21,291	-1,515	-5,785	-5,384	-4,837	-3,771	-21,322	-1,481	-5,534	-5,604	-4,903	-3,801
Other borrowings	**-502**	**-361**	**-35**	**-21**	**-85**	**-**	**-504**	**-10**	**-384**	**-24**	**-86**	**-**
Principal	-493	-359	-31	-19	-83	-	-502	-9	-384	-24	-86	-
Interest cash flow	-9	-2	-4	-2	-1	-	-2	-	-1	-	-	-
Finance-lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest cash flow	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings sub-total	**-62,705**	**-3,308**	**-11,561**	**-18,460**	**-19,347**	**-10,028**	**-60,098**	**-3,168**	**-9,539**	**-19,660**	**-17,073**	**-10,659**
Cash borrowings and overdrafts	**-1,194**	**-1,194**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Principal	-1,190	-1,190	-	-	-	-	-	-	-	-	-	-
Interest cash flow	-5	-5	-	-	-	-	-	-	-	-	-	-
Gross borrowings	**-63,899**	**-4,503**	**-11,561**	**-18,460**	**-19,347**	**-10,028**	**-60,098**	**-3,168**	**-9,539**	**-19,660**	**-17,073**	**-10,659**
Hedging derivatives – Negative FV	**-1,071**	**-93**	**-337**	**-244**	**-207**	**-191**	**-1,442**	**-112**	**-410**	**-381**	**-387**	**-153**
Interest cash flow	-1,071	-93	-337	-244	-207	-191	-1,442	-112	-410	-381	-387	-153
Trading derivatives - Negative FV	**-35**	**-3**	**-14**	**-4**	**-1**	**-13**	**-39**	**-4**	**-15**	**-7**	**-1**	**-12**
Interest cash flow	-35	-3	-14	-4	-1	-13	-39	-4	-15	-7	-1	-12
Hedging derivatives – Positive FV	**1,797**	**135**	**492**	**310**	**408**	**454**	**1,757**	**162**	**491**	**369**	**451**	**285**
Interest cash flow	1,797	135	492	310	408	454	1,757	162	491	369	451	285
Trading derivatives - Positive FV	**17**	**1**	**3**	**3**	**6**	**4**	**11**	**-**	**2**	**2**	**4**	**3**
Interest cash flow	17	1	3	3	6	4	11	-	2	2	4	3
Derivative financial instruments	**708**	**39**	**144**	**66**	**207**	**253**	**287**	**47**	**68**	**-17**	**67**	**123**

6.3 ACCOUNTING POSITION OF DERIVATIVE INSTRUMENTS

The derivative instruments used by the Group to manage currency and interest rate risks are initially recognised at fair value and remeasured in the balance sheet to their fair value at closing.

Fair value is determined using measurement techniques such as option valuation models or the discounted cash flows method. The models fall under Level 2 of the fair value hierarchy set forth in paragraph 81 of IFRS 13.

Changes in the fair value of derivative financial instruments that are not associated with operations and not part of a designated hedging relationship as defined by IAS 39 are recorded in profit or loss for the period, in finance cost. Hedge accounting depends on their designation.

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.

6.3.1 Derivative instruments by accounting treatment

The fair value of derivative instruments recognised in the balance sheet breaks down as follows:

In € million	**31/12/2015**			**31/12/2014**		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Cash flow hedging derivatives	60	791	850	81	501	582
Fair value hedging derivatives	8	851	859	46	676	721
Trading derivatives	58	-	58	137	-	137
Foreign net investment hedging derivatives	-	-	-	-	-	-
Asset derivative instruments	**125**	**1,641**	**1,766**	**263**	**1,177**	**1,440**
Cash flow hedging derivatives	16	1,626	1,642	33	1,985	2,018
Fair value hedging derivatives	-	16	16	-	16	16
Trading derivatives	26	-	26	194	-	194
Foreign net investment hedging derivatives	-	-	-	-	-	-
Liability derivative instruments	**42**	**1,641**	**1,683**	**228**	**2,001**	**2,228**

6.3.1.1 Cash flows hedges

The Group trades on the derivatives market to hedge floating-rate receivables and payables and receipts and payments related to its commercial activities.

When IAS 39 criteria are met, the derivative instruments are designated as cash flows hedges and fair value gains and losses are directly recorded in a specific account in other comprehensive income, except for the ineffective portion of the hedge, which is recorded in profit or loss. When the hedged item impacts profit or loss, the amounts deferred in other comprehensive income are released to profit or loss to match the flows of the hedged item.

The fair value of derivatives designated as cash flow hedges breaks down by hedged item as follows:

31/12/2015		**Fair value of derivatives designated as cash flow hedges**				
In € million	**Fair value**	**Less than 1 year**	**1 to 5 years**	**6 to 10 years**	**11 to 20 years**	**More than 20 years**
Bonds	-763	30	26	-93	-479	-247
Non-bond borrowings	-28	13	-	-	-41	-
Finance lease obligations	-	-	-	-	-	-
Loans and receivables	-	-	-	-	-	-
Total	**-791**	**44**	**26**	**-93**	**-520**	**-247**

31/12/2014		**Fair value of derivatives designated as cash flow hedges**				
In € million	**Fair value**	**Less than 1 year**	**1 to 5 years**	**6 to 10 years**	**11 to 20 years**	**More than 20 years**
Bonds	-1,383	49	38	-192	-413	-866
Non-bond borrowings	-53	-1	-5	-	-47	-
Finance lease obligations	-	-	-	-	-	-
Loans and receivables	-	-	-	-	-	-
Total	**-1,436**	**47**	**33**	**-192**	**-459**	**-866**

Derivatives designated as cash flows hedges break down as follows:

31/12/2015	Balance sheet fair value		Notional foreign currency amount		Cash flow hedging reserve	Less than 6 months	6 months to 1 year	1 to 5 years	6 to < 10 years	11 to 20 years	More than 20 years
In € million	Assets	Liabilities	Assets	Liabilities							
Floating-rate lender / fixed-rate borrower swaps in euros	**11**	**573**	**876**	**4,479**	**-560**	**-37**	**-10**	**-179**	**-153**	**-153**	**-27**
Fixed-rate lender / fixed-rate borrower swaps in euros	**1**	**6**	**120**	**156**	**-4**	**-1**	**-**	**-1**	**-1**	**-1**	**-1**
Floating-rate / fixed-rate cross currency swaps	**27**	**14**	**50**	**44**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
GBP	27	14	50	44	-	-	-	-	-	-	-
USD	-	-	-	-	-	-	-	-	-	-	-
Fixed-rate / fixed-rate cross currency swaps	**501**	**1,049**	**1,494**	**26,764**	**-830**	**-15**	**31**	**69**	**15**	**-115**	**-815**
AUD	-	-	-	-	-	-	-	-	-	-	-
CHF	195	-	612	-	47	-1	4	13	17	14	-
GBP	274	1,045	613	1,764	-865	-14	29	63	-1	-128	-815
JPY	-	5	-	25,000	-11	-	-2	-8	-1	-	-
USD	31	-	270	-	-1	-	-	-	-	-	-
Fixed-rate / floating-rate cross currency swaps	**311**	**-**	**759**	**-**	**254**	**12**	**3**	**58**	**64**	**124**	**-8**
+ Floating-rate / fixed-rate swap											
CAD	25	-	144	-	8	-	-	1	2	5	-
GBP	185	-	362	-	226	8	3	43	60	120	-8
USD	-	-	-	-	-	-	-	-	-	-	-
CHF	102	-	253	-	19	4	-	14	1	-	-
Future issue pre-hedging transactions	**-**	**-**	**-**	**-**	**13**	**2**	**1**	**10**	**-**	**-**	**-**
Total	**850**	**1,642**	**-**	**-**	**-1,127**	**-38**	**26**	**-43**	**-75**	**-145**	**-852**

31/12/2014 *In € million*	Balance sheet fair value Assets	 Liabilities	Notional foreign currency amount Assets	 Liabilities	Cash flow hedging reserve	Less than 6 months	6 months to 1 year	1 to 5 years	6 to < 10 years	11 to 20 years	More than 20 years
Floating-rate lender / fixed-rate borrower swaps in euros	**-**	**293**	**-**	**3,481**	**-324**	**-12**	**-12**	**-91**	**-71**	**-103**	**-35**
Fixed-rate lender / fixed-rate borrower swaps in euros	**1**	**6**	**120**	**156**	**-13**	**-**	**-4**	**-6**	**-3**	**-**	**-**
Floating-rate / fixed-rate cross currency swaps	**18**	**55**	**50**	**104**	**-9**	**-2**	**-6**	**-2**	**1**	**1**	**-**
GBP	18	55	50	104	-9	-2	-6	-2	1	1	-
USD	-	-	-	-	-	-	-	-	-	-	-
Fixed-rate / fixed-rate cross currency swaps	**288**	**1,264**	**1,006**	**26,588**	**-1,037**	**-13**	**-38**	**-195**	**-213**	**-289**	**-288**
AUD	-	-	-	-	-	-	-	-	-	-	-
CHF	121	-	631	-	-2	4	-	-4	-1	-1	-
GBP	166	1,234	375	1,438	-1,012	-21	-27	-184	-208	-286	-286
JPY	-	28	-	25,000	-15	-	-3	-10	-3	-	-
USD	1	2	-	150	-8	4	-8	3	-1	-3	-3
Fixed-rate / floating-rate cross currency swaps	**275**	**400**	**750**	**-**	**-102**	**-4**	**2**	**-10**	**-29**	**-57**	**-3**
+ Floating-rate / fixed-rate swap											
CAD	33	43	144	-	-23	-1	-	-4	-5	-11	-1
GBP	166	332	353	-	-89	-4	1	-13	-25	-46	-1
USD	-	-	-	-	-	-	-	-	-	-	-
CHF	76	26	253	-	10	1	1	7	1	-	-
Future issue pre-hedging transactions	**-**	**-**	**-**	**-**	**14**	**-6**	**-2**	**12**	**6**	**4**	**-**
Total	**581**	**2,018**	**-**	**-**	**-1,472**	**-37**	**-60**	**-292**	**-310**	**-445**	**-327**

Movement in (recyclable) reserves relating to cash flow hedges

The income (expense) deferred in equity includes the foreign currency impact recognised on cash flow hedges.

The impacts on equity, profit or loss for the period and reserves break down as follows:

In € million	**Recyclable equity**
2015 opening balance	**-1,472**
Recycled in profit or loss	-316
Changes in effective portion	660
Changes in value of available-for-sale assets	-
2015 closing balance	**-1,128**

In € million	**Recyclable equity**
2014 opening balance	**-955**
Recycled in profit or loss	-237
Changes in effective portion	-279
Changes in value of available-for-sale assets	-
2014 closing balance	**-1,472**

6.3.1.2 Fair value hedges

SNCF Réseau also uses derivative instruments to hedge the fair value of fixed-rate receivables and payables denominated in euro and foreign currencies.

When IAS 39 criteria are met, the derivative instruments are designated as fair value hedges and:

- fair value gains and losses arising on the derivative are recorded in profit or loss for the period,
- the hedged item is initially recognised at amortised cost and remeasured to its fair value at the balance sheet date, for the hedged portion of the risk, through profit or loss.

As such, fair value gains and losses on the derivative and the hedged item cancel out in profit or loss, except for the ineffective portion of the hedge.

In € million	**31/12/2015**	**31/12/2014**
P&L impact of loan remeasurements	-11	-226
Change in fair value of asset derivatives	-22	233
Change in fair value of liability derivatives	31	2
Fair value hedging ineffectiveness	**-1**	**9**

6.3.1.3 Derivatives not qualified as hedge accounting

These are derivative financial instruments corresponding to economic hedges that do not satisfy standard requirements to be qualified as hedge accounting. If a derivative financial instrument has not been (or is no longer) qualified as hedge accounting, its successive fair value changes are directly recognised in profit or loss for the period, within a specific heading, e.g. “Mark-to-market” or “MtM on operating financial instruments” under current operating profit or loss for non-financial asset derivatives and under finance cost for foreign currency, interest rate or equity derivatives.

In € million	31/12/2015				31/12/2014			
	Fair value		Notional amount		Fair value		Notional amount	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives	**-**	**21**	**174**	**341**	**4**	**24**	**150**	**181**
Currency derivatives	**39**	**4**	**-**	**-**	**111**	**-**	**-**	**-**
Euros	-	-	-	-	-	-	-	-
Swiss franc	-	-	-	-	-	-	-	-
Canadian dollar	-	-	-	-	-	-	-	-
Pound sterling	-	-	-	-	-	-	-	-
Hong Kong dollar	-	-	-	-	-	-	-	-
Yen	-	-	-	-	-	-	-	-
New Zealand dollar	-	-	-	-	-	-	-	-
US dollar	35	4	1,015	180	111	-	1,455	-
Australian dollar	4	-	100	-	-	-	-	-
Embedded derivatives	**18**	**-**	**-**	**-**	**21**	**171**	**-**	**-**
Euros	18	-	211	156	21	4	106	156
Swiss franc	-	-	-	-	-	-	-	-
Canadian dollar	-	-	-	-	-	-	-	-
Pound sterling	-	-	-	-	-	166	-	326
Hong Kong dollar	-	-	-	-	-	-	-	-
Yen	-	-	-	-	-	-	-	-
New Zealand dollar	-	-	-	-	-	-	-	-
US dollar	-	-	-	-	-	-	-	-
Australian dollar	-	-	-	-	-	-	-	-
Total derivatives not qualified for hedging	**58**	**26**	**-**	**-**	**137**	**195**	**-**	**-**

6.3.2 Derivatives by type of instrument

6.3.2.1 Foreign currency derivatives

SNCF Réseau regularly operates on the foreign currency derivatives market, primarily in order to hedge borrowings issued. The fair value of these instruments in the balance sheet breaks down as follows by type of instrument and accounting treatment:

In € million	BALANCE SHEET FAIR VALUE ON31/12/2015					BALANCE SHEET FAIR VALUE ON 31/12/2014				
	Cash flows hedge	Fair value hedge	Trading	Net foreign investment hedge	TOTAL	Cash flows hedge	Fair value hedge	Trading	Net foreign investment hedge	TOTAL
Currency swaps	839	762	-	-	1,601	581	586	-	-	1,167
Forward foreign currency purchases	-	-	39	-	39	-	-	111	-	111
Forward foreign currency sales	-	-	-	-	-	-	-	-	-	-
Asset derivative instruments	**839**	**762**	**39**	**-**	**1,640**	**581**	**586**	**111**	**-**	**1,278**
Currency swaps	1,063	16	-	-	1,079	1,719	16	166	-	1,901
Forward foreign currency purchases	-	-	4	-	4	-	-	-	-	-
Forward foreign currency sales	-	-	-	-	-	-	-	-	-	-
Foreign currency options	-	-	-	-	-	-	-	-	-	-
Liability derivative instruments	**1,063**	**16**	**4**	**-**	**1,083**	**1,719**	**16**	**166**	**-**	**1,901**
Net foreign currency position	**-224**	**746**	**35**	**-**	**557**	**-1,138**	**570**	**-55**	**-**	**-623**

6.3.2.1.1 Currency swaps with an underlying asset

No position held on 31 December 2014 and 2015.

6.3.2.1.2 Currency swaps with an underlying liability

The maturity schedule by foreign currency of the nominal commitments of the instruments subscribed is as follows:

31/12/2015	Total		Less than 1 year		1 to 5 years		6 to 10 years		11 to 20 years		More than 20 years	
In million	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate
Canadian dollar	277	183	-	-	-	-	-	-	277	183	-	-
Swiss franc	2,107	1,945	162	149	790	729	300	277	725	669	130	120
Pound sterling	3,682	5,016	44	60	-	-	852	1,160	1,501	2,045	1,284	1,750
Hong Kong dollar	300	36	300	36	-	-	-	-	-	-	-	-
Yen	45,000	343	-	-	15,000	114	17,000	130	13,000	99	-	-
US dollar	370	340	150	138	100	92	-	-	-	-	120	110
Norwegian crown	500	52	-	-	-	-	-	-	500	52	-	-
Foreign currency commitments received	**-**	**7,914**	**-**	**383**	**-**	**935**	**-**	**1,567**	**-**	**3,048**	**-**	**1,980**
Euro	-	7,704	-	327	-	715	-	1,547	-	3,166	-	1,949
Euro commitments given	**-**	**7,704**	**-**	**327**	**-**	**715**	**-**	**1,547**	**-**	**3,166**	**-**	**1,949**

31/12/2014	Total		Less than 1 year		1 to 5 years		6 to 10 years		11 to 20 years		More than 20 years	
In million	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate
Canadian dollar	277	197	-	-	-	-	-	-	277	197	-	-
Swiss franc	2,276	1,893	169	141	952	792	300	250	725	603	130	108
Pound sterling	3,980	5,109	685	880	44	57	800	1,027	1,175	1,509	1,275	1,637
Hong Kong dollar	300	32	-	-	300	32	-	-	-	-	-	-
Yen	45,000	310	-	-	5,000	34	27,000	186	13,000	90	-	-
US dollar	370	305	150	-	100	206	-	-	-	-	120	99
Norwegian crown	500	55	-	-	-	-	-	-	500	55	-	-
Foreign currency commitments received	**-**	**7,901**	**-**	**1,020**	**-**	**1,121**	**-**	**1,463**	**-**	**2,453**	**-**	**1,844**
Euro	-	8,182	-	951	-	968	-	1,620	-	1,811	-	2,832
Euro commitments given	**-**	**8,182**	**-**	**951**	**-**	**968**	**-**	**1,620**	**-**	**1,811**	**-**	**2,832**

Based on year-end exchange and interest rates and future implicit rates of the year-end rate curve for floating rates, the maturity schedule is as follows:

In € million	31/12/2015		31/12/2014	
	Interest received	**Interest paid**	**Interest received**	**Interest paid**
Less than 1 year	328	-219	316	-228
1 to 2 years	317	-203	285	-204
2 to 3 years	315	-203	275	-190
3 to 4 years	313	-202	273	-190
4 to 5 years	294	-200	271	-188
1 to 5 years	1,239	-808	1,105	-772
6 to 10 years	1,185	-902	1,072	-846
11 to 20 years	1,648	-1,214	1,537	-1,231
More than 20 years	1,627	-1,312	1,646	-1,441
Total	**6,027**	**-4,454**	**5,675**	**-4,519**

6.3.2.2 Interest rate derivatives

The Group operates in the interest rate swap and swaption market in order to manage its exposure to interest rate risk on borrowings. The fair value of these instruments in the balance sheet breaks down as follows by instrument and transaction type:

In € million	BALANCE SHEET FAIR VALUE ON 31/12/2015					BALANCE SHEET FAIR VALUE ON 31/12/2014				
	Cash flows hedge	Fair value hedge	Trading	Net foreign investment hedge	TOTAL	Cash flows hedge	Fair value hedge	Trading	Net foreign investment hedge	TOTAL
Fixed-rate receiver swaps	1	97	18	-	116	1	135	25	-	161
Fixed-rate payer swaps	11	-	-	-	11	-	-	-	-	-
Index swaps	-	-	-	-	-	-	-	-	-	-
Swaptions	-	-	-	-	-	-	-	-	-	-
Asset derivative instruments	**11**	**97**	**18**	**-**	**126**	**1**	**135**	**25**	**-**	**161**
Fixed-rate receiver swaps	6	-	-	-	6	6	-	28	-	34
Fixed-rate payer swaps	573	-	21	-	594	293	-	-	-	293
Index swaps	-	-	-	-	-	-	-	-	-	-
Swaptions	-	-	-	-	-	-	-	-	-	-
Liability derivative instruments	**578**	**-**	**21**	**-**	**600**	**299**	**-**	**28**	**-**	**327**
Net interest rate position	**-567**	**97**	**-3**	**-**	**-474**	**-298**	**135**	**-3**	**-**	**-166**

The maturity schedule, by type of instrument, of the nominal commitments is as follows:

In € million	31/12/2015 Net debt		31/12/2014 Net debt	
	Long-term	Short-term	Long-term	Short-term
Fixed-rate receiver swaps	1,601	174	2,076	100
Fixed-rate payer swaps	3,413	110	3,404	25
Index swaps	-	-	-	-
Swaption	-	-	-	-

Based on year-end exchange and interest rates and future implicit rates of the year-end rate curve for floating rates, the maturity schedule is as follows:

In € million	Net interest on 31/12/2015				
	Less than 1 year	1 to 5 years	6 to 10 years	11 to 20 years	More than 20 years
Fixed-rate receiver swaps	17	48	39	-21	-14
Fixed-rate payer swaps	-88	-335	-257	-207	-48
Index swaps	-	-	-	-	-
Swaption	-	-	-	-	-
Total	**-71**	**-287**	**-218**	**-227**	**-62**

In € million	Net interest on 31/12/2014				
	Less than 1 year	1 to 5 years	6 to 10 years	11 to 20 years	More than 20 years
Fixed-rate receiver swaps	41	50	43	-21	-17
Fixed-rate payer swaps	-81	-314	-286	-218	-65
Index swaps	-	-	-	-	-
Swaption	-	-	-	-	-
Total	**-40**	**-265**	**-243**	**-238**	**-82**

6.4 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.

31 December 2015, capital injections totalled €9.8 billion.

7. INCOME TAX EXPENSE

Income tax expense encompasses all taxes calculated on an accounting profit or loss net of income and expenses. The following items are recognized under this line item at the bottom of the income statement:

- Corporate income tax and the various additional contributions associated with it.
- Sponsorship and foreign tax credits.
- The impact of tax reassessments in respect of income tax.
- Deferred tax.

Deferred tax

The Group recognises deferred tax on all timing differences between the tax and book values of assets and liabilities in the consolidated balance sheet. Deferred tax is calculated using the liability method, applying the most recently voted tax rate at the year-end applicable to the period in which the timing differences are expected to reverse.

Deferred tax assets in respect of timing differences and tax losses or credits carried forward are only recognised when recovery is deemed probable. The Group's ability to recover these tax assets is assessed through an analysis of its business plan and the uncertainties presented by the economy and Group markets (see Note 4.5).

Other income tax expense

Income tax expense other than deferred tax is offset against operating payables and receivables in the balance sheet. Deferred tax assets and liabilities are not discounted and are offset in a separate line item under non-current assets and liabilities.

7.1 INCOME TAX EXPENSE ANALYSIS

In € million	31/12/2015	31/12/2014 restated	Change
Current tax (expense)/income	-	-22	22
Deferred tax (expense)/income	-44	-45	-
Total	**-45**	**-67**	**22**

from 1 January 2015, SNCF Réseau belonged to the tax consolidation scope of the SNCF Group headed by the parent EPIC. The 2015 income tax expense presented above is therefore payable to SNCF, and no longer to the French tax authorities as in 2014.

7.2 TAX PROOF

For its tax proof, the Group adopted the corporate income tax rate (33.33%) applicable in France, plus the 3.3% social security contribution, but without the 10.7% exceptional contribution. This exceptional contribution applies to businesses whose revenue exceeds €250 million during fiscal years up to 30 December 2016.

In € million	31/12/2015	31/12/2014 restated
Net profit/(loss) for the year	**-9,916**	**-213**
Share of net profit of companies consolidated under the equity method	1	-
Income tax expense	-45	-67
Net profit/(loss) before tax from ordinary activities and before the share of net profit of companies consolidated under the equity method	**-9,873**	**-147**
Income tax rate applicable in France	34.43%	34.43%
THEORETICAL INCOME TAX (EXPENSE)/INCOME	**3,399**	**51**
Permanent differences	-119	-116
Differences in tax rates	-	-2
Tax loss carry-forwards created and not utilised	-3,340	-
Tax credits outside the scope of IAS 12	15	-
INCOME TAX (EXPENSE)/INCOME	**-45**	**-67**
EFFECTIVE TAX RATE	**0%**	**45%**

The Amending Finance Law for 2012 and Finance Act for 2013 provided for the following measures applicable in France:

- With respect to tax loss carry-forwards, the allocation of prior losses to the income recognised for a fiscal year is now capped at €1 million plus 50% of the taxable income of the fiscal year exceeding this initial limit. The portion of the loss that cannot be deducted from income due to the application of these provisions can still be allocated to subsequent fiscal years, under the same conditions and for an unlimited period of time.
- from 2014, only 75% of the net financial expenses obtained were deductible from taxable income. The non-deductible portion represents a permanent difference in the tax proof.
- A Competitiveness and Employment Tax Credit (CICE) was set up to finance and improve the competitiveness of French companies and came into effect from1 January 2013. There was a positive impact of €15 million in “Tax credits” in the tax proof.

7.3 DEFERRED TAX SOURCES

The company decided no longer to recognise deferred tax assets above the amount recognised on 30 June 2015, i.e. €3,623 million, plus the deferred tax assets contributed as part of the transfer of the Infrastructure division for €68 million (see Note 4.5).

8. SEGMENT REPORTING

SNCF Réseau's activity consists in managing the entire French national rail network it owns. The company does not operate in any sectors other than the rail sector.

Segment reporting is therefore not relevant.

9. RELATED PARTY TRANSACTIONS

SNCF Réseau, as an industrial and commercial public institution wholly owned by the French State (via the French Government Shareholding Agency), is related, in the meaning of IAS 24, Related Party Disclosures, to all companies and entities controlled by the French State.

Disclosures on individually or collectively material transactions with these entities concern the following related parties:

- The EPICs belonging to the Public Rail Group, SNCF Réseau and SNCF,
- The French State

Transactions between SNCF Réseau Group and other State companies (EDF, La Poste, etc.) are all performed on an arm's length basis.

No Group companies other than the parent company carry out material transactions with these related parties.

9.1 RELATIONS WITH THE PUBLIC RAIL GROUP

9.1.1 Relations with SNCF Mobilités

SNCF Mobilités is currently one of SNCF Réseau's main customers in terms of French rail network infrastructure fees.

Furthermore, until the rail reform, SNCF carried out delegated rail infrastructure management services on behalf of SNCF Réseau. from 1 July 2015, the delegated management fees paid to SNCF Mobilités (formerly SNCF) was replaced by internal operating and investment expenses.

Balance sheet headings

In € million	**31/12/2015**	**31/12/2014**
Production of fixed assets delegated to SNCF	1,057	1,858
Operating receivables	1,002	414
Operating payables*	540	1,016

** Balance sheet headings excluding borrowings presented separately in balance sheet liabilities (see Note 6.1.2.)*

Income and expenses

In € million	**31/12/2015**	**31/12/2014**
Infrastructure fees	3,631	3,648
Operating expenses	-1,917	-3,173

9.1.2 Relations with SNCF

Under the rail reform law, the new SNCF is responsible for the strategic control of the Public Rail Group as well as the shared functions carried out for all the Group EPICs, with regard to the Group's coordination, support and shared service centre departments. These shared functions include:

- Administrative management of human resources, payroll and social security protection;
- Management of the Group's information systems;
- Management of the Group's real estate and property;
- Organisation of the Group's general purchases.

Balance sheet headings

In € million	**31/12/2015**
Operating receivables	99
Operating payables	74

Income and expenses

In € million	**31/12/2015**
Operating income	38
Operating expenses	-408

9.2 RELATIONS WITH THE FRENCH STATE AND LOCAL AUTHORITIES

Pursuant to the legislation applicable to companies whose sole shareholder is the French State, SNCF Réseau is subject to the economic and financial supervision of the French State, the French Court of Auditors, the French Parliament, as well as the verifications of the French General Inspectorate of Finance.

SNCF Réseau invoices the French State for the access fees related to TER regional passenger trains and *trains d'équilibre de territoire* (TET).

The French State also pays out operating and investment grants to SNCF Réseau.

The government aid granted to the SNCF Réseau Group by the French State and the local authorities is presented in the following table:

Balance sheet headings

In € million	**31/12/2015**	**31/12/2014**
Grants receivable (assets)	819	889

Income and expenses

In € million	**31/12/2015**	**31/12/2014**
Access fees*	1,831	1,799
Freight compensation	31	109

*of which TER fees: €1,392 million and TET fees: €439 million

10. OFF-BALANCE SHEET COMMITMENTS

10.1 COMMITMENTS RECEIVED AND GIVEN

Commitments received (in € million)	31/12/2015 Total commitment	Amount of commitments per period: Less than one year	From one to five years	More than five years	31/12/2014 Total commitment
Commitments relating to financing	**1,250**	**-**	**1,250**	**-**	**-**
Unused confirmed credit lines	1,250	-	1,250	-	-
Commitments relating to operations	**1,200**	**743**	**433**	**24**	**5,784**
Investment purchase commitments: other non-current assets	1,029	613	416	-	5,733
Property sale undertakings	54	49	5	-	-
Operating leases: property	5	4	-	1	-
Financial guarantees received from third parties	112	77	12	24	51
Commitments relating to the consolidation scope	**-**	**-**	**-**	**-**	**-**
Other commitments received	**-**	**-**	**-**	**-**	**-**
TOTAL COMMITMENTS RECEIVED	**2,450**	**743**	**1,683**	**24**	**5,784**

Commitments given (in € million)	31/12/2015 Total commitment	Amount of commitments per period: Less than one year	From one to five years	More than five years	31/12/2014 Total commitment
Commitments relating to financing	**-**	**-**	**-**	**-**	**-**
Commitments relating to operations	**2,339**	**847**	**623**	**870**	**8,819**
Investment purchase commitments: other non-current assets	28	10	15	2	-
Investment purchase commitments: Forecast Investment Plan for other non-current assets	1,214	678	536	-	6,694
Property sale undertakings	54	49	5	-	70
Operating leases: equipment	169	20	41	109	-
Operating leases: property	109	85	24	-	-
Financial guarantees given to third parties	765	4	3	759	2,056
Commitments relating to the consolidation scope	**-**	**-**	**-**	**-**	**-**
Other commitments given	**-**	**-**	**-**	**-**	**-**
TOTAL COMMITMENTS GIVEN	**2,339**	**847**	**623**	**870**	**8,819**

Off-balance sheet commitments on 31 December 2015 primarily include commitments undertaken with public private partnerships relating to the high-speed lines: commitments given correspond to investments still to be recognised; commitments received correspond to grants still to be recognised, considering the percentage completion at the year-end.

Commitments relating to PPP and concession arrangements

The present value on 31 December 2015 of amounts still to be paid under PPP agreements breaks down as follows:

- €506 million for CNM
- €441 million for BPL
- €227 million for SEA
- €41 million for GSMR.

The present value on 31 December 2015 of grants still be collected under PPP agreements breaks down as follows:

- €504 million for CNM
- €305 million for BPL
- €224 million for SEA
- €37 million for GSMR.

Financial guarantees given to third parties

Financial guarantees given to third parties on 31 December 2015 comprised the guarantee issued in 2011 by RFF for the Caisse des Dépôts-Savings Account fund management.

11. STATUTORY AUDITORS' FEES

Pursuant to Article 222-8 of the general regulations of the *Autorité des marchés financiers* (AMF - French Financial Markets Authority), the table below presents the fees paid by SNCF Réseau, its wholly-consolidated subsidiaries and joint operations to each of the statutory auditors responsible for auditing the SNCF Réseau Group company and consolidated financial statements.

SNCF Réseau's principal statutory auditors are PriceWaterHouseCoopers and Ernst & Young for fiscal years starting on or after 1 January 2015.

The following table shows the breakdown of fees by audit firm (in thousands of euros):

	Ernst & Young	**PriceWaterHouseCoopers**		**Mazars**
In € thousands	**31/12/2015**	**31/12/2015**	**31/12/2014**	**31/12/2014**
Statutory audit (consolidated and individual)	272	300	153	124
Other procedures and services directly related to the statutory audit engagement	45	157	20	-
Total	**317**	**457**	**173**	**124**

The fees included under "Other procedures and services directly related to the statutory audit engagement" relate to the additional procedures carried out in connection with the rail reform.

STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

31 December 2015

SNCF RESEAU FINANCIAL STATEMENTS

CRC – In € million

15-17, rue Jean-Philippe Rameau, 93418 La Plaine - Saint Denis

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BALANCE SHEET

As the balance sheet presentation was modified in 2015, the 2014 balance sheet has been restated so that its presentation is comparable with that of 2015. The reconciliation between the two presentation formats is described in Note 5 "Comparability of the financial statements".

ASSETS	Note	31 December 2015			31 December 2014 restated
		Gross	Depreciation, amortisation and impairment	Net	Net
Intangible assets	6.1	1,638	-335	1,302	970
Property, plant and equipment	6.2	64,359	-29,059	35,301	43,328
PP&E in the course of construction	6.2	15,046	-22	15,024	12,445
PP&E in the course of construction made available to the concession-holder	6.2	190	0	190	190
Long-term investments	6.3	1,738	0	1,738	1,180
TOTAL NON-CURRENT ASSETS		**82,971**	**-29,416**	**53,555**	**58,113**
Inventories and work-in-progress	6.4	584	-111	473	0
Payments on account for inventories	6.5	230	0	230	194
Trade receivables and related accounts	6.5	1,225	-20	1,205	852
Other operating receivables	6.5	3,779	-57	3,722	3,251
Marketable securities	6.7	2,211	0	2,211	2,771
Cash at bank and in hand	6.7	351	0	351	503
TOTAL CURRENT ASSETS		**8,380**	**-187**	**8,192**	**7,570**
Prepayments and deferred charges	6.8	1,062	-257	805	756
Unrealised foreign exchange losses	6.9	220	0	220	219
TOTAL ASSETS		**92,632**	**-29,860**	**62,772**	**66,658**

As the balance sheet presentation was modified in 2015, the 2014 balance sheet has been restated so that its presentation is comparable with that of 2015. The reconciliation between the two presentation formats is described in Note 5 “Comparability of the financial statements”.

EQUITY AND LIABILITIES	Note	**31 December 2015**	**31 December 2014 restated**
Share capital	6.10	9,765	9,765
Accumulated deficit	6.10	-14,267	-14,023
Net profit/(loss) for the year	6.10	-10,073	-244
NET WORTH		**-14,576**	**-4,502**
Investment grants	6.11	23,135	21,710
TOTAL EQUITY		**8,559**	**17,207**
Provisions for liabilities and charges	6.12	1,725	692
Borrowings	6.13	44,602	41,975
Payments received on account for work-in-progress	6.14	314	329
Trade payables	6.14	2,840	2,637
Tax and employee-related payables	6.14	1,033	256
Other operating payables	6.14	1,954	2,123
Accruals and deferred income	6.16	1,744	1,440
Unrealised foreign exchange gains		0	0
TOTAL EQUITY AND LIABILITIES		**62,772**	**66,658**

INCOME STATEMENT

As the income statement presentation was modified in 2015, the 2014 income statement has been restated so that its presentation is comparable with that of 2015. The reconciliation between the two presentation formats is described in Note 5 “Comparability of the financial statements”.

INCOME STATEMENT

	Note	**31 December 2015**	**31 December 2014 restated**
Revenue	7.1	6,275	5,917
Own production and change in inventories and WIP	7.2	2,036	53
Purchases and external charges	7.4	-4,472	-3,814
ADDED VALUE		**3,840**	**2,156**
Other operating income (including operating grants)	7.3	88	155
Taxes and duties other than income tax	7.5	-140	-86
Employee benefits expense	7.6	-1,783	-143
GROSS PROFIT		**2,005**	**2,082**
Reversal of impairment, operating provisions and investment grants; Expense reclassifications	7.8	774	665
Depreciation, amortisation, impairment and operating provisions	7.8	-1,908	-1,635
Other management expenses		-1	0
OPERATING PROFIT/(LOSS)		**871**	**1,113**
Financial income	7.9	510	545
Financial expenses	7.9	-1,954	-1,932
FINANCE COST		**-1,444**	**-1,387**
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX		**-573**	**-274**
Exceptional income	7.10	95	117
Exceptional expenses	7.10	-9,640	-66
EXCEPTIONAL PROFIT/(LOSS)		**-9,544**	**52**
Income tax expense	7.11	44	-22
NET PROFIT/(LOSS) FOR THE YEAR		**-10,073**	**-244**

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

1 PRESENTATION OF THE STATE-OWNED INSTITUTION SNCF RÉSEAU

1 January 2015, date on which the French rail reform came into effect, RFF adopted the name SNCF Réseau. As described in Note 3 Major events of the year, on 1 July 2015, SNCF Mobilités transferred all the assets, rights and obligations related to infrastructure management to SNCF Réseau. The Boards of Directors of SNCF Réseau and SNCF Mobilités approved the transaction on 18 and 25 June 2015, respectively.

The transfers were recognised on 1 July 2015. Hence, for 2014, the RFF Group consolidated financial statements represent the historical financial statements of the new SNCF Réseau Group.

SNCF Réseau is a State-owned industrial and commercial institution (EPIC), subject to the rules applicable to industrial and commercial companies with respect to its financial and accounting management. It keeps its accounts in accordance with the legal and regulatory provisions prevailing in France. It was created by the Law 97-135 of 13 February 1997, as an independent entity and owner of the French railway infrastructures previously allocated to SNCF, with retroactive effect to 1 January 1997.

The SNCF Réseau head office is located at 15-17 rue Jean-Philippe Rameau – 93212 La Plaine Saint-Denis.

Within the SNCF Group, one of the world's leading mobility and logistics groups, SNCF Réseau maintains, upgrades, develops and sells access to the French national rail network to promote regional solidarity.

The statutory financial statements for the year ended 31 December 2015 were approved by the Board of Directors on 9 March 2016.

2 ACCOUNTING STANDARDS BASE

SNCF Réseau - a State-owned industrial and commercial institution (EPIC) – "is subject to the rules applicable to industrial and commercial companies with respect to its financial and accounting management". It keeps its accounts in accordance with the legal and regulatory provisions prevailing in France.

The financial statements are presented in millions of euros, rounded off to the nearest million. Accordingly, the sum of the figures may differ from the total shown.

2.1 IFRIC 21 APPLICATION

In a regulation dated 13 June 2014, the European Union adopted IFRIC Interpretation 21 "Levies".
This interpretation is applicable to fiscal periods beginning on or after 1 January 2014. However, Article 2 of the EU regulation defers the mandatory application of this interpretation, for EU countries, to fiscal periods beginning on or after 17 June 2014.
For groups with a 31 December closing, the mandatory first-time application will therefore concern fiscal year 2015.

The interpretation covers the recognition of a liability to pay a levy. Despite its fairly broad title, it covers a more limited scope:

- It does not apply to liabilities covered by IAS 12 "Income taxes"
- It does not apply to the treatment of VAT insofar as this tax does not generate any outflow of resources for the entity.

- It does not apply to outflows of resources falling within the scope of other standards such as IAS 19 "Employee benefits", which, in France, should exclude the treatment of liabilities arising from an employer's contribution to vocational training or a construction levy.
- It does not apply to payments made by an entity to public authorities to obtain an asset.
- Finally, it is not applicable to fines and other penalties imposed for breach of legal or regulatory provisions.

The interpretation's core principle is that a levy shall be recognised on the date of the obligating event that triggers payment of the levy by the entity.
The obligating event may occur on a specified date or progressively over time. In the former case, the liability shall be recognised on the specified date whereas, in the latter case, it shall be recognised progressively over all the reporting periods (quarterly, half-yearly, annual) required by the regulations.

IFRIC 21 Interpretation "Levies" has been applicable to the Group's IFRS reporting since 1 January 2015 and impacts the taxes and duties recognised within gross profit. There is therefore a gap between IFRS and French GAAP income statement analytical balances based on gross profit.

Under French Accounting Regulations Committee (CRC – Comité de la Réglementation Comptable) regulations, there are two approaches in practice:

- Either recognition of the levy in year Y based on the Y-1 tax,
- Or recognition in year Y of the occurrence of the obligating event.

The conditions to change the method in the CRC statutory financial statements have been satisfied, making it possible to converge the two accounting frameworks, independently of any position of the French Accounting Standards Authority (ANC).

For the preparation of its statutory financial statements, SNCF Réseau adopted the accounting method in accordance with IFRIC 21 principles.

2.2 ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the company's accounts, management must make estimates, as numerous items included in the consolidated financial statements cannot be measured precisely. The accounting estimates used for the 31 December 2015 financial statements were prepared under the current context of uncertainty regarding business outlooks. Management is required to revise its estimates in the event of a change in the circumstances on which they are based or as a result of new information or further experience. As such, the estimates adopted on 31 December 2015 may be materially modified and subsequent actual results may differ materially from these estimates based on different assumptions or conditions.

Major estimates and assumptions primarily concern:

- **Impairment of non-financial assets**

At each balance sheet date, the company assesses whether there is any indication that a non-financial asset may have lost value, necessitating the performance of a test.
These tests seek, in part, to determine a value in use or a market value less costs to sell. Value in use calculations are based on management estimates of expected future cash flows from the asset or cash-generating unit (CGU), the appropriate discount rate to be used to calculate the present value of these future cash flows and the growth rate adopted. Market value calculations are based on an assessment by management of the transaction price that could be obtained for the sale of the assets tested, taking into account the current condition of such assets.

- **Employee benefit-related items**

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

- **Provisions for environmental risks**

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

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

Amounts recorded for the removal of asbestos from rolling stock correspond to the estimated costs at the end of the equipment life. These costs are determined based on new contracts signed, orders placed and the target prices of ongoing calls for tender (see Note 6.12 “Provisions for liabilities and charges”).

3 MAJOR EVENTS OF THE YEAR

3.1 RAIL REFORM

The rail reform law enacted on 4 August 2014 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 segment players by maintaining the status of railway employees and unifying their group;
- Greater regulatory authority to guarantee the impartiality of network accessibility.

The organisation of the French rail system and specifically the State-owned industrial and commercial institution (or EPIC) Réseau Ferré de France was profoundly changed. 1 January 2015, the date of effect of the reform law, an economically integrated group organised according to three EPICs was set up:

- The EPIC SNCF (Société Nationale des Chemins de fer Français until 30 November 2014), now SNCF Mobilités, continues to carry out all the transport activities of the former SNCF Proximités, SNCF Voyages and SNCF Logistics segments, and manage stations of the Gares & Connexions segment.

- The EPIC Réseau Ferré de France (RFF), now SNCF Réseau, unifies all the infrastructure management functions by combining the Infrastructure and Rail Network Operation and Management activities formerly part of the SNCF Infrastructure division.

- A "parent" EPIC, created on 1 December 2014 as part of the reform and called SNCF, is responsible for the public rail group's strategic control and steering, economic coherence, industrial integration, social unity and cohesion.

The rail reform law also strengthened the rules governing the financing of investments to develop the French national rail network in order to limit the increase in the SNCF Réseau debt. To limit the SNCF Réseau debt, the legislator defined the "golden rule" principle: should the maximum threshold defined for the Net Debt/Gross Profit ratio be exceeded, the investment projects will be funded by the State, local authorities or any other requesting party. The golden rule application decree is currently being drafted.

The application decrees of 11 February 2015 set out the date of effective implementation for the transfer of assets and liabilities between the three EPICs. The date of implementation, 1 July 2015, corresponds to the issue date of the new safety certificates.

Accordingly, on 1 July, and pursuant to the transfer agreements, the SNCF Réseau Group received assets and liabilities from the Infrastructure division. The net value of the transferred assets and liabilities, calculated using the SNCF Group financial statements for the half-year ended on 30 June 2015, was €155 million. In exchange to these transfers, SNCF Réseau paid SNCF Mobilités a total of €155 million.

Considering the above, the transfer balance sheet was prepared using IFRS net carrying amounts, as provided by French law, including deferred tax assets of €68 million reclassified as tax receivables (see Note 6.5 "Operating receivables"). It breaks down as follows:

	1 July 2015
Intangible assets	73
Property, plant and equipment	713
Financial assets	32
Deferred taxes	68
Non-current assets	**887**
Inventories and work-in-progress	491
Operating receivables	1,396
Current assets	**1,887**
TOTAL ASSETS	**2,774**

	1 July 2015
Employee benefits	847
Provisions	121
Non-current liabilities	**968**
Operating payables	1,650
Transfer debt	155
Current liabilities	**1,805**
TOTAL LIABILITIES	**2,774**

The transfer balance sheet in the statutory financial statements breaks down as follows:

ASSETS	Net 01/07/2015
Intangible assets	73
Property, plant and equipment	638
PP&E in the course of construction	82
Long-term investments	26
TOTAL NON-CURRENT ASSETS	**819**
Inventories and work-in-progress	491
Payments on account for inventories	3
Trade receivables and related accounts	224
Other operating receivables	1,244
TOTAL CURRENT ASSETS	**1,962**
Prepayments and deferred charges	4
TOTAL ASSETS	**2,785**

EQUITY AND LIABILITIES	Net 01/07/2015
Investment grants	8
Provisions for liabilities and charges	968
Payments received on account for work-in-progress	234
Trade payables	567
Employee and tax-related payables	338
Other operating payables	660
Accruals and deferred income	9
TOTAL EQUITY AND LIABILITIES	**2,785**

The main presentation difference is the classification of transferred deferred tax assets under intangible assets in the French GAAP financial statements for €68 million.

On 1 July 2015, non-current assets were transferred from SNCF Réseau to the new SNCF in the net amount of €1 million.

Finally, these initial transfers were followed by the transfer on 1 July 2015 from SNCF Mobilités to SNCF Réseau of sites comprising freight terminals and military tracks in the amount of €54 million.

3.2 RECLASSIFICATION OF A PORTION OF THE 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's 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.

3.3 COMPETITIVENESS AND EMPLOYMENT TAX CREDIT (CICE)

A Competitiveness and Employment Tax Credit (CICE) was introduced by 2012 Amending Finance Act (no. 2012-1510) of 29 December 2012.
To manage its debt, on 16 December 2014, EPIC SNCF Mobilités, as head of the tax consolidation group in 2014, assigned the tax consolidation group's 2013 and 2014 CICE receivable totalling €269.6 million to a credit institution, which obtained ownership thereof.
A portion of this receivable was paid back to SNCF RESEAU for €136 million.

Regarding the receivables for fiscal years 2013 and 2014 that were securitised, SNCF Mobilités agreed to repay SNCF RESEAU these amounts in January 2016 for a total of €136 million, less a share of the transaction costs for €5 million, i.e. €131 million.

3.4 RAIL ACCIDENT

On 14 November 2015, a TGV test train derailed, resulting in 53 victims, including 11 deaths, in Eckwersheim, Alsace. The internal report following the immediate investigation carried out by the SNCF General Safety Audit Department was submitted to the Chairmen of the Public Rail Group on 19 November 2015. After examining the events recorder, the investigators established that the speed of the test train at the moment it entered the track section exceeded the recommended speed for a test program. This resulted in a late braking sequence which should have been initiated much earlier. A provision of €3 million was recorded in the SNCF Réseau financial statements on the year ended 31 December 2015 (see Note 4.9. "Provisions for liabilities and charges").

3.5 TAX AUDIT

Since July 2015, SNCF Réseau has been subjected to a tax audit concerning fiscal years 2012, 2013 and 2014. In December 2015, a tax reassessment interrupting the limitation period was received for fiscal year 2012. The grounds for reassessment were rejected by SNCF Réseau in a letter dated on 12 February 2016. No provision was therefore recorded in 2015 financial statements.

3.6 IMPAIRMENT LOSS

An impairment test was carried out in connection with 31 December 2015 closing. The components of this test are detailed in Note 6.2.3 "Present value of assets at the year-end". The outcome of this test led to the recognition of a €9.6 billion impairment loss for non-current assets.

4 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 companies with respect to its financial and accounting management. 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.

4.1 PROPERTY, PLANT AND EQUIPMENT

Pursuant to Article 5 of Decree no. 97-445 of 5 May 1997 and Article 11 of the corresponding law governing its initial property holdings, SNCF Réseau owns property that it can actively manage. SNCF Réseau was granted full ownership of this property comprising railway tracks and other land and buildings that it may either develop or sell subject to compliance with the rules governing public land.

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

4.1.1 PROPERTY, PLANT AND EQUIPMENT IN THE COURSE OF 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.

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 or concession holders. It consists of the sum of the value of the fees invoiced by the partners or concession holders, 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 in the course of 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.

4.1.2 PROPERTY, PLANT AND EQUIPMENT COMMISSIONED

- **Property, plant and equipment categories**

In accordance with CRC 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 over the following periods defined in accordance with the recommendations of technical experts in the relevant field:

Land	Not depreciated
Improvements to land	20 to 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	15 to 50 years
Telecommunications	5 to 30 years
Level crossings	15 years
Engineering works	30 to 70 years

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

Trains	30 years
Improvements to buildings owned by third parties	10 to 15 years
Furniture and office equipment	5 to 7 years
IT and telecommunications	3 to 5 years
Vehicles	5 years
Software	1 to 5 years
Machinery and equipment	5 to 20 years

- **Valuation of commissioned property, plant and equipment:**

<u>Step 1. Allocation of assets to cash generating units</u>

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 the CRC regulation and uses 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 equipment. Cash in 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 in 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. Assets valuation and impairment

Assets valuation and impairment are described in Note 6.2.3.

4.1.3 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 of the assets sold.

4.2 INTANGIBLE ASSETS

Intangible assets comprise:

- software purchased and created by the company itself, amortised on a straight-line basis over a probable period of use of no more than 5 years
- concessions and licences amortised over a period of 4 years.

4.3 LONG-TERM INVESTMENTS

Equity investments and other long-term investments are stated in the balance sheet at purchase cost, net of any impairment.

An impairment loss is recognised once the net carrying amount exceeds the fair value.

The fair value of investments corresponds to the value in use for the company. This value is determined either using the market value for listed companies (stock market price), or according to the share of net worth held and a dataset comprising:

- historical items used to assess the initial value of the investments
- current items such as the company's profitability or the present value of the underlying assets,
- future items corresponding to forecast profitability or achievement and economic climate trends.

The assessment of the value of the investments takes into account the business' maturity (if the business is in a launch phase, no impairment is recorded if future profitability is secured).

4.4 GRANTS

SNCF Réseau receives two major types of grants: grants received under financing agreements for investment projects concluded with third parties (French State, Local authorities, Regions, etc.) and grants allocated in the French Finance Act and notified by the French State.

a) *Grants received under financing agreements for investment projects concludedwith 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 in the course of construction). These grants are then released to profit or loss to match the depreciation recognised on the commissioned property, plant and equipment. For non-depreciable land, SNCF Réseau applies the average depreciation period of the assets associated with the land.

At each balance sheet date, and for each project, grants 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”.

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.

“Earned grants” relating to PPP arrangements are recognised in the same manner according to the percentage completion of work, to mirror the recognition of production in progress.

b) *Government grant allocated in the 2009 Finance Act 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 fiscal year, as notified in a letter from the supervisory authorities. It is released to profit or loss on a straight-line basis.

4.5 INVENTORIES

Inventories are stated at the lower of cost price and net realisable value. Cost price is equal to acquisition or production cost. Production cost includes both direct and indirect production expenses.

Cost price is calculated using the weighted average cost method.
Inventories are written down based on the age, turnover and economic useful life of items.

4.6 OPERATING RECEIVABLES

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

An impairment loss is recorded once there is a potential risk of non-recovery (major payment delays, bankruptcy, litigation). The impairment loss is based on an individual or statistical assessment of this non-recovery risk determined based on historical data.

4.7 MARKETABLE AND SIMILAR SECURITIES

Marketable securities are stated in the balance sheet at the lower of their purchase cost or market value.

Bonds are recognised at their acquisition date at the nominal amount adjusted for the premium or discount. At the year-end, they include the amount of accrued interest receivable.

Shares in UCITS are recognised at purchase cost excluding registration fees.
At the year-end, they are compared with the net asset value. Should the purchase cost exceed the net asset value, an impairment loss is recorded.

Negotiable debt securities are recognised at purchase cost. Interest is recorded in financial income on a time-apportioned basis.

4.8 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.

4.9 PROVISIONS FOR LIABILITIES AND CHARGES

Provisions are recorded when, at the balance sheet date, the company has a present obligation to a third party as a result of a past event and the settlement of this obligation will require an outflow of company resources.

This obligation may be legal, regulatory or contractual. It may also result from company practice or external commitments that create valid expectations in third parties that the company will assume certain responsibilities.

The estimated amount of the provision reflects the outflow of resources that is likely to be necessary to settle the company 's obligation. If a reliable estimate of this amount cannot be made, no provision is recorded. Disclosure is provided in the notes to the financial statements.
A contingent liability is a possible obligation that arises from past events whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the company, or a probable obligation where it is not probable that an outflow of resources will be required. Contingent liabilities are not recognised. Disclosure is provided in the notes to the financial statements.

4.9.1 PROVISIONS FOR ENVIRONMENTAL RISKS

The company records provisions for environmental risks when it is considered probable that the risk will occur. This provision covers the costs of environmental protection and site restoration and clean-up. It specifically includes a provision for asbestos lawsuits filed against the company as well as the elimination of creosote-treated railway sleepers.

SNCF Réseau set up an environmental management team in response to the enactment in French law of Directive 2004/35 by decree 2009-468 of 23 April 2009 regarding so-called "polluter-payer" environmental liability. One of the team's objectives is to shed light on the impacts with respect to the company's activities, primarily in terms of fuel storage and distribution facilities, water disposal, waste etc. The related assessments are recorded on their completion.

Since 1 January 1997, the application date of the 96-1133 decree of 24/12/1996, regarding the protection of employees and consumers, the manufacturing, importing, holding for sale, etc. of all types of asbestos and any product containing asbestos are prohibited in France. The company's current policy is to sell equipment reaching the end of its life to either other transport operators or private industry service providers for transformation into scrap metal. Under the decree, the company can only sell equipment if the asbestos has first been removed. Accordingly, EPIC SNCF Réseau provides for the costs of these asbestos removal operations.

Furthermore, the French government decree of 3 June 2011 related to the protection of the public against health risks resulting from exposure to asbestos in buildings that came into effect on 1 February 2012 was to be accompanied by implementation decrees. These decrees were published at the end of December 2012 for an implementation date of 1 January 2013. They define the criteria for assessing the state of the materials to be investigated, the content of the report on the identification of asbestos-containing materials as well as the content of the asbestos technical file summary sheet. EPIC SNCF Réseau implemented an action plan covering the compliance of the asbestos technical analyses within the deadline stipulated by the new decree, i.e. by 2021. At this stage, the additional work performed has not generated a material change in the provision for environmental risks.

The management of creosote-treated railway sleepers used in the national rail network has been and is still highly criticised by environmental protection associations and the French Ministry of Ecology, Sustainable Development and Energy.

Creosote-treated railway sleepers are subject to two regulations:

- The order of 7 August 1997, which prohibits the second-hand marketing and importing for the general public of wood treated with creosote after 2003 but permits its sale to professionals and industrial producers,

- The regulation governing waste (French Environmental Code), which requires a waste producer to ensure its elimination and traceability. Creosote-treated railway sleepers are classified under section 17 02 04* (wood containing hazardous substances or contaminated by such substances). The letter dated on 18 February 2011 sent by the General Director for Risk Prevention (French Ministry for the Environment) to the CEO of RFF, recalled that creosote-treated railway sleepers are classified as hazardous waste. Accordingly, they must be eliminated in authorised hazardous waste disposal facilities (cement kiln, cogeneration plant, etc.).

Faced with the difficulty of safeguarding and tracking the use of creosote-treated railway sleepers after their installation and to comply with the management of creosote-treated railway sleepers, in June 2008, RFF prohibited any direct selling to private individuals and sent a letter to SNCF in October

2009 to discontinue all sales, including to professionals and industrial producers (excluding the duly authorised recycling, recovery and elimination sectors). In this context, RFF signed a voluntary commitment charter in July 2010 prohibiting the direct or indirect second-hand marketing of used treated wood for reutilisation purposes, unless a reliable and compliant traceability procedure can be implemented.

4.9.2 PROVISIONS FOR TAX AND EMPLOYEE-RELATED RISKS

EPIC SNCF Réseau respectively recognises provisions for tax and employee-related risks when there is a probable risk of an outflow of resources as a result of a past event towardsthe tax authorities, personnel and social security organisations. The recorded provision is measured for the amount of outflow of resources that is likely to occur.

4.9.3 PROVISIONS FOR CONTRACTUAL LITIGATION AND RISKS

The provision for contractual litigation and risks mainly includes risks associated with legal disputes and contract settlements in addition to contractual risks.

- **Provisions for litigation**

The company is involved in certain legal disputes arising in its normal course of business, particularly with regards to the following actions:

- performance bonds received from companies providing construction work,
- guarantees granted to freight transport sector customers for unforeseen events occurring during transportation.

Such disputes are provided based on an assessment of the related risk.

- **Provisions for onerous contracts**

Provisions are recognised for long-term contracts when they become onerous, that is to say when the inevitable costs required to satisfy the contractual obligations exceed the future economic benefits expected from these contracts. Provisions are valued based on inevitable costs, which reflect the net contract exit cost, that is to say the lower of the contract performance cost or any other compensation or penalty arising from failure of performance.

- **Provisions for relocation**

Following the relocation scheduled for mid-February 2016 to Saint Denis, a provision for relocation was recorded based on the measures decided and announced prior to the accounts closing.

This cost corresponds to the costs of the remaining premises related to 92 avenue de France.

- **Provisions for currency risk**

(see Note 4.9)

4.10 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees.

4.10.1 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be totally settled twelve months after the end of the period in which the employees render the corresponding service.

4.10.2 POST-EMPLOYMENT BENEFITS

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.
Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

- **Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits related to employee service in the current and prior periods.
The creation of the SNCF Employee Pension and Provident Fund on 30 June 2007 released SNCF from its pension and provident commitments, the company being committed to its employees through a defined contribution plan.

- **Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

To enhance the quality of the financial information published on pension and similar commitments, EPIC SNCF Réseau adopted from 1 January 2013 the preferential method recommended by Article 335-1 of the French General Chart of Accounts and opinion 00-0A of 6 July 2000 issued by the French National Accounting Council (Conseil National de la Comptabilité - CNC) Emergency Committee. This method consists in recognising a balance sheet provision for all employee benefits (active and retired employees). Current service cost and benefits paid are recognised respectively in operating provision charges and reversals. Actuarial gains and losses and reverse discounting impacts are recognised in finance cost.

7 November 2013, the French Accounting Standards Committee published recommendation 2013-02 on rules for the measurement and recognition of pension commitments and similar benefits for annual and consolidated financial statements prepared under French GAAP. This recommendation, applicable on 1 January 2014, had no impact on the EPIC SNCF Réseau financial statements.

The provisions recorded for post-employment defined benefits concern compensation for work-related injuries, the senior executive supplemental provident plan, social welfare initiatives and retirement termination benefits:

- **Provisions for the senior executive supplemental provident plan**

A provision covering the benefits arising from the supplemental provident plan for senior executives is recorded in the amount of the commitment.

- **Provisions for social welfare initiatives**

The company itself provides for social welfare initiatives which, outside of the SNCF framework, fall under statutory plans. Most of those who benefit from these social welfare initiatives are retired rail employees. A provision is recorded for the social welfare benefits to be paid out to retirees or, in some cases, their widows. This mainly involves the payment of admission to care facilities, psychological counselling, healthcare, family allowances and home improvement funding.

- **Provisions for retirement termination benefits**

Pursuant to the statutory plan, contractual employees who voluntarily leave EPIC SNCF Réseau for retirement purposes are entitled to a benefit. Accordingly, the company records a provision, calculated on the employee's past service within the company.

4.10.3 OTHER LONG-TERM EMPLOYEE BENEFITS

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled in twelve months after the end of the period in which the employees render the related service.

The provisions recorded for long-term benefits concern the gradual / early cessation of activity, compensation for work-related injuries involving active employees, long-service awards, time savings accounts and unemployment benefits.

- **Provisions for the gradual cessation of activity**

The gradual cessation of activity is a procedure used to adjust the work time of employees who have reached the end of their careers. A work-time formula is thus arranged to provide a transition period between professional activity and retirement. An agreement effective in July 2008 offers the possibility of a gradual or complete cessation for EPIC SNCF Réseau personnel. The granting of benefits is based on a combination of criteria: years of service, hardship and employee category. The agreement is treated as a provision.

This provision is calculated on an actuarial basis using the projected unit credit method. The calculation is based on a theoretical utilisation rate for the gradual cessation of activity procedure.

- **Provisions for compensation for work-related injuries**

- **Provisions for compensation for work-related injuries involving active employees**

The company itself provides for compensation for work-related injuries involving active employees. Accordingly, it recognises a provision for liabilities in order to cover the compensation paid to active employees who have suffered work-related injuries or contracted a work-related disease.

The calculated commitment includes the transferability of the compensation. In principle, compensation for work-related injuries are only transferable if the death of an active employee is due to a work-related injury or disease. In this case, the surviving spouse receives the compensation.

- **Provisions for compensation for work-related injuries involving retirees**

The company itself provides for compensation for work-related injuries involving retirees. Accordingly, it recognises a provision for liabilities.

The provision is measured on an actuarial basis using discount rate, salary increase rate, mortality and inflation rate assumptions. It includes the transferability of the compensation.

- **Provisions for long-service awards**

The French Medal of Honour for Railway Service is awarded to employees for services rendered during their employment. The Silver medal can be awarded to any employee, regardless of their age or whether or not they are still active, with at least twenty-five years of service. Under the same conditions, the Vermeil medal can be awarded to any employee with at least thirty-five years of service and the Gold medal to any employee with at least thirty-eight years of service.

A provision corresponding to probable payments to employees is recognised. This provision is calculated by measuring the cost of this award and the 2 additional days of paid leave obtained after 25, 35 and 38 years of service in the SNCF EPICs or after 20, 30 and 33 years of service for train drivers.

The amounts of the various awards are set by decree and only change if new amounts are published.

- **Provisions for time savings accounts**

Following the publication of the law 2005-296 of 31 March 2005 on the change in the organisation of working time in companies and the decree of 3 September 2008 on the application of the purchasing power law of 8 February 2008, a collective agreement was signed, providing for the creation of a Time Savings Account in order to save, in two sub-accounts, paid holidays to be used:

- during employment, in addition to the annual paid holidays (short-term time savings account);
- at employment termination or in connection with a gradual cessation of activity (end-of-career time savings account).

The provided amounts are used to cover the company's commitment with regard to end-of-career time savings accounts.

- **Provisions for unemployment benefits**

Provisions are recorded for the benefits paid by the French unemployment office to permanent or contractual employees in the event of:

- resignation,
- dismissal through disciplinary measures,
- retraining (permanent employees).

4.10.4 TERMINATION BENEFITS

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

A Voluntary Departure procedure enables permanent or contractual employees at overstaffed companies to receive lump-sum termination benefits and back-to-work allowances on leaving the company. An accrued expense for the benefits provided by the procedure is recorded in the accounts on signature of the agreement between the employee and the company.

4.11 DERIVATIVE FINANCIAL INSTRUMENTS

SNCF Réseau is exposed to the following risks related to the use of financial instruments:

- currency risk
- interest rate 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 and delegations of authority granted by the Board of Directors together with delegations of signature granted.

SNCF Réseau also has a manual procedure which specifies the controls to be performed and the manner in which they are to be carried out in order to ensure that, on a day-to-day basis, transactions entered into comply with the defined limits and principles and the target debt structure.

SNCF Réseau also prepares different types of reports describing the transactions performed and results of controls on a daily, weekly or monthly basis .

4.11.1 MANAGEMENT OF CURRENCY RISK

As part of its financial strategy which aims to diversify access to sources of finance and limit 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.

At the year-end, unrealised losses on foreign currency financial instruments and hedged underlying are covered by a provision.

4.11.2 MANAGEMENT OF INTEREST RATE RISK

As part of its financial strategy and to limit its exposure to an increase in its financial expenses, SNCF Réseau has defined principles in order to minimise its exposure to interest rate risk.

The current historically low interest rates and the desire to maintain long-term economic equilibrium led the SNCF Réseau Board of Directors to opt for a breakdown of net debt in repayment value that was 90% fixed-rate, 6% floating-rate and 4% inflation-indexed. A limited margin around each of these thresholds is authorised by the Board of Directors.

Compliance with this breakdown is verified on a daily basis.

To achieve this breakdown, SNCF Réseau may use option-based derivatives or interest rate swaps for hedging purposes.

- **Interest-rate swaps**

The company uses interest-rate swaps for its loan issues or to manage its existing net debt.

In connection with the active management of its interest rate risk, the company endeavours, wherever possible, to cancel existing contracts rather than carry out new hedging transactions, thus limiting its counterparty risks and commitments. The amount of balancing cash payments made or received on conclusion or cancellation of swaps is amortised over the life of the corresponding hedged items.

When a hedging strategy does not satisfy the hedging criteria set by the company, the unrealised capital gains or losses are recorded in the balance sheet. Unrealised foreign exchange losses are covered by a provision for interest rate risk in the income statement.

4.11.3 MANAGEMENT OF LIQUIDITY RISK

Due to the proactive management of its liquidity, the quality of its signature and its frequent presence on international capital markets, SNCF Réseau enjoys diversified access to both short-term (treasury bills, commercial paper) and long-term (public and private bond issues) financing sources.

In addition, SNCF Réseau has a 5-year syndicated credit line of €1.25 billion. This facility was not drawn down in 2015.

4.11.4 MANAGEMENT OF COUNTERPARTY RISK

The management of counterparty risk is described in Note 9.1

4.12 BORROWINGS

4.12.1 DEBT TRANSFERRED FROM SNCF

When RFF was established on 1 January 1997, a €20.5 billion debt was transferred to RFF's liabilities 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.

4.12.2 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 liabilities and charges is recorded at each year-end, representing the amount of the unrealised loss at the year-end.

4.13 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.

4.14 RECOGNITION OF REVENUE AND OTHER INCOME

4.14.1 DISTINCTION BETWEEN PROFIT OR LOSS FROM ORDINARY ACTIVITIES BEFORE TAX AND EXCEPTIONAL PROFIT OR LOSS

Profit or loss from ordinary activities before tax corresponds to the sum of operating profit or loss and profit or loss from financial transactions. It therefore includes all the income and expenses directly relating to the company’s operations.
Exceptional profit or loss comprises material items which, due to their type, unusual nature or non-recurrence, cannot be considered as inherent to the company’s operations.

4.14.2 ACCOUNTING TREATMENT OF THE AUXILIARY SOCIAL WELFARE DEPARTMENTS

Pursuant to the law of 21 July 1909, the auxiliary social welfare departments (mainly covering the senior executive provident plan, compensation for work-related injuries, etc.) have no specific legal status but are independent from an accounting and financial perspective.

The accounting records of the auxiliary social welfare departments are included in full in the financial statements of EPIC SNCF Mobilités. However, a separate analytical code indicates that these departments are independent in accounting terms.

4.14.3 COMPETITIVENESS AND EMPLOYMENT TAX CREDIT

A Competitiveness and Employment Tax Credit (CICE) introduced by the Amending Finance Act of 29 December 2012 was created to help companies finance their competitiveness particularly through investment, research, innovation, recruitment, new market prospection, environmental and energy transition and working capital restoration measures. It is based on compensation not exceeding two and a half times the minimum growth salary that companies pay their employees during the calendar year. from fiscal year 2014, the tax credit amounted to 6%.

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

Insofar the CICE is used by the company to finance expenditure related to working capital, it was analysed as a tax gain. Accordingly, the CICE is presented under “Income tax expense”.

5 COMPARABILITY OF THE FINANCIAL STATEMENTS

5.1 CHANGE IN METHOD

See Note on IFRIC 21 (Note 2.1)

5.2 CHANGE IN BALANCE SHEET AND INCOME STATEMENT PRESENTATION

The presentation of the statement of financial position and income statement was modified in 2015 for purposes of alignment with the Public Rail Group financial statements.

In order to facilitate the comparison of the financial statements between fiscal years 2014 and 2015, the figures published on 31 December 2014 were restated. The breakdown of these restatements is shown in the following reconciliation tables.

The following table shows the reconciliation between the 2014 published assets and the restated format:

ASSETS	31 December 2014 published	Reclassification	31 December 2014 restated
	Net		Net
Intangible assets	970	0	970
Property, plant and equipment	43,328	-1	43,328
PP&E in the course of construction	12,444	1	12,445
PP&E in the course of construction made available to the concession-holder	190	0	190
Long-term investments	1,180		1,180
TOTAL NON-CURRENT ASSETS	**58,113**	**0**	**58,113**
Inventories and work-in-progress	0	0	0
Payments on account for inventories	181	13	194
Trade receivables and related accounts	852	0	852
Other operating receivables	3,263	-12	3,251
Marketable securities, cash at bank and in hand	3,274	-3,274	
Marketable securities		2,771	2,771
Cash at bank and in hand		503	503
Prepaid expenses	597	-597	
TOTAL CURRENT ASSETS	**8,166**	**-596**	**7,570**
Prepayments and deferred charges		756	756
Deferred charges	158	-158	
Bond redemption premiums	0	0	
Unrealised foreign exchange losses	219	0	219
TOTAL ASSETS	**66,657**	**1**	**66,658**

The main changes in the presentation of balance sheet assets are as follows:

- Reclassification of “Prepaid expenses” to “Prepayments and deferred charges”
- Breakdown of “Marketable securities and cash at bank and in hand” into 2 lines:
  - Marketable securities
  - Cash at bank and in hand

The following table shows the reconciliation between the 2014 published equity and liabilities and the restated format:

EQUITY AND LIABILITIES	31 December 2014 published	Reclassification	31 December 2014 restated
Share capital	9,765	0	9,765
Accumulated deficit	-14,023	0	-14,023
Net profit/(loss) for the year	-244	0	-244
NET EQUITY	**-4,502**	**0**	**-4,502**
Investment grants	21,710	0	21,710
TOTAL EQUITY AND LIABILITIES	**17,207**	**0**	**17,207**
Provisions for liabilities and charges	692	0	692
Borrowings	41,879	96	41,975
Payments received on account for work-in-progress	303	26	329
Trade payables	2,637	0	2,637
Tax and employee-related payables	223	32	256
Other operating payables	2,276	-153	2,123
Deferred income	1,440	-1 440	
Accruals and deferred income		1 440	1,440
Unrealised foreign exchange gains	0	0	0
TOTAL EQUITY AND LIABILITIES	**66,657**	**1**	**66,658**

The main changes in the presentation of balance sheet equity and liabilities are as follows:

- Reclassification of “Deferred income” to “Accruals and deferred income”
- Reclassification of guarantee deposits received from “Other operating payables” to “Borrowings”

The following table shows the reconciliation between the 2014 published income statement and the restated format:

	31 December 2014 published	Reclassification	31 December 2014 Restated
Revenue	**5,917**		**5,917**
Own production **and change in inventories and WIP**	53		53
Purchases and external charges		-3,814	-3,814
Other purchases and external charges	*-498*	*484*	
Delegated management fees	*-3,218*	*3,218*	
Studies	*-76*	*76*	
Work	*-36*	*36*	
Added value	**2,142**	**0**	**2,156**
Other operating income (including operating grants)		155	155
other income	*7*	*-7*	*0*
operating grants	*148*	*-148*	*0*
Taxes and duties other than income tax	-86	0	-86
Employee benefit expense		-143	-143
Social security contributions	*-43*	*43*	
Wages and salaries	*-86*	*100*	
Gross profit	**2,082**	**0**	**2,082**
Reversals of impairment, operating provisions and investment grants		665	665
reversals of provisions, impairment losses (and depreciation and amortisation), expense reclassifications	*72*	*-72*	
reversals of investment grants	*593*	*-593*	
Charges to depreciation, amortisation, impairment and operating provisions		-1,635	-1,635
Charges to depreciation and amortisation and impairment	*-1,580*	*1,580*	
Charges to provisions for current assets	*-28*	*28*	
Charges to provisions	*-26*	*26*	
Other management expenses			
Operating profit/(loss)	**1,113**	**0**	**1,113**
Financial income	545		545
Financial expenses	-1,932		-1,932
Finance cost	**-1,387**	**0**	**-1,387**
Net profit/(loss) from ordinary activities before tax	**-274**	**0**	**-274**
Exceptional income	117		117
Exceptional expenses	-66		-66
Exceptional profit/(loss)	**52**	**0**	**52**
Income tax expense	-22		-22
Net profit/(loss) for the year	**-244**	**0**	**-244**

The changes to the income statement presentation are primarily combinations of line items. Note that seconded personnel of -€14 million was reclassified from “Purchases and external charges” to ”Employee benefit expense”.

5.3 SUBSEQUENT EVENTS

On 18 February 2016, the Chairman of the Board of Directors resigned. He will continue to carry out his duties until his successor is appointed.

6 NOTES TO THE BALANCE SHEET

6.1 INTANGIBLE ASSETS

	31 December 2015			31 December 2014		
	Gross	**Amortisation and impairment**	**Net**	**Gross**	**Amortisation and impairment**	**Net**
Intangible assets	1,556	-335	1,220	1,070	-116	954
Intangible assets in the course of development	82		82	16		16
TOTAL	**1,638**	**-335**	**1,302**	**1,086**	**-116**	**970**

	Intangible assets	Intangible assets in the course of development	**Total**
Net carrying amount as at 31/12/2014	954	16	**970**
Gross acquisitions	188	63	**250**
Gross disposals	-5	-0	**-5**
Amortisation charges	-64		**-64**
Amortisation reversals	4		**4**
Impairment losses	-45		**-45**
Transfer	45	28	**73**
Other changes	143	-24	**119**
Net carrying amount as at 31/12/2015	**1,220**	**82**	**1,302**

(*) See Note 6.2.3

Investment in intangible assets for 2015 totalled €250 million, including €186 million for the SEA concession agreement.

Changes in consolidation scope include the impact of the transfer of the Infrastructure division to SNCF Réseau (see Note 2.1 – “Rail reform”).

6.2 PROPERTY, PLANT AND EQUIPMENT

	31 December 2015			31 December 2014		
	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net
Land and buildings	9,267	-2,650	6,617	8,621	-666	7,955
Tracks, earthworks, engineering works and level crossings	40,244	-17,416	22,829	38,865	-10,208	28,657
Industrial and technical plant (ITP) and other assets	837	-702	135	85	-65	20
Electrification, telecommunications, signalling	12,863	-7,370	5,494	11,980	-5,287	6,694
Transportation equipment	1,147	-921	226	5	-2	3
Property, plant and equipment in the course of construction	15,236	-22	15,214	12,647	-13	12,635
TOTAL	**79,595**	**-29,081**	**50,514**	**72,204**	**-16,241**	**55,963**

	Land and buildings	Tracks, earthworks, engineering works and level crossings	Industrial and technical plant (ITP) and other assets	Electrification, telecommunications, signalling	Transportation equipment	Property, plant and equipment in the course of construction	Total
Net carrying amount on31/12/2014	**7,955**	**28,657**	**19**	**6,694**	**3**	**12,635**	**55,962**
Gross acquisitions	0	71	2	0	0	5,163	5,237
Gross disposals	-17	-0	-16	-2	-2	6	-31
Depreciation charges	-136	-966	-31	-555	-19	-	-1,707
Depreciation reversals	-	-	-	-	-	-17	-17
Impairment losses	1	0	15	2	2	-	19
Transfer	-1,719	-6,238	-51	-1,493	-54		-9,555
Other changes	174	3	150	31	280	82	721
Gross acquisitions	361	1,301	45	817	15	-2,655	-115
Net carrying amount on 31/12/2015	**6,620**	**22,829**	**133**	**5,494**	**226**	**15,214**	**50,514**

(*) See Note 6.2.3

6.2.1 INVESTMENTS

Investments in property, plant and equipment for 2015 totalled €5,237 million and mainly include:

- €5,046 million in infrastructure investment project expenses, of which €1,062 million in production from PPPs and concessions, €1,891 million from delegated agents and €156 million in major maintenance,
- €54 million in ongoing Freight acquisitions from SNCF Mobilités,
- €136 million in direct acquisitions in other projects.

6.2.2 COMMISSIONINGS DURING THE YEAR

Commissioned items of property, plant and equipment totalled **€2,539** million:

- €2,211 million for rail projects
- €203 million for the GSMR PPP
- €125 million for other projects, including rail equipment, machinery, property and other items

Changes in consolidation scope include the impact of the transfer of the Infrastructure division to SNCF Réseau (see Note 2.1 – "Rail reform").

6.2.3 PRESENT VALUE OF ASSETS AT THE YEAR-END

- Infrastructure CGU

The Infrastructure CGU comprises

- National Rail Network assets representing 30,000 km of lines in service and renewal work in progress for an amount of €33.4 billion net of the grant,
- high speed lines on the verge of completion valued at €3.5 billion net of the grant and the concession grantor's financing, and
- other ongoing projects amounting to €1.5 billion net of the grant, for an overall total of €38.5 billion.

The CGU, as such, also comprises deferred tax receivables for an amount of €3.7 billion on 31 December 2015, not recognised as assets in the balance sheet of the statutory financial statements in accordance with the option offered by French accounting principles, thus bringing the intrinsic value of the tested assets to €42.2 billion.

30 June 2015, there were indications of impairment loss, for two main reasons. First, the consideration of new SNCF Mobilités traffic forecasts resulted in the adoption of lower rail traffic growth assumptions, in particular due to the increase in intermodal competition. Subsequently, the various reports that appeared in early 2015 pointed out the need to intensify the National Rail Network's everyday maintenance and renewal effort.

At the time of 2015 half-yearly closing, the SNCF Réseau financial trajectory definition was in the process of preparation and discussion within the Public Rail Group and with the French State. The necessary conditions were not in place to test and update the economic value of the CGU's assets since the French State had not arbitrated the key financial trajectory assumptions underlying this test.

31 December 2015 closing, discussions with the French State were ongoing prior to the signing of the multi-year performance agreement stipulated by the law of 4 August 2014. Nevertheless, the work conducted in the second half of 2015 allowed management to draw up a financial trajectory for SNCF Réseau that included the changes and key assumptions discussed with the French State.

The key assumptions and their quantification that underlie the asset impairment test were approved by the Board of Directors on 9 March 2016. SNCF Réseau considers that the financial trajectory drawn up on this basis represents the best estimate of the business outlook for the next 15 years.

These various components were taken into account for 31 December 2015 impairment test, despite the difficulty in assessing the impacts of these new issues.

- Recap of the methodological components

To consider the specific nature of a monopoly rail infrastructure network and its financing, SNCF Réseau adapted the valuation methodologies as follows:

- For the lines in service and the renewal outstanding (€33.4 million net of the grant), the value in use is calculated based on cash flows forecasts drawn from the 2016 budget and the aforementioned 2016-2030 financial trajectory. The normative year 2030 represents the year in which the company will judge the renewed network's status with respect to the performance and safety objectives shared with the public authorities.
- In the cash flows forecast after corporate tax, the tax adopted is the tax paid at the 34.43% rate and not the notional tax, to take into account the utilisation of loss carry-forwards.
- The reference net carrying amount (NCA) that is compared with the value in use to determine any asset impairment loss includes, at the year-end date, the NCA of assets in service, less the corresponding investment grants, plus renewal asset outstanding (net of the grant), the DTA receivables and the WCR.

The cash flows related to four major high-speed lines, currently being completed (€3.5 billion net of the grant and the concession grantor's financing), and scheduled for commissioning in 2016 and 2017, namely the Eastern high-speed line, the Bretagne – Pays-de-la-Loire high-speed line, the Nîmes-Montpellier bypass, and the Southern Europe Atlantic high-speed line were tested separately.

With respect to the SEA concession, the cash flows forecasts took into account the line's renewed operation following the concession grantor's operating phase, that is to say by 2061.

The test was conducted using an indefinite cash flows projection rate of 1.7% and a future cash flows discount rate of 5.5%.

The value of other assets under construction (€1.5 billion as at 31 December 2015) is analysed separately as part of a specific review.

- Presentation of the key assumptions

The impairment test key assumptions cover the level of infrastructure fees, as shown in the traffic forecasts, public backing and current network maintenance.

Traffic forecasts under the 15-year plan were prepared for the Public Rail Group for the first time. They are consistent with the SNCF Mobilités forecasts.

Despite a change in behaviour for certain customers in the passenger activity with the development of intermodal competition, such as long-distance bus transport and car-pooling, SNCF Réseau is anticipating an increase in traffic thanks to a better quality of service that benefits all rail companies.

The public backing contributing to the support of this renewal trajectory was approved based on commitments confirmed by the French State.

In addition, the French State approved the rail index sequencing adopted for the estimate of infrastructure fees.

The allocations paid by SNCF to SNCF Réseau pursuant to the rail reform law were also taken into account. Given the strategies communicated by the French State, they were qualified as investment grants used to finance network renewal.

Rail network maintenance in fact comprises two major categories of activity:
- Renewal: facilities replacement or significant upgrade;
- Facilities maintenance: preventive and corrective maintenance and surveillance.

The SNCF Réseau financial trajectory calls for a much more substantial renewal effort for the existing network than it was the case in the previous decade. It also includes the first major renewals of the high-speed lines currently in service. Priority is given to the Ile-de-France network and the major lines with the most traffic. The effort is two-phased: a gradual step-up in the process until 2020 so as to progressively mobilise human and material resources and subsequently a stabilisation from 2020 to 2027, followed by a gradual decrease until the normative year 2030 to reach a replacement level that is aligned with the network.

Maintenance costs have gradually fallen due to the productivity plans implemented and the Network's improvement over the decade.

The combined effect of an unprecedented maintenance effort and a forecast traffic increase have optimised the trajectory.

- Impairment test results

The recoverable amount of the assets tested totalled €31.0 billion on 31 December 2015. The terminal value, calculated using the indefinite projection of cash flows generated by 2030, represents 95% of this recoverable amount. As the value is lower than the benchmark asset tested, i.e. €40.6 billion (including deferred tax assets of €3.7 billion on 31 December 2015 and assets under construction for the four major high-speed lines on the verge of completion for €3.5 billion), SNCF Réseau recorded an impairment loss of €9.6 billion.

This impairment loss was fully allocated to the intangible assets and property, plant and equipment comprising the CGU insofar the company considered that its deferred tax assets, although not recognised in the balance sheet given the method adopted by the company, were fully recoverable.

The estimates and assumptions taken into account to assess the recoverable amount of the assets are based on discussions and arbitrations with the French State.
This recoverable amount also depends on the French State's implementation of all the resources and commitments necessary for its support and the company's ability to meet its productivity plans.
Actual results and certain future assumptions could differ significantly from the estimates adopted.

- Sensitivity analyses

Sensitivity to the valuation parameters:

A change of +/- 10 basis points in the discount rate represents a change of -/+ €1.1 billion in the recoverable amount.
A change of +/- 10 basis points in the perpetual growth rate results in a change of +€0.7 billion.

Sensitivity to cash flows over the 2016-2030 period (including corporate tax impact):

A change of +/- €100 million in net annual renewal expenses represents a change of -/+ €2.0 billion in the recoverable amount. This amount is indicative only since, beyond a certain threshold, the impact of the change in renewal expenses on the recoverable amount of assets is not linear and the impacts may be material for maintenance, traffic and therefore infrastructure fees.

An annual change of +/- €100 million in the infrastructure fees or the backing of the French State represents a change of +/- 1.9 billion in the recoverable amount.

6.3 LONG-TERM INVESTMENTS

	31 December 2015	31 December 2014	Change during the year
Investment grants to be claimed	1,705	1,174	530
Guarantee deposits	6	6	-0
Equity investments	28	0	27
Total	**1,738**	**1,181**	**558**

On 31 December 2015, financial investments comprised grants to be claimed in the amount of €1,705 million for current PPP agreements, including €962 million for the Brittany-Pays de la Loire project and €742 million for 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 from 2017.

SNCF Réseau recorded borrowings for the same amounts that it will also have to repay from 2017 (see Note 6.13).

The amount of €1,705 million represents the progress of the projects on 31 December 2015.

Subsidiaries and affiliates

- SFERIS

SNCF Réseau holds 100% of the capital of the simplified limited liability company SFERIS, whose registered office is located at 16 rue Martel (75). The purpose of the company, created in 2012, is rail network safety, maintenance and works.

- EURAILSCOUT BV

SNCF Réseau holds a 50% interest in the capital of the Dutch incorporated company EURAILSCOUT BV, whose registered office is located in Amersfoort, The Netherlands. The Company is also owned by STRUKTON RAIL (The Netherlands). It provides rail network monitoring services.

- SNCF INFRA LBA DEVELOPPEMENT

SNCF RESEAU has a 40% interest in the capital of SNCF INFRA LBA DEVELOPPEMENT, whose registered office is located at 18 rue de Dunkerque (75 PARIS). The Company is also 60% owned by Le Bronze Alloys (LBA). Its business covers investments, by any means, in any French or foreign company or grouping of newly formed companies, merger contributions (financial holding company).

- <u>CDG EXPRESS ETUDES</u>

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.

- <u>CADEMCE</u>

SNCF Réseau has a 24.95% interest in the capital of CADEMCE, whose registered office is located at 14 quai de la SOMME (80-AMIENS). The Company is also owned by Alstom (16.1%), ESI Groupe (5.4%), I-Trans (5.4%), ESSIE Amiens (17.5%), CDC (24.7%), Le Bronze Alloys (2.7%) and CETIM (3.25%). It provides services for current collection method testing.

- <u>EURAILSCOUT France</u>

SNCF Réseau has a 2.63% interest in the capital of EURAILSCOUT France, whose registered office is located at 20/22 rue des Petits Hôtels (75 PARIS). The Company is also 97.37% owned by EURAILSCOUT. This company was set up in order to facilitate transactions between EURAILSCOUT BV and SNCF Réseau .

- <u>RAILENIUM</u>

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.

As a founding director, 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. No payments were made in 2015 as the RAILENIUM foundation received a State grant, but SNCF Réseau still remains committed.
The total initial charge of €2.04 million was paid in 2012, 2013, and 2014.

The subsidiaries and affiliates of SNCF Réseau on 31 December 2015 break down into the following equity interests, for which SNCF Mobilités contributed €28.4 million to SNCF Réseau.

Subsidiaries	Capital	Capital held	Contribution to SNCF Réseau	% capital
SFERIS 1 CITE PARADIS, 75010 PARIS	1,500,000	1,500,000	6,000,000	100.00%
EURAILSCOUT BV Amersfoort Niederlande	18,746,000	9,373,000	21,800,000	50.00%
SNCF INFRA LBA DEVELOPPEMENT 18 RUE DE DUNKERQUE 75010 PARIS 10	350,000	140,000	140,000	40.00%
CDG EXPRESS ETUDES 291 bld Raspail 75014 PARIS	9,900	3,300		33.33%
CADEMCE 14 VC QUAI DE LA SOMME 80080 AMIENS	1,860,000	464,070	464,000	24.95%
EURAILSCOUT France 20 RUE DES PETITS HOTELS 75010 PARIS 10	38,000	1,000	1,000	2.63%

6.4 INVENTORIES AND WORK-IN-PROGRESS

	31 December 2015			31 December 2014	Change during the year
	Gross	Write-down	Net	Net	
Raw materials	502	-111	391	-	391
Finished goods	68	-	68	-	68
Work-in-progress	14	-	14	-	14
Inventories and work-in-progress	**584**	**-111**	**473**	**-**	**473**

	31 December 2014	Charge	Reversal	Transfer	31 December 2015
Raw materials	-	-10	4	-106	-111
Write-down of inventories	**-**	**-10**	**4**	**-106**	**-111**

SNCF Réseau inventories break down into two main categories:

- National inventories, items managed by INFRARAIL and commonly known as SNA, raw materials stored in EIV, for maintenance and upgrading work. National inventories also comprise production inventories, managed by INFRA Industrie, that are also present in EIV.
- Local inventories, managed by DPI. These inventories mainly comprise items from the national inventories.

Most changes in inventories observed between 31 December 2014 and 31 December 2015 involved the transfers.

6.5 OPERATING RECEIVABLES

	31 December 2015	Transfer	31 December 2014	Change during the year
Trade receivables and related accounts	**1,225**	***226***	**874**	**352**
Other operating receivables	**3,779**	***1,244***	**3,290**	**489**
Grants to be collected	1,501	*-1*	1,515	-14
Grants to be claimed	1,172		1,029	
VAT receivables	511		481	31
Mobility receivable, including CICE	177	*177*	0	177
Tax receivables and tax credits*	127	*68*	0	127
Other receivables	244	*1,000*	213	
Receivables from asset disposals	47		52	-5
Payments on account for inventories	**230**	***3***	**194**	**36**
Gross value	**5,235**	***1,474***	**4,358**	**877**
Impairment	**-77**	***-3***	**-61**	**-16**
Net value	**5,158**	***1,471***	**4,296**	**861**

*€68 million in deferred tax assets classified as tax receivables.

The impairment for other receivables mainly involves grants and trade receivables.

6.6 DEBT MATURITY ANALYSIS - ASSETS

	31 December 2015	< 1year	> 1year
Trade receivables and related accounts	**1,225**	**1,205**	**20**
Other operating receivables	**3,779**	**2,920**	**859**
Grants to be collected	1,501	752	749
Grants to be claimed	1,172	1,172	
VAT receivables	511	511	
Mobility receivable, including CICE	177	177	
Tax receivables and tax credits*	127	17	110
Other receivables	244	244	
Receivables from asset disposals	47	47	
Payments received on account for inventories	**230**	**230**	**0**
Gross value	**5,235**	**4,356**	**879**

6.7 MARKETABLE AND SIMILAR SECURITIES, CASH AT BANK AND IN HAND

(In € million)	31/12/2015	31/12/2014 restated	Change during the year
Initial maturity of more than three months and/or subject to interest rate risk	**48**	**415**	**-367**
Bonds			*-*
Negotiable debt securities	*48*	*415*	*-367*
Initial maturity of less than three months and without interest rate risk	**2,163**	**2,356**	**-193**
Bonds	*-*	*-*	*-*
Negotiable debt securities	*193*	*916*	*-723*
UCITS	*1,970*	*1,440*	*530*
Foreign currency investments			*-*
Accrued interest receivable			*-*
Sub-Total Marketable securities	**2,211**	**2,771**	**-560**
Cash at bank and in hand	**351**	**503**	**-153**
Total	**2,561**	**3,274**	**-712**

All UCITS correspond to low-risk monetary mutual funds.

6.8 PREPAYMENTS AND DEFERRED CHARGES

	31 December 2015	31 December 2014	Change during the year
Prepaid expenses	55	5	50
Deferred charges	590	592	-3
Loan issue costs	161	159	2
TOTAL	**805**	**756**	**49**

6.9 UNREALISED FOREIGN EXCHANGE GAINS AND LOSSES

	31 December 2015	31 December 2014	Change during the year
Unrealised foreign exchange losses	220	219	1
Unrealised foreign exchange gains	-	-	-
TOTAL	**220**	**219**	**1**

6.10 EQUITY

	Capital injection	Accumulated deficit	Net profit/(loss) for the year	**Net worth**	Investment grants	**Equity**
Equity as at 31 December 2014	**9,765**	**- 14,023**	**- 244**	**- 4,502**	**21,710**	**17,207**
Appropriation of 2014 loss	-	- 244	244	-	-	-
2015 net loss	-	-	- 10,073	**- 10,073**	-	**- 10,073**
Movements in grants	-	-	-	-	2,045	**2,045**
Grants recorded in the income statement	-	-	-	-	- 629	**- 629**
Reclassification	-	-	-	-	1	**1**
Transfer	-	-	-	-	8	**8**
Equity as at 31 December 2015	**9,765**	**- 14,267**	**- 10,073**	**- 14,576**	**23,135**	**8,559**

As a State-owned industrial and commercial institution, SNCF Réseau does not have, legally speaking, any share capital or shares and does not pay out any dividends.

SNCF Réseau's equity at its date of incorporation amounted to €0.86 billion, corresponding to the difference in value between its assets and liabilities. The French State then increased this initial capital with additional injections until the start of 2003.

31 December 2015, the total amount of capital injections was €9.8 billion.

6.11 INVESTMENT GRANTS

6.11.1 SUMMARY OF GRANTS FOR ASSETS IN THE COURSE OF CONSTRUCTION AND COMMISSIONED ASSETS

	31/12/2015			31/12/2014 restated		
	Grants commissioned	Grants in progress	Total	Grants commissioned	Grants in progress	Total
Grants for assets in the course of construction		7,368	**7,368**		6,085	**6,085**
Net grants for commissioned assets	12,331		**12,331**	12,055		**12,055**
Grants for renewals	3,435		**3,435**	3,569		**3,569**
TOTAL	**15,766**	**7,368**	**23,135**	**15,625**	**6,085**	**21,710**

	Net amount as at 31/12/2014 restated	Grants commissioned during the year	Share of grant released to profit or loss	Net amount as at 31/12/2015
Land, buildings and fixtures and fittings	1,603	115	-76	1,641
Groundworks, tracks, engineering work and level crossings	7,711	244	-207	7,748
Technical plant, electrification, telecoms	2,734	372	-200	2,907
Rolling stock		30	-11	19
Intangible assets	7	9	-1	15
TOTAL	**12,055**	**771**	**-495**	**12,331**

6.11.2 GRANTS FOR ASSETS IN THE COURSE OF CONSTRUCTION

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

6.11.3 GRANTS FOR RENEWALS AND UPGRADE AND COMPLIANCE WORK

SNCF Réseau no longer receives any grants for renewals since the overhaul of French State grants effective 01/01/2009. However, the EPIC continues nonetheless to release them to profit or loss according to the schedule presented in the table below:

Year of commissioning	Commissioning date	Period of release	Amount commissioned	Accumulated release	Net amount as at 31/12/2015
2004	01/07/2004	38	675	-204	471
2005	25/03/2005	42	574	-147	427
2006	09/05/2006	42	878	-202	677
2007	21/03/2007	35	734	-184	550
2008	17/04/2008	33	69	-16	52
2009	17/01/2009	42	844	-183	661
2010	22/01/2010	38	436	-113	322
2011	01/01/2011	51	20	-3	18
2012	01/01/2012	28	255	-67	188
2013	01/01/2013	41	75	-5	69
TOTAL		**390**	**4,560**	**-1,125**	**3,435**

The share released to profit or loss as at 31 December 2015 totalled €134 million.

6.12 PROVISIONS FOR LIABILITIES AND CHARGES

	31 December 2014	Charges	Reversal no longer required	Reversal (used)	Reclassification	Transfer	31 December 2015
Employee benefits	15	50		- 24		847	889
Environmental risks	107	5	- 7	- 2	2	42	147
Tax and employee-related risks		6				40	46
Contractual litigation	146	38	- 16	- 13		39	194
Currency and interest rate risks			- 0	-			-
Financial risks	222	1	-	-			223
Other provisions for liabilities and charges	202	28	- 3	-			226
TOTAL	**692**	**128**	**- 27**	**- 39**	**2**	**968**	**1,725**

Employee benefits include benefits involving compensation for work-related injuries (€480 million, *of which transfer impact of €470 million*), Gradual Cessation of Activity (€248 million, *of which transfer impact of €235 million*), social welfare initiatives (€96 million, *of which transfer impact of €92 million*), long-service awards (*transfer impact of €25 million*), the senior executive supplemental provident plan (*transfer impact of €16 million*), pensions, unemployment benefits and termination benefits (€25 million, of which *transfer impact of €10 million*).
Environmental risks primarily concern the elimination of creosote-treated railway sleepers for €75 million and asbestos removal in buildings for €72 million, of which *transfer impact of €42 million*.

Regarding tax and employee-related risks, as a precautionary measure, the company provides for tax reassessments and employee-related risks. This heading mainly concerns the RH 3100 litigation (Moroccans). 1 July 2015, the provision totalled €40 million. An additional provision of €6 million was recorded in 2015.

The contractual litigation of €174 million (of which *transfer impact of €40 million*) primarily involves Arles (SNCF for €12 million and RFF for €106 million), Culoz (€8 million), the Eckwersheim accident (€3 million), the Marseille St Charles derailment (€3 million) and sales litigation (€20 million).

Financial risks involve indexation risks (€220 million) and swap interest rate risks (€3 million).

Other provisions for liabilities and charges involve the PRG ZAC provision (€211 million) and the relocation (€15 million).

Despite the provision updates in 2015, an uncertainty surrounding the assessment of two provisions remains:

- Litigation concerning floods in Arles in December 2003: The Marseille administrative court rejected all the 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 reporting judge also concluded that the claims should be rejected based on the merits. As the period for appeal is still open, the provision was maintained as a precautionary measure, in the amount of €12 million.

- Pollution removal and environmental risks: the provision recognised at the year-end was calculated based on the knowledge on this date of the assets to be treated; this provision is still to be gradually updated as SNCF Réseau continues its work to identify the programs to be implemented and quantify the corresponding pollution removal costs.
  The assessment of the potential risk of asbestos in open land installations, platforms, walkways and underground passages within the Stations scope entrusted to a specialised service provider has been completed. The types of assets requiring a call-out or technical asbestos file were identified.
  SNCF Réseau will be able to estimate a possible provision for environmental risks when the list of these facilities is finalised.

Ongoing legal proceedings: 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 2), were indicted for "involuntary manslaughter and unintentional injuries through carelessness, recklessness, inattention, negligence, or failure to observe an obligation of due care or precaution" and heard by the judges.

SNCF Réseau and SNCF Mobilités firmly challenged the expert reports, cast doubt on the seriousness of the metallurgical evaluation, and requested that additional work was to be carried out for which the approval was notified at the end of January 2016.

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 Ministry of Transport, EPIC SNCF Mobilités immediately committed to a compensation programme for the accident's human and material consequences. The liability insurer has now assumed responsibility for the compensation since the date the deductible (€3 million) was exceeded.

As a precautionary measure, on 8 October 2013, SNCF Mobilités and SNCF Réseau launched the Vigirail programme, designed to improve switching safety and upgrade track maintenance. This programme includes actions that meet the recommendations issued by the BEA-TT in its progress report of 10 January 2014. Following the conclusions of the final report made public by the BEA-TT on 18 September 2015, SNCF Mobilités has pledged to implement three new recommendations.

6.13 BORROWINGS

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 for a repayment value of €3.9 billion (carrying amount of €4.2 billion) in 2015 through 19 operations (4 primary issues and 15 additional issues) carried out on the euro and pound sterling bond markets.

The carrying amount of private placements in 2015 was €25 million.

For its internal financing and cash management, SNCF Réseau uses both national and international short-term financing and investment instruments such as "Treasury bills" and "Commercial Paper".

	31 December 2015	31 December 2014	Change during the year
SNCF debt:	**840**	**1,218**	**-378**
Outstanding principal:	817	1,194	-377
Transferred debt (historical price)	*742*	*1,014*	*-272*
Currency impact on debt in CHF	*0*	*0*	*0*
RIF loans	*5*	*5*	*0*
EIB credit line renewal	*70*	*174*	*-104*
Accrued interest	24	25	-1
Own borrowings:	**41,695**	**39,482**	**2,213**
Outstanding principal:	40,990	38,857	2,133
Short-term	*1,158*	*1,687*	*-529*
Long-term			
at the hedged rate	*39,172*	*36,525*	*2,647*
inflation	*220*	*219*	*1*
RIF loans	*41*	*44*	*-3*
Zero coupon	*400*	*381*	*19*
Accrued interest	640	618	22
Bank overdrafts	64	8	57
Sub-total Borrowings (A)	**42,535**	**40,701**	**1,835**
BPL and CNM PPP borrowings	1,705	1,174	530
Total Borrowings excluding deposits and securities	**44,240**	**41,875**	**2,365**
Deposits and securities received	362	100	262
Total Borrowings in the balance sheet (C)	**44,602**	**41,975**	**2,627**
Cash at bank and in hand – marketable securities (B)	**2,561**	**3,274**	**-713**
Net borrowings (A) - (B)	**39,974**	**37,427**	**2,548**
Net borrowings excluding accrued interest receivable	**39,310**	**36,784**	**2,526**

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.
It should be noted that the repayment of these SNCF Réseau debts will be financed by the French State from 2017 based on the same payment schedule.

Claims were received by the company in 2015 for the CNM and BPL PPPs for €574 million. These claims were challenged by the company and are subject to analysis, the impacts were not taken into account in the 2015 financial statements.

SNCF Réseau borrowings:

The following tables provide a breakdown by foreign currency and interest rate type of SNCF Réseau's short and long-term borrowings:

	Gross	One year or less	Between one and five years	More than five years
A - SNCF Réseau borrowings:	**40,990**	**2,753**	**5,534**	**32,703**
1. Bond issues:	**39,832**	**1,595**	**5,534**	**32,703**
Total fixed rate:	35,122	1,192	5,170	28,760
Total inflation:	2,812			2,812
Total floating rate:	1,899	403	364	1,132
EUR fixed rate	27,652	1,000	4,455	22,197
EUR inflation	2,812			2,812
EUR floating rate	1,816	403	364	1,049
Total EUR	**32,280**	**1,403**	**4,819**	**26,058**
CAD fixed rate	192			192
CAD floating rate				
Total CAD	**192**			**192**
CHF fixed rate	1,379	37	527	816
CHF floating rate				
Total CHF	**1,379**	**37**	**527**	**816**
GBP fixed rate	5,170			5,170
GBP floating rate	83			83
Total GBP	**5,253**			**5,253**
HKD fixed rate	31	31		
HKD floating rate				
Total HKD	**31**	**31**		
JPY fixed rate	343		111	232
JPY floating rate				
Total JPY	**343**		**111**	**232**
NOK fixed rate	66			66
NOK floating rate				
Total NOK	**66**			**66**
USD fixed rate	288	124	77	87
USD floating rate				
Total USD	**288**	**124**	**77**	**87**
2. Negotiable debt securities:	**1,158**	**1,158**		
Treasury bills	25	25		
Euro Commercial Paper				
AUD	63	63		
USD	1,070	1,070		

	Gross	One year or less	Between one and five years	More than five years
B – ACCRUED INTEREST:	**650**	**650**		
Bond issues:	**640**	**640**		
Total fixed rate: ***Total inflation:*** ***Total floating rate:***	574 58 8	574 58 8		
EUR fixed rate EUR inflation EUR floating rate	426 58 7	426 58 7		
Total EUR	**491**	**491**		
CAD fixed rate CAD floating rate	1	1		
Total CAD	**1**	**1**		
CHF fixed rate CHF floating rate	31	31		
Total CHF	**31**	**31**		
GBP fixed rate GBP floating rate	109 1	109 1		
Total GBP	**110**	**110**		
JPY fixed rate JPY floating rate	2	2		
Total JPY	**2**	**2**		
NOK fixed rate NOK floating rate	2	2		
Total USD	**2**	**2**		
USD fixed rate USD floating rate	4	4		
Total USD	**4**	**4**		
Negotiable debt securities:	**10**	**10**		
Treasury bills Euro Commercial Paper EUR AUD	0 3	0 3		
C – DEFERRED INTEREST:	**4**	**4**		
Euro Commercial Paper AUD USD	 0 4	 *0* *4*		

SNCF debt

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

	Gross	One year or less	Between one and five years	More than five years
A - Transferred SNCF debt:	**817**	**141**	**17**	**658**
Total fixed rate:	679	65		613
Total floating rate:	138	76	17	45
EUR fixed rate	613			613
EUR floating rate	68	6	17	45
Of which RIF loans	*5*	*0*	*2*	*2*
Total EUR	**681**	**6**	**17**	**658**
CHF fixed rate	65	65		
CHF floating rate				
Total CHF	**65**	**65**		
GBP fixed rate				
GBP floating rate	70	70		
Of which EIB credit line renewals	*70*	*70*		
Total GBP	**70**	**70**		
B – Accrued interest:	**24**	**24**		
Total fixed rate:	24	24		
Total floating rate:				
EUR fixed rate	21	21		
EUR floating rate	0	0		
Total EUR	**21**	**21**		
CHF fixed rate	2	2		
CHF floating rate				
Total CHF	**2**	**2**		
TOTAL (A)+(B)	**840**	**165**	**17**	**658**

LONG-TERM BORROWINGS

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

	Fixed-rate outstanding		Inflation-indexed outstanding		Floating-rate outstanding		Total outstanding	
	Dec-15	**Dec-14**	**Dec-15**	**Dec-14**	**Dec-15**	**Dec-14**	**Dec-15**	**Dec-14**
SNCF Réseau	34,301	30,960	1,497	1,496	4,034	4,713	39,832	37,169
SNCF	749	962			68	231	817	1,194
Total EUR:	**35,049**	**31,922**	**1,497**	**1,496**	**4,103**	**4,945**	**40,649**	**38,363**
%:	**86%**	**83%**	**4%**	**4%**	**10%**	**13%**	**100%**	**100%**

	Dec-15	**Dec-14**
Total outstanding borrowings	40,648.8	38,363.0
Accrued interest receivable from transferred debt	23,6	24,7
TOTAL	**41,312.8**	**39,005.9**

6.14 OPERATING PAYABLES

	31 December 2015	***Transfer***	**31 December 2014**	**Change during the year**
Tax and employee-related payables	**1,033**	***329***	**256**	**778**
Personnel and social security bodies	564	*340*	21	543
Tax on revenue	407	*-4*	149	258
French State and local authorities	30	*-7*	32	-2
Tax payable on investments	28	*0*	32	-4
VAT on fixed assets	4	*0*	22	-17
Payments received on account for work-in-progress	**314**	***234***	**329**	**-16 0**
Trade payables and related accounts	**2,840**	***567***	**2,637**	**204**
Of which fixed asset suppliers	*1,387*		*2 315*	**-927**
Other operating payables	**1,954**	***660***	**2,123**	**-168**
Grants claimed in advance	*1,649*	*0*	*1,816*	-167
Other payables	*306*	*660*	*307*	-1
Total operating payables	**6,142**	***1,790***	**5,344**	**797**

"Payments received on account for work-in-progress" involve 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.

The change in “Trade payables and related accounts” was primarily due to the cancellation of asset purchase liabilities towards SNCF Infrastructure that was present in the SNCF Réseau financial statements for the year ended 31 December 2014.

6.15 DEBT MATURITY ANALYSIS - LIABILITIES

	31 December 2015	< 1year	> 1year
Tax and employee-related payables	**1,033**	**1,033**	
Personnel and social security bodies	564	564	
Tax on revenue	407	407	
French State and local authorities	30	30	
Tax payable on investments	28	28	
VAT on fixed assets	4	4	
Payments received on account for work-in-progress	**314**	**314**	
Trade payables and related accounts	**2,840**	**2,840**	
Of which fixed asset suppliers	*1,387*	1,387	
Other operating payables	**1,954**	**1,954**	
Grants claimed in advance	*1,649*	1,649	
Other payables	*306*	306	
Total operating payables	**6,142**	**6,142**	**0**

6.16 ACCRUALS AND DEFERRED INCOME

	31 December 2015	31 December 2014	Change during the year
Other deferred income	433	243	190
Accruals and deferred income - Financial transactions	1,311	1,197	114
Total	**1,744**	**1,440**	**305**

7 NOTES TO THE INCOME STATEMENT

7.1 BREAKDOWN OF REVENUE

Revenue mainly comprises services rendered in the context of railway activities and is recognised at the date at which these services are rendered. These infrastructure fees primarily break down as follows:

- train path access fees,
- reservation fees,
- traffic fees,
- station access fees (platform fees),
- electrical traction usage fees, including the fee to use electrical traction installations (RCE) and the electricity transmission and distribution fee (RCTE).

Added to these infrastructure fees is the compensation rate paid by the French State to cover the marginal cost of freight traffic, together with the fees paid by freight companies. They are recognised in revenue as they are analysed as price supplements.

Other income primarily comprises sales of supplies (old materials) and "non-traffic related" products comprising rental income.

	31 December 2015	31 December 2014 restated	Change during the year
Access fees	1,985	1,957	28
Reservation fees	2,056	2,024	32
Traffic fees	1,410	1,367	44
Platform fees	94	100	-6
Additional electrical traction fees	259	261	-1
Other proceeds	-	-	-
Sub-total infrastructure sale proceeds	**5,806**	**5,709**	**96**
Freight compensation	-	-	-
Other income	470	208	262
Total revenue	**6,275**	**5,917**	**358**

7.2 OWN PRODUCTION AND CHANGE IN INVENTORIES AND WORK-IN-PROGRESS

	31 December 2015	31 December 2014 restated	Change during the year
Own production – Purchases and external charges	1,492	38	**1,454**
Own production – Employee benefit expense	498	15	**483**
Change in inventories and work-in-progress	46	-	**46**
Total	**2,036**	**53**	**1,983**

7.3 OTHER OPERATING INCOME

	31 December 2015	31 December 2014 restated	Change during the year
Operating grants	76	148	-72
Other income	12	7	5
Total other operating income	**88**	**155**	**-67**

7.4 PURCHASES AND EXTERNAL CHARGES

7.4.1 BREAKDOWN OF PURCHASES AND EXTERNAL CHARGES

	31 December 2014 Published	Reclassifications	31 December 2014 Restated
Delegated management fees	-3,218	3,218	0
Studies	-76	76	0
Work	-36	36	0
Delegated infrastructure management fees		-3,218	-3,218
Transmission and traction means		-160	-160
Upkeep and maintenance		-49	-49
Professional fees and IT services		-223	-223
Other purchases and external charges	-498	334	-164
TOTAL	**-3,828**	**14**	**-3,814**

	31 December 2015	31/12/2014 Restated	Change during the year
Delegated infrastructure management fees	-1,619	-3,218	1,600
Transmission and traction means	-252	-160	-92
Upkeep and maintenance	-1,115	-49	-1,067
Professional fees and IT services	-374	-223	-152
Other purchases and external charges	-1,111	-164	-948
Total purchases and external charges	**-4,472**	**-3,814**	**-658**

Assuming the transfers had taken place on 1 January 2015, the estimated amount of purchases and external charges would total €4,722 million.

7.4.2 DELEGATED MANAGEMENT FEES (UNTIL 30 JUNE 2015)

Prior to the rail reform, SNCF carried out the following three activities for SNCF Réseau which it invoiced accordingly:

- creation of the system organising all rail traffic on the network, referred as “train running diagrams”;
- management of safety and control systems and traffic management;
- supervision, maintenance, repair and other measures necessary for the operation of the network and all technical facilities.

The amount shown therefore corresponds to the amount for the first half of 2015.

Following the implementation of the rail reform on 1 July 2015, the heading “Delegated management fees” was replaced in the second half of the year by “Employee benefit expense and external purchases”.

7.4.3 OTHER PURCHASES AND EXTERNAL CHARGES

Prior to the rail reform, most capitalisable expenditure was directly recorded in the balance sheet without passing through the income statement. Following the implementation of the reform on 1 July 2015, assets were produced internally within SNCF Réseau, resulting in the expensing of purchases and external charges and a corresponding entry in own production.

7.5 TAXES AND DUTIES OTHER THAN INCOME TAX

	31 December 2015	31 December 2014 restated	Change during the year
Property taxes	**-28**	**-24**	**-4**
Company value-added contribution and company property contribution	**-64**	**-48**	**-16**
Tax on wages	-4	-	-4
Apprenticeship tax	-7	-1	-7
Vocational training	-11	-4	-7
Construction levy	-5	-0	-5
Other taxes and duties	-6	-10	4
Transport payment	-15	-	-15
Sub-total Other taxes and duties	**-48**	**-14**	**-34**
Total Taxes and duties other than income tax	**-140**	**-86**	**-54**

Assuming the transfers had taken place on 1 January 2015, the estimated amount of taxes and duties other than income tax would total €206 million.

7.6 EMPLOYEE BENEFIT EXPENSE AND AVERAGE NUMBER OF EMPLOYEES

	31 December 2015	31 December 2014 restated	Change during the year
Wages and salaries	- 1,194	- 86	- 1,108
Pension contributions	- 353		- 353
Other social security contributions	- 255	- 43	- 212
Expenses relating to vacation, leave and early departures	50		50
Sub-total	**- 1,753**	**- 129**	**- 1,624**
Seconded personnel	- 30	- 14	- 16
Total employee benefit expense	**- 1,783**	**- 144**	**- 1,639**
Total average number of paid employees	**27,521**	**1,647**	**- 1,647**

Assuming the transfers had taken place on 1 January 2015, the average number of paid employees would total 53,169 for an employee benefit expense of €3,517 million.

The changes in employee benefit expense observed between 31 December 2014 and 31 December 2015 were mostly due to the transfers.

Headcount and total payroll

Following the rail reform, 51,584 employees were transferred from SNCF Infrastructure.

31 December 2015, the headcount comprises 53,690 SNCF Réseau employees, including 548 seconded employees. The headcount was 1,678 on 31 December 2014.

The average headcount was 27,521 employees in 2015, including 223 seconded employees, compared with 1,647.1 employees in 2014, including 101.6 seconded employees.

7.7 STATUTORY AUDITORS' FEES

Statutory auditors' fees amounted to €1 million in 2015 and break down as follows:

- statutory audit of the 2015 financial statements for €572,000 (PWC for €300,000, EY for €272,000)
- additional engagements in line with the rail reform for €202,000 (PWC for €157,000, EY for €45,000).

7.8 NET DEPRECIATION AND AMORTISATION, IMPAIRMENT AND PROVISIONS

Breakdown of charges	31 December 2015	31 December 2014 restated	Change during the year
Charge to depreciation and amortisation	-1,767	-1,576	-191
Charge to provisions for non-current assets	-17	-4	-13
Charge to provisions for impairment of receivables	-28	-26	-1
Charge to provisions for inventory write-downs	-10	-	-10
Charge to provisions for liabilities and charges	-86	-28	-58
Total	**-1,908**	**-1,635**	**-273**

Breakdown of reversals	31 December 2015	31 December 2014 restated	Change during the year
Share of the grant released to profit or loss	495	457	38
Reversal of the renewal grant	134	136	-2
Reversals of provisions for non-current assets	9		9
Reversals of provisions for impairment of receivables	24	33	-9
Reversals of provisions for inventory write-downs	4		4
Reversals of provisions for liabilities and charges	63	30	33
Expense reclassifications	44	9	35
Total	**774**	**665**	**108**

7.9 FINANCE COST

	31 December 2015	31 December 2014 restated	Change during the year
Net borrowing costs	-1,413	-1,450	38
Net finance cost of employee benefits	-26	0	-26
Dividends	0	0	0
Other financial expenses	-21	-13	-9
Other financial income	17	76	-59
Total finance cost	**-1,444**	**-1,387**	**-57**

7.10 NET EXCEPTIONAL PROFIT/(LOSS)

The 2015 net exceptional loss of -€9,544 million mainly includes:

- asset impairment losses of €9,600 million (see Note 6.2.3)
- net proceeds from asset disposals in the amount of €71.5 million (including €48 million for rail installations and €24 million for Property),
- an exceptional provision charge of €19 million,
- an exceptional provision reversal of €3.2 million.

7.11 INCOME TAX EXPENSE

from 1 January 2015, SNCF Réseau belonged to the SNCF tax consolidation group.

Accordingly, tax loss carryforwards break down as follows:

- Tax losses prior to SNCF Réseau's entry into the tax consolidation group: €10,132 million
- Tax losses since 1 January 2015 attributable to the taxable profits of the tax consolidation group: €149 million

SNCF Réseau recognised a tax gain of €44 million, which breaks down as follows:

- Competitiveness and Employment Tax Credit for €42.2 million
- Research Tax Credit for €1.2 million
- Sponsorship Credit and Apprenticeship Tax Credit for €0.5 million.

As mentioned in Note 6.2.3 “Present value of assets at the year-end”, deferred tax assets on tax loss carryforwards totalled €3.7 billion on 31 December 2015 and were not recognised as assets in the balance sheet.

8 RELATED PARTY DISCLOSURES

SNCF Réseau, as an industrial and commercial institution wholly owned by the French State (via the French Government Shareholding Agency), is related, in the meaning of IAS 24, Related Party Disclosures, to all companies and entities controlled by the French State.

Disclosures on individually or collectively material transactions with these entities concern the following related parties:

- The EPICs belonging to the Public Rail Group, SNCF Réseau and SNCF,
- The French State

Transactions between SNCF Réseau Group and other State companies (EDF, La Poste, etc.) are all performed on an arm's length basis.

No Group companies other than the parent company carry out material transactions with these related parties.

8.1 RELATIONS WITH THE PUBLIC RAIL GROUP

Relations with SNCF Mobilités

SNCF Mobilités is currently one of SNCF Réseau's main customers in terms of infrastructure fees on the French rail network.

Furthermore, until the rail reform, SNCF carried out delegated rail infrastructure management services on behalf of SNCF Réseau. from 1 July 2015, the delegated management fees paid to SNCF Mobilités (formerly SNCF) was replaced by internal operating and investment expenses.

Balance sheet headings

	31 December 2015	31 December 2014
Production of fixed assets delegated to SNCF	1,057	1,858
Operating receivables	1,002	414
Operating payables*	540	1,016

** Balance sheet headings excluding borrowings presented separately in balance sheet liabilities*

Income and expenses

	31 December 2015	31 December 2014
Infrastructure fees	3,631	3,648
Operating expenses	-1,917	-3,173

Relations with SNCF

Under the rail reform law, the new SNCF is responsible for the strategic control of the Public Rail Group as well as the shared functions carried out for all the Group EPICs, with regard to the Group's coordination, support and shared service centre departments. These shared functions include:

- Administrative management of human resources, payroll and social security protection;
- Management of the Group's information systems;
- Management of the Group's real estate and property;
- Organisation of the Group's general purchases.

Balance sheet headings

	31 December 2015
Receivables	99
Payables	74

Income and expenses

	31 December 2015
Income	38
Expenses	-408

8.2 RELATIONS WITH THE FRENCH STATE AND LOCAL AUTHORITIES

Pursuant to the legislation applicable to companies whose sole shareholder is the French State, SNCF Réseau is subject to the economic and financial supervision of the French State, the French Court of Auditors, the French Parliament, as well as the verifications of the French General Inspectorate of Finance.

SNCF Réseau invoices the French State for the access fees related to TER regional passenger trains and *trains d'équilibre de territoire* (TET).

The French State also pays out operating and investment grants to SNCF Réseau.

The government aid granted to the SNCF Réseau Group by the French State and local authorities is presented in the following table:

Balance sheet headings

	31 December 2015	31 December 2014
Grants receivable (assets)	819	889

Income and expenses

	31 December 2015	31 December 2014
Access fees	1,831	1,799
Freight compensation	31	109

9 OFF-BALANCE SHEET COMMITMENTS

9.1 COMMITMENTS GIVEN AND RECEIVED INVOLVING FINANCIAL INSTRUMENTS

SNCF Réseau is exposed to market risk in connection with the management of its debt. Based on an analysis of its general risk exposure, it uses a variety of financial instruments within the limits set by the Board of Directors to hedge against interest rate and currency risks and limit its financing costs.

- **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:**

SNCF Réseau is exposed to counterparty risk in connection with its cash investments and the subscription of derivatives from its financial partners, insofar as the debtor refuses to honour all or part of its commitment or does not have the means to respect it.

To manage and limit this risk, investment instruments and derivatives are only entered into with financial institutions corresponding to the credit rating and equity criteria validated by the SNCF Réseau Board of Directors.

A limited commitment amount by institution is determined according to these criteria.

Compliance with the authorised threshold by counterparty is monitored on a daily basis.

To hedge counterparty risk, SNCF Réseau performs margin calls with its financial counterparties whose rating is lower than the threshold defined by the Board of Directors. Collateral (in cash only) is called up in the amount of the market value of the financial instrument portfolios for each counterparty with whom SNCF Réseau is at risk.

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 – FINANCIAL INSTRUMENT FUTURES MARKET	**31 December 2015**		**MtM**		**31 December 2014**		**MtM**	
Over-the-counter hedging transactions:								
EUR swaps:								
Micro-hedge								
< 1 year	1,459	EUR	1	EUR	625	EUR	26	EUR
1 to 5 years	516	EUR	-34	EUR	1,466	EUR	-12	EUR
> 5 years	3,395	EUR	-441	EUR	3,668	EUR	-551	EUR
Macro-hedge								
< 1 year		EUR		EUR		EUR		EUR
1 to 5 years		EUR		EUR		EUR		EUR
> 5 years		EUR		EUR		EUR		EUR
Trading transactions:								
< 1 year		EUR		EUR		EUR		EUR
1 to 5 years		EUR		EUR		EUR		EUR
> 5 years	50	EUR	-3	EUR	50	EUR	-3	EUR

II - FOREIGN CURRENCY TRANSACTIONS	31 December 2015		MtM		31 December 2014		MtM	
Over-the-counter hedging transactions:								
EUR forward contracts:								
< 1 year	100	AUD	4	EUR		AUD		EUR
		CAD		EUR		CAD		EUR
		CHF		EUR		CHF		EUR
		GBP		EUR		GBP		EUR
		HKD		EUR		HKD		EUR
		JPY		EUR		JPY		EUR
	1,195	USD	30	EUR	1,455	USD	111	EUR
1 to 5 years								
> 5 years								
EUR currency swaps:								
< 1 year		AUD		EUR		AUD		EUR
		CAD		EUR		CAD		EUR
	162	CHF	48	EUR	169	CHF	32	EUR
	44	GBP	-14	EUR	685	GBP	35	EUR
	300	HKD	5	EUR		HKD		EUR
		JPY		EUR		JPY		EUR
		NOK		EUR		NOK		EUR
	150	USD	12	EUR		USD		EUR
1 to 5 years		AUD		EUR		AUD		EUR
		CAD		EUR		CAD		EUR
	790	CHF	292	EUR	952	CHF	247	EUR
		GBP		EUR	44	GBP	-21	EUR
		HKD		EUR	300	HKD	2	EUR
	15,000	JPY	-5	EUR	5,000	JPY	-7	EUR
		NOK		EUR		NOK		EUR
	100	USD	20	EUR	250	USD	12	EUR
> 5 years		AUD		EUR		AUD		EUR
	277	CAD	47	EUR	277	CAD	63	EUR
	1,155	CHF	486	EUR	1,155	CHF	289	EUR
	3,638	GBP	-373	EUR	3,253	GBP	-799	EUR
		HKD		EUR		HKD		EUR
	30,000	JPY	16	EUR	40,000	JPY	-22	EUR
	500	NOK	-5	EUR	500	NOK	1	EUR
	120	USD	19	EUR	120	USD	1	EUR

III - OTHER OFF-BALANCE SHEET COMMITMENTS	31 December 2015	31 December 2014
Financing commitments received: Syndicated loan:	1,250 EUR	1,250 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 was no drawn-down on 31 December 2015.

9.2 OTHER COMMITMENTS GIVEN AND RECEIVED

- **Guarantees received from external third parties**

Financial guarantees received from third parties amounted to €66.5 million and break down as follows:

- Guarantees received from suppliers (€39.6 million)
- Guarantees received from customers (€26.8 million)

- **Purchase commitments**

Purchase commitments mainly involve fixed asset purchase commitments in the amount of €27.7 million.

- **Financial guarantees granted to third parties**

Under new railway line construction projects, certain work may be outsourced to certain suppliers who themselves subcontract to other companies. Financial guarantees given amounted to €8.1 million on 31 December 2015.

This mainly concerns a guarantee of €6.1 million given in connection with the Southern Europe Atlantic (SEA) high-speed line construction project. SNCF Infra was required to grant financial guarantees to the contract beneficiary VOSSLO for the production of track equipment, which itself subcontracted certain production tasks to SNCF Infra. The two entities contractually agreed to set up first-demand bank guarantees.

- **Finance and operating leases**

Lease commitments totalled €175 million on December 2015 and break down as follows:

- Transport equipment operating lease: €28.9 million
- Rail equipment operating lease: €140.1 million
- Property operating lease: €5.5 million

- **Sales undertakings**

Sales undertakings received and given amounted to €54.2 million on 31 December 2015.

- **Property leases given**

The indexation adopted on 31 December 2015 for future lease payments was 0.27%.
31 December 2015, total commitments given under operating leases was estimated at €103.8 million.

- **Financial guarantees received from third parties**

SNCF Réseau has a first-demand guarantee from a banking institution in the event of a breach of contract by SYNERAIL. This guarantee was granted gradually according to the progress of the network deployment phases.

On 31 December 2015 SNCF Réseau benefited from a guarantee amounting to €43.2 million.

SNCF Réseau receives financial guarantees from third parties, in particular a first-demand guarantee from a banking institution in the amount of €2.7 million with regard to the annual fees owed for the use of branch line terminal installations by its main debtor, SAS Ciments Calcia.

- **Grants receivable**

In connection with rail transport (freight or public passenger), operators have to purchase train paths from the railway network access supplier in the country where the trains run (RFF in France, Network Rail in the UK, DB Netz in Germany, etc.).

Strictly speaking, a train path purchase is a mutual commitment; no off-balance sheet commitments given are therefore reported.

However, for contractual commitments regarding matters other than those relating to the purchase of train paths, and particularly if the cancellation of a train path order/booking or the termination of the contract generates the payment of compensation by the operator or access supplier, an off-balance sheet commitment received should be reported.

The amount of off-balance sheet commitments received was estimated at €79 million on 31 December 2015.

- **GSM-R**

  - Investment grants:

31 December 2015, financing to be recognised totalled €37.2 million.

  - PPP:

On 31 December 2015, investment fees to be recognised by SNCF Réseau under the agreement totalled €40.9 million (present value).

- **BPL**

  - Investment grants:

The earned grant to be recognised amounted to €304.8 million (present value), given the percentage completion on 31 December 2015.

- PPP:

Assets in the course of construction to be recognised amounted to €440.6 million (present value), considering the percentage completion on 31 December 2015.

- **CNM**

  - Investment grants:

The earned grant to be recognised amounted to €503.5 million (present value), given the percentage completionon 31 December 2015.

  - PPP:

Assets in the course of construction to be recognised amounted to €505.5 million (present value), considering the percentage completion on 31 december 2015.

- **SEA**

  - Investment grants:

The earned grant to be recognised amounted to €104.3 million (present value), given the percentage completion on 31 December 2015.

  - SNCF Réseau as guarantor:

The guarantee issued in 2011 by SNCF Réseau for the Caisse des Dépôts-Savings Account fund management and effective in July 2011 amounted to €757.2 million.
This guarantee has borne interest since July 2011.

  - 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 should 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:

SNCF Réseau should 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 reassumes it.

- Cancellation clause to protect the public interest:

This mechanism can be implemented from the 12th year following commercial operations, in which case SNCF Réseau should 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”.

This fee corresponds 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.

Each year, the latter repays the amount of this fee to the French State and local authorities that are signatories to the financing agreement in proportion to their investment.

10 INFORMATION ON THE INDIVIDUAL RIGHT TO TRAINING

Pursuant to the law of 2014-288 of 5 March 2014 on vocational training, employment and social democracy, the Individual Right to Training (IRT) was replaced by the Personal Training Account (PTA).

The PTA is an individual account opened since 1 January 2015 with the *Caisse des Dépôts et Consignations* group.

For each full calendar year of activity, a full-time employee acquires 24h for up to a credit limit of 120h, then 12h for subsequent years for up to a limit of 150h.

This account is used to benefit from the diploma-based training courses shown on the lists drawn up by joint labour and management bodies, basic knowledge and skills training, and advisory and support actions for the validation of prior experience.
The employer's approval is required for this training to take place during working hours.

Any action to promote, acquire, maintain or enhance knowledge or skills falls within the scope of the PTA as long as:

- It is consistent with the employee's professional situation, job position and development possibilities and prospects within the company,
- The employee has the necessary pre-requisites to benefit from the training,
- It is not a requirement imposed by the employer,
- It is registered in the list of training courses offered by the company.

Pursuant to notice 2004-f of 13 October 2004 of the CNC Emergency Committee, the costs incurred are not covered by a provision. The costs incurred for the PTA represent an expense for the period.

31 December 2015, the rights vested by employees under the PTA totalled 174,296 hours.

STATUTORY AUDITORS' REPORTS FOR THE YEAR ENDED 31 DECEMBER 2015

SNCF RESEAU

Statutory Auditors' report on the consolidated financial statements

(Year ended 31 December 2015)

PricewaterhouseCoopers Audit
63, rue Villiers
92208 Neuilly-sur-Seine Cedex

Ernst & Young, Audit
1/2 place des Saisons
92400 Courbervoie – Paris-La Défense
S.A.S. à capital variable

Statutory Auditors' report on the consolidated financial statements

(Year ended 31 December 2015)

SNCF RESEAU
15/17 Philippe Rameau
93633 La Plaine-Saint-Denis Cedex

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 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 the Digital Sector on 27 April 2015, we hereby report to you, for the year ended 31 December 2015, on:

- the audit of the accompanying consolidated financial statements of SNCF Réseau;
- the justification of our assessments;
- the specific verifications 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

With the exception of the matter described in the following paragraphs, 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.

SNCF Réseau identified impairment losses for the assets of the Infrastructure CGU as at 30 June 2015, as mentioned in Note 4.5 to the consolidated financial statements. Based on discussions and arbitrations with the French State in the second half of 2015, the company's management drew up a financial trajectory and carried out an impairment test as at 31 December 2015, based on a methodological approach that took into account the specific nature of SNCF Réseau (for the current network, terminal value assessed based on a 2030 normative year, inclusion of deferred tax assets in the base tested, and long-term consideration of tax savings).

For the current network, the company retained 2030 as the year the network would be considered as stabilised in terms of expected performance. The cash forecasts, based on discussions preceding the signature of the multi-year performance contract between the company and the French State (stipulated by the law of 4 August 2014) include (i) cash inflows (infrastructure and access fees, investment grants) arising from French State commitments in particular and increasing significantly, (ii) expenditure (renovation and maintenance of installations) and renewal investments as part of sustained productivity plans.

Based on these factors, the company recorded a €9.6 billion impairment loss, agreeing on an equilibrium in its negotiations with the French State. This equilibrium is based on the latter effectively providing the necessary resources and meeting its commitments with respect to supporting the assets' recoverable amount thus determined and the company's ability to achieve its productivity plans. Moreover, the French State commitments have yet to be formalised under agreements. Finally, the terminal value, the essential component of the value in use, is determined based on a stabilised network, which to our knowledge has no historical parallel.

These assumptions are therefore subject to major risks and uncertainties, and consequently the impairment amount could rise significantly.

Accordingly, we are unable to assess the evidence for these projections and therefore to express an opinion on the net value of the assets in question, which had a balance sheet value of €33 billion following the impairment as at 31 December 2015.

Subject to this qualification, 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 at 31 December 2015 and the results of its operations for the year then ended in accordance with IFRS standards as adopted in the European Union.

Without qualifying the above opinion, we draw your attention to the following Notes to the consolidated financial statements:

- Note 2.1 describing the main accounting impacts relating to the implementation of the rail reform;
- Note 2.2 describing the changes in presentation to align with the financial statements of the Public Rail Group.

II. Justification of our assessments

As indicated in Note 1.2 to the financial statements, “Accounting judgements and estimates,” the accounting estimates used to prepare the financial statements for the year ended 31 December 2015 were determined in a context in which it was difficult to assess the business outlook in terms of the new economic challenges. It is this context, and pursuant to Article L. 823-9 of the French Commercial Code (*Code de Commerce*) governing the justification of our assessments, that we bring to your attention the assessments we performed, other than those resulting in the aforementioned qualification:

- Note 2.1 to the consolidated financial statements describes the main accounting impacts relating to the implementation of the rail reform. As part of our assessment of the accounting policies applied by the SNCF Réseau Group, we examined the methods used to record the asset and liability transfers stipulated under the law of 4 August 2014 and the relevant disclosures;

- Notes 4.7 and 6.1.2.3.4 to the consolidated financial statements describe the nature of the operating risks which confront the SNCF Réseau Group and the related provisions recorded in the consolidated financial statements. We examined the effective procedures used by your Group to identify, assess and record these provisions. We assessed the reasonableness of these provisions based on the items made available to date and verified that any uncertainties identified during the implementation of these procedures were appropriately disclosed in the Notes to the consolidated financial statements.

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.

With the exception of any impacts arising from the events described in the first part of this report, we have no matters to report as to the fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, 11 March 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Ernst & Young, Audit
Philippe Vincent	Christine Vitrac Denis Thibon

SNCF RESEAU

Statutory Auditors' report on the statutory financial statements

(Year ended 31 December 2015)

PricewaterhouseCoopers Audit
63, rue Villiers
92208 Neuilly-sur-Seine Cedex

Ernst & Young, Audit
1/2 place des Saisons
92400 Courbervoie – Paris-La Défense
S.A.S. à capital variable

Statutory Auditors' report on the statutory financial statements

(Year ended 31 December 2015)

SNCF RESEAU
15/17 Philippe Rameau
93633 La Plaine-Saint-Denis Cedex

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 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 the Digital Sector on 27 April 2015, we hereby report to you, for the year ended 31 December 2015, on:

- the audit of the accompanying financial statements of SNCF Réseau;
- 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

With the exception of the matter described in the following paragraph, 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.

SNCF Réseau identified impairment losses for the assets of the Infrastructure CGU as at 30 June 2015, as mentioned in Note 6.2.3 to the financial statements. Based on discussions and arbitrations with the French State in the second half of 2015, the company’s management drew up a financial trajectory and carried out an impairment test as at 31 December 2015, based on the methodological approach adopted for the consolidated financial statements, taking into account the specific nature of SNCF Réseau (for the current network, terminal value assessed based on a 2030 normative year, inclusion of deferred tax assets in the base tested, and long-term consideration of tax savings).

For the current network, the company retained 2030 as the year the network would be considered as stabilised in terms of expected performance. The cash forecasts, based on discussions preceding the signature of the multi-year performance contract between the company and the French State (stipulated by the law of 4 August 2014) include (i) cash inflows (infrastructure and access fees, investment grants) arising from French State commitments in particular and increasing significantly, (ii) expenditure (renovation and maintenance of installations) and renewal investments as part of sustained productivity plans.

Based on these factors, the company recorded a €9.6 billion impairment loss, agreeing on an equilibrium in its negotiations with the French State. This equilibrium is based on the latter effectively providing the necessary resources and meeting its commitments with respect to supporting the assets’ recoverable amount thus determined and the company’s ability to achieve its productivity plans. Moreover, the French State commitments have yet to be formalised under agreements. Finally, the terminal value, the essential component of the value in use, is determined based on a stabilised network, which to our knowledge has no historical parallel.

These assumptions are therefore subject to major risks and uncertainties, and consequently the impairment amount could rise significantly.

Accordingly, we are unable to assess the evidence for these projections and therefore to express an opinion on the net value of the assets in question, which amounted to €29 billion following the impairment as at 31 December 2015.

Subject to this qualification, in our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of SNCF Réseau as at 31 December 2015 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Without qualifying the above opinion, we draw your attention to the following Notes to the financial statements:

- Note 2.1 describing the change in the company's accounting method for taxes;
- Note 3.1 describing the main accounting impacts relating to the implementation of the rail reform;
- Note 5.2 describing the changes in presentation to align with the financial statements of the Public Rail Group.

II. Justification of our assessments

As indicated in Note 2.2 to the financial statements, "Accounting judgements and estimates," the accounting estimates used to prepare the financial statements for the year ended 31 December 2015 were determined in a context in which it was difficult to assess the business outlook in terms of the new economic challenges. It is this context, and pursuant to Article L. 823-9 of the French Commercial Code (*Code de Commerce*) governing the justification of our assessments, that we bring to your attention the assessments we performed, other than those resulting in the aforementioned qualification:

- Note 3.1 to the financial statements describes the main accounting impacts relating to the implementation of the rail reform. As part of our assessment of the accounting policies applied by SNCF Réseau, we examined the methods used to record the asset and liability transfers stipulated under the law of 4 August 2014 and the relevant disclosures;

- Notes 6.12 and 6.13 to the financial statements describe the nature of the operating risks which confront SNCF Réseau and the related provisions recorded in the financial statements. We examined the effective procedures used by your company to identify, assess and record these provisions. We assessed the reasonableness of these provisions based on the items made available to date and verified that any uncertainties identified during the implementation of these procedures were appropriately disclosed in Notes 6.12 and 6.13 to the financial statements.

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 and information

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

With the exception of any impacts arising from the events described in the first part of this report, 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 Paris-La Défense, 11 March 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Ernst & Young, Audit
Philippe Vincent	Christine Vitrac Denis Thibon

SNCF RESEAU

Report of one of the statutory auditors on the social, environmental and societal information presented in the EPIC SNCF Réseau 2015 management report

Year ended 31 December 2015

Report of one of the statutory auditors on the social, environmental and societal information presented in the EPIC SNCF Réseau 2015 management report

Year ended 31 December 2015

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

SNCF RESEAU (Formerly Réseau Ferré de France)
15-17 rue Jean-Philippe Rameau
93212 La Plaine Saint-Denis Cedex

In our capacity as statutory auditor of EPIC SNCF Réseau and as requested by SNCF Réseau, we hereby present our report on the consolidated social, environmental and societal information for the year ended 31 December 2015 that SNCF Réseau 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 *SNCF Réseau Board of Directors* to prepare a management report which, includes the CSR Information referred to in Article R.225-105-1 of the French Commercial Code, in accordance with the Procedure for reporting social, environmental, and societal data used by SNCF Réseau (hereinafter the "Framework"), of which a summary is included in the management report in Section 4.4 "Extra-financial reporting methodology" and available on request from the SNCF Réseau Environment and Sustainable Development Department.

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 is present in the management report or, in the case of omission, that an 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 the CSR information.

Our verification work was undertaken by a team of four people between December 2015 and March 2016 over a total duration of around one week. 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 standards applicable in France and the Order of 13 May 2013 determining the conditions under which the independent third-party organization conducts its engagement:

- based on interviews with the management of the relevant departments, we obtained an understanding of the company's sustainable development strategies, according to the social and environmental consequences linked to the company's activities and its societal commitments, as well as any resulting actions or programmes, where appropriate;

- 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 information, we verified that the explanations were provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code.

Conclusion

Based on this work and given the aforementioned limitations, we confirm the presence of the required CSR information in the management report.

Neuilly-sur-Seine, 11 March 2016

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Philippe Vincent
Partner

Sylvain Lambert
Sustainable Development Department Partner