



PRESS RELEASE

PRESS RELEASE NO. 07 — PARIS, 12 FEBRUARY 2015

SNCF 2014 ANNUAL RESULTS

Note: This press release comes amid the implementation of French legislation — the Act of 4 August 2014 — introducing rail reform and creating the new state-owned SNCF group (SNCF) in 2015. Its components are SNCF Mobilités, handling all SNCF transport operations (both in France and internationally), and SNCF Réseau, managing France's national rail network, previously divided between Réseau Ferré de France (RFF) and SNCF Infra.

In keeping with the financial reporting standard IFRS 5 (activities to be transferred), the SNCF Infra business unit is restated in SNCF accounts at year-end 2014. Concretely, this means that SNCF Infra will be shown as a separate line item in the income statement and will no longer appear in group revenues as presented. SNCF Infra's free cash-flow and net debt will remain in the financial statements.

In the report below, SNCF Mobilités, the new legal entity for the former SNCF, thus presents its accounts without the infrastructure business unit, which merged with RFF, the French railway network owner, to create SNCF Réseau in 2015.

REVENUE GROWTH DRIVEN BY INTERNATIONAL BUSINESS

Against a backdrop of continued economic crisis in Europe, and despite the difficult environment in France, SNCF reported **a 1.5% rise in revenue** (vs a rise of 0.5% in 2013).

Growth was driven by international business (up 7.0%), confirming the soundness of SNCF's growth strategy, with revenue at Keolis (mass transit in Europe and worldwide) up 20.0% outside France and the SNCF Logistics business unit reporting a 5.8% rise in business outside Europe.

COST CONTROLS & FINANCIAL DISCIPLINE

Financial management performance was strong, with SNCF **holding costs down and adapting** to meet its EBITDA target (€2.4 bn), despite the rail strike in June 2014 in France.

Net profit stood at €605 million, including nearly €200 million in non-recurring items. Recurring net profit was down by €177 million.

Free cash flow was positive. SNCF has stabilized its net financial debt at €7.4 billion, while maintaining a **high level of investment at €2.2 billion**.

Created in January 2015, the new SNCF group is pursuing its objective to become the world benchmark for mobility services and logistics. These 2014 results are a solid foundation for success.

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Guillaume Pepy, Chairman, said:

“In 2014, SNCF proved its resilience amid a lacklustre economy and despite severe constraints.

We achieved significant growth, particularly in our international markets, meeting our 2014 targets for EBITDA and stabilizing our debt, while continuing to invest on an unprecedented scale.

Achievements like these testify to the financial discipline of a business undergoing a profound transformation: the very significant reduction in losses by our rail freight services in France, our success in keeping costs under control, and our new growth drivers internationally speak for themselves.

Together, they form a solid foundation on which to build the new SNCF group as we move into 2015. A group that brings together SNCF Mobilités, handling all passenger and freight operating services in France and internationally, and SNCF Réseau, which combines Réseau Ferré de France (RFF) and SNCF Infra to better manage France's national rail network.

Yet the business model of several of our activities faces structural problems. This is the case in particular for our classic Intercités trains, whose difficulties have just been analyzed by France's Cour des Comptes (Court of Auditors for public spending); for Gares & Connexions, our station management and development unit, following a report by ARAF, the regulatory authority for railways in France; and for infrastructure finance, particularly for high-speed rail, given the impact on our TGV operations.

Against this backdrop, while we are moving ahead on the roadmap laid out in our Excellence 2020 programme, designed to make SNCF the world benchmark for mobility services and logistics within a reintegrated public entity, we are aware of the substantial challenge that lies ahead.”

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SNCF: KEY FIGURES AT 31 DECEMBER 2014

Consolidated data (€ MILLIONS)	2013 Pro forma	2014	Including changes at constant scope of consolidation and exchange rates	
Revenue	27,030	27,243	+415	+1.5%
GROSS PROFIT (EBITDA)	2,486	2,383	-114	
<i>As % of revenue</i>	9.2%	8.8%		
Current operating profit (loss)	721	678	-56	
Operating profit (loss) After share of net profit of companies consolidated on an equity basis	-528	1,050	+ 1,563	
Financial profit (loss)	-284	-412	-130	
Net profit (attributable to equity holders of the parent company) <i>including contribution from SNCF Infra</i>	-180	605 230	+771	
Recurring net profit	582	419	-177	
Self-financing capacity	2,181	2,058	-137	
SNCF capital investment	-2,240	-2,168	-74	
Disposals	472	436		
Free cash flow	464	356	-121	
Net indebtedness	7,391	7,405	-	

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2014 SALES BY BUSINESS UNIT

€ MILLIONS	2013	2014	Change At constant scope of consolidation and exchange rates
SNCF Proximités (Local & regional passenger transport)	11,591	11,967	+3.5%
<i>of which Keolis</i>	4,045	4,361	+8.5%
Voyages SNCF (Long-distance passenger services & distribution)	5,925	5,848	-1.1%
SNCF Logistics (freight transport & logistics)	8,891	8,812	+0.9%
Gares & Connexions (station management & development)	262	275	+4.8%

2014 EBITDA BY BUSINESS UNIT

€ MILLIONS	2013	2014
SNCF Proximités	655	633
<i>As % of revenue</i>	5.5%	5.1%
<i>Of which Keolis</i>	243	261
	5.9%	5.9%
Voyages SNCF	782	680
<i>As % of revenue</i>	11.4%	10.4%
SNCF Logistics	337	431
<i>As % of revenue</i>	3.7%	4.8%
Gares & Connexions	244	251
<i>As % of revenue</i>	20.6%	21.3%

EBIDA/revenue ratios are calculated based on the scope of each business unit



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REVENUE GROWTH DRIVEN BY INTERNATIONAL BUSINESS & EBITDA RESILIENCE

With the economy in France and across continental Europe still very fragile and GDP struggling to rise, SNCF was hit by two developments: VAT rates on domestic passenger travel increased from 7% to 10%, and track access fees rose 5.0% (price effect).

Nevertheless, revenue was up 1.5% at constant scope of consolidation and exchange rates, standing at €27.24 billion.

A French rail strike in June cut revenue by nearly €220 million (without the strike, growth would have been 2.3%). Yet EBITDA proved resilient, underscoring the wisdom of strategic decisions that focused on international growth and sound management.

Growth on target thanks to international business

In keeping with SNCF's goal of becoming the world benchmark for mobility services and logistics, international markets were the prime growth driver, with revenue up 7.0%, while business remained unchanged in France.

SNCF now generates 25% of its revenue from markets outside France.

Growth was driven by Keolis, with revenue up 8.5%, including a 20.0% rise in international markets, and by SNCF Logistics (freight transport and logistics), up 5.8% outside Europe (down 0.2% in Europe including a 1.3% decline in France). Today both divisions generate half of their revenue internationally.

Voyages SNCF (TGV high-speed rail) reported revenue down 1.1%. Despite ongoing economic stagnation and increased competition (from car-sharing and low-cost flights in particular), an effective “budget fare” sales policy held passenger numbers steady, excluding the impact of the June rail strike in France and changes in product offering. In France, the decline in ticket revenues was also linked to a 3-point rise in French VAT on passenger tickets that took effect on 1 January 2014. Within Voyages SNCF, European high-speed rail is expanding rapidly, with revenue up 3.8%.

Revenue from Transilien commuter rail in the Paris region and TER regional trains was up 1.2% and 1.7%, respectively, over the year, whereas classic Intercités regional trains reported a 3.6% decline.

Transformation pays off

At the same time, SNCF successfully adapted its costs to revenue trends. Annual EBITDA of €2,383 million was on target despite fallout from the French rail strike in June—which cut the total by nearly €180 million—thanks to measures taken at the end of that month.

By year-end the three-year, cross-divisional performance plan rolled out in early 2013 had already saved the public entity (including the SNCF Infra business unit) €400 million in structural costs—overheads, property, purchasing and IT outlays.

The SNCF Logistics business unit, handling freight transport and logistics, is continuing to adjust costs and reported EBITDA up €100 million at year-end 2014. This reflects recoveries by Geodis and TFMM (rail & multi-modal freight services), and particularly by rail freight services in France (Fret SNCF), where losses have been divided by three over the past five years.

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At Voyages SNCF, strict cost management helped limit the fall in EBITDA caused by rising fees for access to the railway network and declining ticket revenues. Without track access fees, the business unit's EBITDA/revenue ratio rose from 2012 to 2014.

Net profit stood at €605 million (including €186 million in non-recurring items), compared with a €180 million loss in 2013. This loss reflected a €1.4 bn write-off of TGV high-speed trainsets, partially offset by reversals of impairment losses at the SNCF Infra business unit.

Recurring net profit came to €419 million, down €17 million, due primarily to the decline in EBITDA.

HIGH INVESTMENTS BENEFITING CLIENTS

SNCF achieved this performance without compromising continued high investments consistent with 2013 outlays and 2014 targets. Virtually all were self-financed, with SNCF's total investments reaching nearly **€2.2 billion** plus outlays financed by transport organizing authorities. **Total gross investments thus stood at €3.3 billion** with:

- Over 60% going to rolling stock and equipment, specifically:
 - o 8 tram-train trainsets and 32 Francilien trainsets
 - o 64 TER regional trains (Régiolis & REGIO 2N),
 - o 12 TGV trainsets
 - o as part of their business, Keolis, Ermewa and rail and multimodal freight carriers are responsible for the expansion, maintenance and regular refurbishment of their fleets of vehicles and rolling stock.
- Nearly 40% going to Technicentres and workshops, to station upgrades and modernization stations (particularly in the Greater Paris region), and to passenger information systems.

Financial discipline remained exemplary, with **free cash flow reaching €356 million at the end of December 2014—positive for the fourth year running—and net debt steady at €7.4 billion.**

ROCE¹ (return on capital employed) stood at 3.9% at the end of 2014, down from 4.1% a year earlier, due primarily to the fall in EBITDA.

ACTIVE RECRUITMENT

In 2014 SNCF hired over 9,000 new employees on permanent contracts in France (includes SNCF Infra business unit personnel).

¹ Trading operating income after share of net profit of companies consolidated on an equity basis / average capital employed

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2015 OUTLOOK: SEVERE CONSTRAINTS CONTINUE

In a persistently difficult environment we expect that:

- GDP growth will be limited, up only 1.0%
- Freight will rise slightly
- Low-cost flights and car-sharing will present even steeper intermodal competition for passenger traffic in a context of declining oil prices
- Severe financial constraints will affect organizing authorities
- Ongoing engineering works will affect operations, resulting in slower speeds and lost clients
- Long-distance coach markets will open to competition in the second half of 2015

Yet SNCF has **set ambitious targets, including revenue growth of over 3%** at constant scope of consolidation and exchange rates, powered by international markets.

The **share of revenue generated abroad is set to reach 27%**, or €8 billion (including Eurostar).

SNCF's own capital investment remains at a substantial €2.1 billion—an indicator of future performance.

However there are a number of issues that SNCF cannot resolve on its own, and it is essential for these to be addressed in 2015:

- **The TGV business model** must be revamped entirely: profitability has plummeted despite major productivity drives (EBITDA/revenue stood at 10.4% in 2014 compared with over 18% in 2007; excluding track access fees, EBITDA rose from 2012 to 2014).
- **Rising deficits for Intercités trains** (€320 million in 2015, with 95% of this shortfall financed by SNCF): over the past five years, traffic has declined continuously, leading to the consumption of €1.4 billion in operating cash flow. The Duron Commission set up by France's Secretary of State for Transport to look into the future of TET trains (*trains d'équilibre du territoire*, classic medium- and long-distance trains serving French regions to promote economic development) is expected to issue its report at the end of the first half of 2015. This should propose changes to stations and stops that would reduce losses very significantly as the market for long-distance coaches opens up.
- Finally, the **business model for SNCF's stations** must be revamped to define profitability at a level that is consistent with current investment policy.

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2015: ROLE OF SNCF MOBILITÉS IN THE NEW SNCF GROUP

New French legislation— the Act of 4 August 2014 —introduced rail reform and created a new public rail company (SNCF) in January 2015. This will lead to fundamental changes in France's rail system, improving both the quality of its service and its financial prospects.

This new SNCF will comprise:

- **SNCF Mobilités**, bringing together all transport operating services handled by SNCF prior to the reform, including the following core activities:
 - o **SNCF Voyageurs**, uniting passenger services provided by:
 - Transilien (commuter rail in the Paris Region)
 - Voyages SNCF (TGV high-speed rail)
 - Intercités (classic medium- and long-distance trains)
 - 20 TER businesses (regional express rail transport)
 - o and **Gares & Connexions (station management and development)**
 - o **Keolis**, operating urban mass transit systems in France and around the world
 - o **SNCF Logistics**, specializing in freight transport and logistics, with its own four businesses:
 - Geodis
 - TFMM for multimodal rail and freight transport
 - Ermewa for equipment management
 - STVA for automobile/vehicle logistics
- **SNCF Réseau**, the infrastructure manager for the national rail network, uniting the responsibilities previously divided between Réseau Ferré de France (RFF) and SNCF (through its SNCF Infra business unit, which includes rail traffic management through Direction de la Circulation Ferroviaire). SNCF Réseau handles four areas:
 - o network access
 - o rail traffic
 - o maintenance and works
 - o engineering and consultancy

SNCF Mobilités and SNCF Réseau are each headed by a board of directors, one-third of whom are appointed by the French state, one-third by SNCF EPIC and one-third by employees.

SNCF Mobilités and SNCF Réseau have retained their own debt and financing. SNCF EPIC is headed by a Management Board (consisting of the Chairman of SNCF Mobilités and the Chairman of SNCF Réseau) and a Supervisory Board. It provides leadership for SNCF group and is responsible for integrating operations, labour, control and strategy.

The new SNCF group will publish consolidated financial statements starting in 2015. Like SNCF Mobilités and SNCF Réseau, the Group will comply with IFRS in its financial reporting.

*Consolidated full-year accounts for 2014 are available
on the SNCF Group website under “Finance”:
www.sncf.com/en/meet-sncf/finance/news*



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About SNCF Mobilités

A global leader in passenger and freight transport services, SNCF Mobilités has a total workforce of over 200,000 in 120 countries and aims to become the world benchmark for mobility and logistics services. Revenue exceeded €27.2 billion in 2014, with international markets accounting for 25% of the total.

SNCF Mobilités has three business units: SNCF Voyageurs (TGV high-speed rail; Transilien commuter rail in the Paris region; TER regional trains; and Intercités classic medium- and long-distance rail service); Keolis (mass transit in Europe and around the globe); and SNCF Logistics (freight transport and logistics). www.sncf.com