

A network for a world on the move



2009 FINANCIAL REPORT

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GENERAL INFORMATION



1.

General information about Réseau ferré de France

1.1. Name and registered office

Réseau Ferré de France – abbreviated to “RFF”
Registered office: 92, avenue de France –
75648 Paris Cedex 13, France

1.2. Legal status, applicable legislation and legal oversight

Réseau Ferré de France is a State-owned company (*Établissement Public Industriel et Commercial* – EPIC). It was established by Act no. 97-135 of 13 February 1997 on reforming French rail transport, as amended in particular by Acts no. 2006-10 of 5 January 2006 and no. 2009-1503 of 8 December 2009.

The above Act and enabling legislation (Decree nos. 97-444, 97-445 and 97-446 of 5 May 1997, as amended) respectively set out Réseau Ferré de France’s responsibilities, articles of association and initial assets, as well as fees for the use of the national rail network.

Article 3 of the 1997 Act stipulates that Réseau Ferré de France is subject to the rules applicable to industrial and commercial companies with respect to its financial management and accounting. Réseau Ferré de France keeps its accounts in accordance with the French general chart of accounts (*plan comptable général*) and its financial statements are certified by statutory auditors.

RFF is also subject to the economic, financial and technical oversight of the French State. Oversight procedures are set forth in Articles 56 to 65 inclusive of Section 4 (“State Oversight”) of Decree no. 97-444 of 5 May 1997.

In accordance with this Decree, administrative and technical matters are overseen by the Transport Minister.

The Economic and Financial Oversight Committee for Transport is responsible for overseeing RFF’s economic and financial affairs, on behalf of the Ministers of the Economy and Budget. The Committee’s role is also to:

- Advise and inform RFF;
- Verify the amounts paid to RFF by the State and other public authorities;
- Ensure compliance with competitive tendering procedures and that contracts are awarded in a fair and proper manner.

1.3. Governing legislation

Réseau Ferré de France is governed by French and European law.

1.4. Date of incorporation

Réseau Ferré de France was incorporated on 1 January 1997, in accordance with Article 1 of the Act of 13 February 1997 on reforming French rail transport.

1.5. Corporate purpose

Réseau Ferré de France’s corporate purpose, as specified in Article 1 of Act no. 97-135 of 13 February 1997, is to promote French rail transport within a sustainable development framework, by regenerating and enhancing the national rail infrastructure and ensuring its consistency, in accordance with public service principles. It manages the French national rail network.

Given safety requirements and the need for uninterrupted public service, SNCF manages rail traffic and the operation and maintenance of technical and safety equipment on behalf of RFF and in line with RFF’s management principles and objectives. SNCF is paid by RFF for these services

Decree no. 97-444 of 5 May 1997 sets out the methods and procedures to be adopted by Réseau Ferré de France in performing its activities and when acting as prime contractor for investments in the national rail network or which it entrusts to third parties (Article 3).

It also stipulates that:

- Each year, RFF shall submit an investment plan to the French government, with details as to how this plan is to be financed (Article 4);
- RFF shall act as prime contractor or shall delegate such authority to those persons that it shall designate, including, in particular, the SNCF for all operations (Article 6);
- RFF shall define the management principles and objectives relating to the operation and maintenance of technical and safety equipment for the French national rail network. RFF shall also define the principles and objectives for managing the network’s rail traffic, including those duties that are under the responsibility of the SNCF (Articles 7 and 11);
- RFF shall provide SNCF with the necessary facilities and equipment to carry out the above tasks (Article 12);

— Rail companies shall use the French rail network to provide rail transport services (Article 13);
— RFF is responsible for the management of its assets (Article 17).

In addition, under Decree no. 2003-194 of 7 March 2003 as amended by Decrees nos. 2006-1534 of 6 November 2006 in particular and no. 2008-1204 of 20 November 2008, Réseau Ferré de France is responsible for allocating national rail network infrastructure capacity and for ensuring that all train operators that comply with regulatory requirements have equal access to the national rail network.

1.6. Incorporation particulars

PARIS B 412 280 737.

1.7. Legal documents concerning Réseau Ferré de France may be consulted at the Company's head office

1.8. Fiscal year

Réseau Ferré de France's fiscal year begins on 1 January and ends on 31 December.

1.9. Appropriation of income pursuant to the Articles of Association

See section 2 below.

1.10. Board meetings

In accordance with Act no. 83-675 on the liberalisation of the public sector, RFF, as a State-owned company, is managed by a Board of Directors that meets at least four times a year. The Chairman of the Board of Directors is appointed from among its members.

RFF's Board of Directors deliberates on matters relating to the corporate purpose of the Company, pursuant to Articles 31 and 34 of Decree no. 97-444 of 5 May 1997

The composition of the Board complies with the provisions of the aforementioned Act no. 83-675 of 26 July 1983. The Board has eighteen members, seven of whom represent the French State, six of whom represent employees and five distinguished business leaders who are selected based on their competence.

1.11. Statutory auditors

In accordance with Article 3 of Act no. 97-135 of 13 February 1997 on reforming French rail transport, Réseau Ferré de France is subject to the rules applicable to industrial and commercial companies with respect to its financial management and accounting. Réseau Ferré de France keeps its accounts in accordance with the French general chart of accounts (*plan comptable général*).

As a State-owned company formed by the Act of 13 February 1997, Réseau Ferré de France is overseen by the Economic and Financial Oversight Committee for Transport, which reports directly to the Minister of the Economy. RFF's financial statements are examined by the *Cour des Comptes* (French National Audit Office).

It is also subject to examination by the *Inspection Générale des Finances* (audit body of the French Finance Ministry).

The statutory auditors of Réseau Ferré de France are Mazars & Guérard and Pricewaterhousecoopers. They were appointed by order of the Minister of the Economy, Industry and Employment on 4 June 2009 pursuant to the provisions of Article 30 of Act no. 84-148 of 1 March 1984 and its enabling Decree no. 85-295 of 1 March 1985.

The mandate of these two firms is six years and expires in 2015 after the financial statements for the fiscal year ending 2014 are approved by the Board of Directors.

1.12. Person responsible for the information provided

Hubert du MESNIL,
Chairman of Réseau ferré de France.

2.

General information about the share capital

As a State-owned company, Réseau Ferré de France does not have any share capital within the legal meaning of the term. RFF's capital at its date of incorporation amounted to €0.86 billion, corresponding to the difference in value between its assets and liabilities.

From its incorporation until 2002, this amount was supplemented by annual capital injections by the French State.

As at 31 December 2009, the cumulative amount of capital injections amounted to €9.8 billion.

As at 31 December 2009, total equity amounted to €10 billion, including the profit for 2009 and net investment grants.

DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

RFF reported a consolidated net profit for 2009 of **€304 million**, including recurring operating income of **€1,585.5 million** and net finance costs of **€1,128.6 million**, compared to a net profit of **€11,849 million** in 2008.

The 2009 income statement reflects the 2008 reform by the French State of the grants allocated to RFF and applicable as from 2009. The previously allocated grants, i.e. the State contribution to infrastructure costs, the debt reduction grant, and the grant for upgrade and compliance work, are replaced

by a single operating grant. This operating grant, recognised in operating profit, totalled €2,319.1 million for 2009.

Expenditure incurred in rail network infrastructure projects amounted to **€3,319.7 million** for 2009, compared to €2,965.4 million for 2008.

Consolidated equity remained negative, amounting to **€(1,372.9) million** as at 31 December 2009.

Financial performance during the year and comments on key figures

1. Profit for the year

Net profit for the year declined due to the fact that, in 2008, the impairment reversal for the Infrastructure CGU assets was recorded in the amount of €9,207.2 million.

RFF reported a net profit for 2009 of €304 million, compared to a net profit of €11,849 million in 2008.

(in millions of euros)	31 Dec. 2009 (12 months)	31 Dec. 2008 (12 months)	% change
Recurring operating profit (loss)	1,585.5	(397.1)	499.3
Non-recurring income and expenses	(0.2)	9,207.2	(100.0)
Net finance costs	(1,128.6)	(772.0)	(46.2)
Income tax	(152.8)	3,811.0	(104.0)
PROFIT (LOSS) FOR THE YEAR	304.0	11,849.0	(97.4)

Recurring operating income increased by €1,982.6 million compared to 2008 (from a loss of €397.1 million to an income of €1,585.5 million). This increase was attributable to the 2008 reform by the French State of the grants allocated to RFF and applicable as from 2009. The previously allocated grants, i.e. the State contribution to infrastructure costs, the debt reduction grant, and the grant for upgrade and compliance work, are replaced by a single operating grant. This operating grant, recognised in operating profit, totalled €2,319.1 million for 2009. To recap, the State contribution to infrastructure costs, the only State grant recognised in operating profit for the year ended 31 December 2008, totalled €658.2 million.

This new State grant helps to finance the costs of using the national rail network incurred by regional passenger trains (TER) outside the Greater Paris region, standard national passenger trains (CORAIL) and freight trains.

The table below shows the main changes in recurring operating profit.

Net finance costs increased by €356.6 million to €(1,128.6) million, compared to 31 December 2008, due to the cancellation of the debt reduction grant recognised in net finance costs in 2008 for €686.2 million.

1.1. Change in operating profit (loss)

(in millions of euros)	31 Dec. 2009 (12 months)	31 Dec. 2008 (12 months)	Change
Network fees	2,985.5	2,832.3	153.2
Electricity transport	158.2	154.2	4.0
Non-traffic income	79.6	63.9	15.7
Other income	57.3	48.2	9.2
REVENUE	3,280.7	3,098.5	182.2
Operating grants	2,421.6	716.6	1,705.0
Delegated management fees	(2,954.1)	(2,950.4)	(3.7)
Other network expenses	(156.6)	(152.5)	(4.1)
Taxes other than on income	(89.8)	(43.2)	(46.6)
Other operating expenses	(324.0)	(203.8)	(120.2)
Depreciation, amortisation and impairment, net	(989.6)	(844.7)	(144.9)
Net charges to provisions for doubtful receivables, including non-traffic income	5.2	(14.0)	19.2
Investment grants released to profit or loss	295.3	256.2	39.1
Other recurring income	192.9	72.9	120.0
Other recurring expenses	(95.9)	(332.7)	236.8
RECURRING OPERATING PROFIT (LOSS)	1,585.6	(397.1)	1,982.7
Non-recurring income	1.1	10,130.0	(10,128.9)
Non-recurring expenses	(1.3)	(922.8)	921.5
OPERATING PROFIT (LOSS)	1,585.4	8,810.1	(7,224.6)

1.1.1. Network fees

Network fees invoiced for basic railway services totalled €2,855.9 million in 2009 (up 6.7% compared to 2008). This amount includes the fees applicable to the 2009 working timetable (until 12 December 2009 inclusive) and those applicable to the 2010 working timetable (beginning 13 December 2009, i.e. 19 days of 2009).

(in millions of euros)	31 Dec. 2009	31 Dec. 2008	Change in % ⁽¹⁾
Access fees	97.7	100.8	(3)
Route reservation fees	1,627.8	1,631.0	–
Station stop reservation fees	439.1	440.3	–
Traffic fees	480.0	503.7	(5)
Total infrastructure fees under the 2009 scale	2,644.6	2,675.8	(1)
Access charges	72.2	–	–
Reservation charges	75.3	–	–
Traffic charges	63.8	–	–
Total infrastructures fees under the 2010 scale	211.3	–	–
TOTAL BASIC RAILWAY SERVICES	2,855.9	2,675.8	7

(1) NM: Not Material, bearing in mind that the pricing structure differs between 2008 and 2009 (for the last 19 days of December 2009).

The pricing structure for the 2010 working timetable marks a significant change in order to take greater consideration of infrastructure costs and the market situation. It now breaks down into three types of charges: access charges, reservation charges and traffic charges (in replacement of access fees, route reservation fees, station stop reservation fees and traffic fees).

With the pricing reform, access charges (fixed amount for registered passenger services) are paid by the *Syndicat des Transports d'Île-de-France* for Greater Paris regional services and the State, in respect of administrative regions, for other regional services. Reservation and traffic fees now each represent around 50% of route costs.

The table below shows changes in traffic levels during the year:

In millions of route-kilometres	31 Dec. 2009 (12 months)	31 Dec. 2008 (12 months)	% change
High-speed trains	139.8	137.8	1
National/Inter-city express trains	51.3	53.6	(4)
Regional express trains	180.3	178.6	1
Greater Paris regional services	63.7	61.1	4
Freight	97.0	137.7	(30)
Other	13.0	15.3	(15)
Sub-total SNCF	545.1	584.1	(7)
New rail operators	15.5	15.5	—
Total	560.6	599.6	(7)

In 2009, total traffic expressed in route-kilometres decreased by 7% compared to the previous year.

The impacts of the economic crisis on Freight activity were very significant. The business volume of the main carrier, SNCF Freight, declined dramatically by around 30%, primarily due to the poor economic climate which was worsened by the underlying decline of the single wagon activity. The new rail freight companies resisted considerably better to the crisis, maintaining their business volume in route-kilometres.

The market share of new rail companies increased from 7.0% to 12.5% between 2008 and 2009 (market share expressed in train-kilometres).

Despite the economic crisis, high-speed train activity did not decline, as, overall, the transport offering was not revised downward by the operator. On the contrary, standard long-distance passenger train traffic in 2009 continued to decline as in the past several years. However, regional passenger transport pursued its growth trajectory, and was not, at least in the short term, impacted by the adverse changes in the economic climate.

— Additional electricity fees: fees for the availability of overhead lines for network users totalled €89.9 million, down 3.3% compared to 2008.

— Additional electricity transmission fees: RFF purchases the electric power used in its installations under a contract signed on 1 March 2007 with EDF Entreprise, mainly in the form of Joule effect losses. Under the same contract, EDF-Entreprise (via the so-called *Responsable d'équilibre* adjustment system)

provides RFF with the additional power supply it requires. RFF network access contracts with RTE (Cart contract), EDF-ERD (Card contract) and Électricité de Strasbourg provide for the transmission, via the high-voltage and medium-voltage grid upstream of substations, of the energy used by all rail operators. Together these services represented an expense of €156.6 million in 2009, taking account of an annual CSPE public service electricity levy capped at €0.5 million. This expense is rebilled on a monthly basis to users of the national rail network in the form of additional electricity transmission fees, calculated in proportion to traffic volumes. The total amount of fees rebilled in 2009 was €158.2 million.

— Other service fees totalled €39.7 million, down €23.8 million, or 37.5% compared to 2008. The difference between 2009 and 2008 in the amount invoiced for other service fees was attributable to the decline in the number of marshalling yards in operation (from 21 to 10) invoiced to the SNCF and the length of service track in kilometres. A €4.5 million credit note was prepared for the SNCF in 2009 in respect of 2008 regarding the use of marshalling yards.

1.1.2. Property rental income

Property rental income totalled €81.8 million in 2009, compared to €63.9 million in 2008.

The 2009 income includes credit notes in the amount of €0.6 million corresponding to the adjustment of the SNCF Rail Company rent following the quality compliance work on the physical inventory performed in 2009. To recap, the 2008 rent invoiced to the SNCF Rail Company totalled €3.1 million for an occupancy area of 142,000 m². Furthermore,

the 2009 income includes income of €2.2 million arising from the adjustment of income invoiced by SNCF on behalf of RFF in previous years (the work for this adjustment that was conducted following the distribution of assets ended in 2009).

Excluding adjustments in previous years, 2009 income amounted to €80.1 million, compared to €75.7 million in 2008 (corresponding to the year's production after restatement of journal entries of previous years), up 5.8%.

Property rental income is allocated to five major categories: rail (8%), land and property (64%), telecommunications (24%), networks (2%) and sundry authorisations (2%).

The 2009 increase mainly involves "telecommunications" income, which totalled €19.2 million, compared to €16.3 million in 2008, and advertising income (station and non-station), which totalled €24.5 million and represented 48% of "land and property" income.

1.1.3. Other income

1.1.3.1. Private sidings

Since 1 January 2007, RFF has taken over the full management of private sidings income.

In 2009, RFF recognised income of €14.2 million from the management of private sidings. This amount can be compared with the €9.1 million recorded for the year ended 31 December 2008, including the 2008 adjustment of income previously recognised in the amount of €2.55 million.

1.1.3.2. Sales of materials

This income relates to the sale and salvage of old materials by SNCF on behalf of RFF in connection with maintenance and investment work and totalled €32.31 million in 2009, compared to €34.1 million in 2008.

1.1.4. Delegated management fees

1.1.4.1. Rail network infrastructure and platform management fees

Delegated infrastructure management fees are paid within the scope of the 2007-2010 infrastructure management agreement entered into by RFF and SNCF on 25 May 2007 and amendments setting projected annual basic fees. The projected amount for 2009 totalled €2,766 million.

For 2009, delegated infrastructure management fees totalled €2,766 million, including the indexation impact. In addition, various adjustments should be taken into account, primarily the financial impact on the reform of special pension plans for SNCF employees in the amount of €40.5 million,

a performance bonus of €4 million and remuneration relating to other research services as well as additional major maintenance operations in the Greater Paris Region in the amount of €28.15 million. Prior-year adjustments were also recorded in 2009 in the negative amount of €2 million. The amount recognised in 2009 therefore totalled €2,836.6 million, compared to a total of €2,809.8 million in 2008.

The cost of platform management delegated to SNCF amounted to €44.8 million for 2009, compared to €46 million recognised in 2008 (including a prior-year adjustment of €2.5 million).

Malicious damage by identified and unidentified third parties, and the impact of accidents and damage caused by adverse weather conditions totalled €32.7 million for 2009 (including prior-year adjustments in the negative amount of €1.3 million), compared to €25.5 million in 2008.

1.1.4.2. Property management

Previously entrusted entirely to SNCF, property management activities have been split between SNCF and Adyal and Nexity since 2007.

These activities include the management of property assets (rent, expenses, construction and maintenance), assistance with disposals, tax planning, and the management of land use and urban planning procedures.

In addition, new assignments have been awarded to management service providers Adyal and Nexity, including assistance provided to RFF within the scope of its ownership and management of property occupied by SNCF. This new organisational structure allows RFF to control its information system and update inventory data (performed by Adyal-IBM).

Contractual relations with SNCF are now governed by two agreements: a services contract for activities entrusted to SNCF and a financial agreement for the reimbursement of charges relating to property owned by SNCF and occupied for delegated management purposes, which were included from 1999 to 2006 in the Property Management Agreement entered into by RFF and SNCF.

RFF recognised €44.7 million in respect of the services contract in 2009 and €15.3 million in respect of the financial agreement.

Property managed by the service providers Adyal, Nexity and Adyal-IBM are governed by separate agreements. The services provided by Adyal, Nexity and Adyal-IBM amounted to €12.6 million.

1.1.5. Other network expenses: electricity

RFF electricity charges for 2009 were €155.4 million (excluding VAT). These include the CSPE public service electricity levy of €0.5 million, which was capped at this amount in the 2004 Amended Finance Act.

The annual expense is rebilled on a monthly basis to users of the national rail network in the form of additional electricity transmission fees, calculated in proportion to distance travelled and adjusted to take account of train profiles. The amount rebilled monthly is adjusted on a quarterly basis to reflect actual use.

Total fee income of €158.2 million was recognised in 2009.

Since 1 January 2006, RFF has rebilled electric traction management fees to rail network operators (0.25% of additional electricity transmission fees). The CSPE public service electricity levy of €0.5 million was also charged to the various operators.

1.1.6. Taxes other than on income

This account includes taxes managed on behalf of and rebilled by SNCF and other non-income based taxes paid by RFF, in the amount of €43.7 million. It also includes provisions for tax liabilities that are currently the subject of litigation proceedings.

1.1.7. Other operating expenses

(in millions of euros)	31 Dec. 2009	31 Dec. 2008	Change
Study costs net of capitalised production	(59.1)	(44.8)	(14.3)
Railway works and equipment net of capitalised production	(57.5)	(9.6)	(47.9)
Other external expenses net of capitalised production	(129.3)	(82.4)	(46.9)
Personnel costs net of capitalised production	(78.0)	(67.0)	(11.0)
Total	(324.0)	(203.8)	(120.2)

1.1.7.1. Study costs

In 2009, RFF recorded study costs of €59.1 million, which break down into the following operating items:

(in millions of euros)	Operating study costs
Major development projects	27.2
Regional development projects	7.2
Development studies	0.4
Network quality improvement	4.6
Environment	–
Upgrade and compliance	0.4
Maintenance	–
Strategic studies	16.5
Property studies	0.5
Sales studies	0.5
Other	1.8
Total 2009	59.1
Total 2008	44.8

1.1.7.2. Personnel costs

Personnel costs increased 14.1% year-on-year to €78 million in 2009, compared to €67 million in 2008. The headcount increased from 939 as at 31 December 2008 to 1,166 as at 31 December 2009, representing a year-on-year rise of 18.86%.

1.1.7.3. Other external expenses

Other external expenses totalled €129.3 million in 2009, compared to €82.4 million in 2008 and mainly include €3.3 million for work on projects managed by sub-contractors (€9.6 million in 2008), demolition and decontamination costs of €12.6 million (€7.6 million in 2008), as well as temporary occupancy costs for €3.5 million, compared to €2.7 million in 2008.

Other external expenses are presented net of amounts included directly in the production cost of property, plant and equipment.

1.1.8. Depreciation, amortisation and impairment, net

The net charge to **depreciation and amortisation** increased from €844.7 million in 2008 to **€989.6 million** in 2009.

Impairment of projects in progress

Since 2004, RFF has recorded impairment in respect of projects in progress in the pre-project or post pre-project phase, where there is a risk of non-completion of the project.

1.1.11. Other non-recurring income and expenses

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Impairment	(1.3)	–
Depreciation and amortisation	–	(922.8)
Other expenses	–	–
Other non-recurring expenses	(1.3)	(922.8)
Grant reversals	1.1	–
Impairment reversals	–	10,130.0
Other income	–	–
Other non-recurring income	1.1	10,130.0

For the year ended 31 December 2008, non-recurring income included the impairment reversal for the Infrastructure CGU's assets in the net amount of €9,207.2 million, after taking into account a depreciation and amortisation adjustment of €922.8 million.

An impairment charge of €12.6 million was recorded as at 31 December 2009, alongside an impairment reversal of €6.3 million. The provision therefore stands at €30.7 million at the year-end. It concerns 262 projects and covers only the portion of expenditure that is equity-financed.

Impairment of commissioned projects: see section 2.1.3.

1.1.9. Investment grants released to profit or loss

Investment grants are released to profit or loss at the same rate as the depreciation charged on the related assets. Grants released in 2009 totalled €295.3 million, including €103.5 million of grants for upgrade and compliance work.

1.1.10. Other recurring income and expenses

Other recurring income totalled €192.9 million in 2009, compared to €72.9 million for the same period in 2008. Other recurring expenses totalled €96 million in 2009, compared to €332.7 million in 2008.

Other recurring income and expenses mainly include the impact of provision movements following a change in the estimated risk associated with certain disputes and litigation.

The provisions recognised as at 31 December 2009 mainly involve the updates relating to the Paris Left-Bank development project and the Arles flooding litigation.

Other recurring income includes gains on disposal of €120.4 million in 2009, which generated capital gains of €90 million, compared to €30.8 million in 2008.

1.2. Net finance costs

(in millions of euros)	31 Dec. 2009 (12 months)	31 Dec. 2008 (12 months)	Change
Debt reduction grant	–	686.2	(686.2)
Cost of net debt	(1,138.8)	(1,470.7)	331.9
Other financial income	18.3	52.1	(33.8)
Other financial expenses	(8.1)	(39.6)	31.5
Net finance costs	(1,128.6)	(772.0)	(356.6)

Net finance costs amounted to **€(1,128.6) million**, compared to **€(772.0) million** in the same period of 2008, i.e. an increase of **€356.6 million**. This cost increase was due to the absence of the debt reduction grant in 2009 (see review of State grants).

1.2.1. Cost of net debt

The cost of net debt decreased by **€331.9 million** to **€(1,138.8) million**, compared to €(1,470.7) million for the same period in 2008.

This improvement was due to more favourable interest rates. The average cost of the RFF debt was 4.25% in 2009, compared to 5.11% in the previous year.

For comparison purposes, the average 3-month Euribor and 10-year swap rates were 1.22% and 3.55% in 2009, compared to 4.64% and 4.51% in 2008, respectively.

The cost of net debt includes the inherent cost of the debt (€1,156 million), and gains and losses on derivative instruments (€1.7 million), less income from cash and cash equivalents (€17.2 million).

1.2.2. Other financial income and expenses

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Interest income on current accounts	7.4	3.5
Other financial income	10.9	48.6
Other financial income	18.3	52.1
Interest expense on current accounts	(6.9)	(33.9)
Other financial expenses	(1.2)	(5.6)
Other financial expenses	(8.0)	(39.5)

Other financial income and expenses comprise current account interest and late payment interest charged to RFF by suppliers and charged by RFF on late payments by customers.

2. Balance sheet

2.1. Property, plant and equipment

2.1.1. Production and acquisition of rail network assets

Total annual investment in rail network projects rose by €352.4 million (up 10.6%) from €2,967.3 million in 2008 to **€3,319.7 million** in 2009.

— Projects carried out by SNCF on behalf of RFF in 2009 amounted to €2,367 million, compared to €2,047.9 million in 2008 (up 15.6%).

— RFF direct production amounted to €944.5 million in 2009 (including €628.1 million on the Rhine-Rhone high-speed line and €108.2 million for the Haut Bugey rail link), compared to €910.1 million in 2008, representing an increase of 3.77%.

— Direct acquisitions of land and buildings not linked to rail infrastructure projects in progress totalled €1 million.

— Advances for investment land increased by €7.2 million.

Breakdown of capitalised expenditure

(in millions of euros)	31 Dec. 2009	31 Dec. 2008	Change
Major development projects	927.6	892.4	35.2
Major national projects before work	3.9	7.1	
Major national projects in progress	866.5	846.2	
Major PPP Projects	57.2	39.1	
Regional development projects	644.4	711.6	(67.2)
Regional development projects	644.4	711.6	
Network quality improvement	185.8	203.5	(17.7)
Security	42.1	44.2	
Train access	55.3	41.6	
Punctuality	42.3	33.1	
Technological development (ERTMS)	12.3	8.8	
GSM-R	17.7	60.6	
Performance enhancement	16.1	15.2	
Other	–	–	
Environment	0.9	2.5	(1.6)
Environment (acoustics, etc.)	0.9	2.5	
Upgrade and compliance work	1,440.1	1,050.8	389.3
Tracks	1,033.1	724.9	
Signalling and telecoms (excluding GSM-R)	174.6	133.4	
Electric traction	63.9	57.2	
Civil engineering structures and earthworks	152.1	119.6	
Other programmes (GHV, EM.)	16.4	15.7	
Sales investments and studies	12.3	8.3	4.0
Sales investments and studies	12.3	8.3	
Land/property	26.9	18.1	8.8
Land/property	26.9	18.1	
Works for third parties	41.4	61.8	(20.5)
Works for third parties	41.4	61.8	
Unclassifiable operations	17.0	8.8	8.2
Unclassifiable operations	17.0	8.8	
Total	3,296.4	2,957.8	338.5

Infrastructure project capital expenditure amounted to €3,296.4 million as at 31 December 2009.

The portion relating to development projects declined by €32 million (or 2% compared to 31 December 2008) due to: — a €35.2 million increase in major development projects relating to the Rhine-Rhone high-speed line and the impact of the State recovery plan initiated by the French President on 4 December 2008;

— a €67.2 million decline in regional development projects mainly involving the reclassification of combined transactions for the Track programme (UIC line traffic indicators 7 to 9).

The portion relating to upgrade and compliance projects rose by €389.3 million or 37% compared to 31 December 2008. This increase, which forms part of the network renovation plan, was also partially ensured by the recovery plan.

2.1.2. Investment project assets commissioned during the year

Assets commissioned during the year totalled **€1,286 million**, compared to €166.9 million in 2008.

The commissioned assets concern the following programmes:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008	Change
Major development projects	127.4	77.6	49.8
Major national projects in progress	123.3	77.6	
Other	4.1	–	
Regional development projects	238.2	16.1	222.1
Regional development projects	238.2	16.1	
Network quality improvement	81.9	10.4	71.5
Security	48.4	7.6	
Train access	9.9	1.2	
Punctuality	12.3	1.4	
GSM-R	(0.3)	–	
Performance enhancement	11.6	0.2	
Environment	3.2	–	3.2
Environment (acoustics, etc.)	3.2	–	
Upgrade and compliance work	759.4	58.6	700.8
Tracks	563.0	36.9	
Signalling and telecoms (excluding GSM-R)	20.0	8.2	
Electric traction	46.6	3.5	
Civil engineering structures and earthworks	114.6	5.1	
Other upgrade and compliance programmes	15.2	4.9	
Sales investments and studies	5.8	0.6	5.2
Sales investments and studies	5.8	0.6	
Land/property	0.9	0.1	0.8
Land/property	0.9	0.1	
Works for third parties	69.2	3.5	65.7
Works for third parties	69.2	3.5	
Unclassifiable operations	–	–	–
Total assets commissioned	1,286.0	166.9	1,119.1

2.1.3. Impairment testing at the balance sheet date

Property CGU: RFF found no indication of potential impairment of Property CGU assets.

Infrastructure CGU: RFF found no indication of potential impairment of Infrastructure CGU assets.

2.2. Investment grants

Grants included in non-current liabilities totalled **€14,714.7 million** as at 31 December 2009, compared to €13,692.1 million as at 31 December 2008, representing an increase of €1,022.6 million (7%).

2.2.1. Development investment grants

— **Net grants on commissioned assets totalled €6,069.6 million**, compared to €5,903.4 million at the end of 2008.

— Grants on newly commissioned assets totalled €362.5 million in 2009, while grants released to profit or loss in the same period amounted to €196.3 million.

— **Earned investment grants on assets under construction**, calculated on a percentage of completion basis, totalled **€4,381.7 million**, compared to €3,425.3 million at the end of 2008. The earned grant relating to the expenses for the period totalled €1,323.7 million.

2.2.2. Grants for upgrade and compliance work

The 2004 Finance Act had created a "regeneration" grant intended to finance investment in upgrade and compliance work on the national rail network. This grant was replaced in 2009.

The amount of this grant allocated to newly commissioned assets in 2009 was €844.4 million. It will be released to profit or loss over a period of 42 years.

Grants released to profit or loss amounted to €103.5 million in 2009.

2.3. Net debt

Net debt as presented in the following table includes all financial instruments recognised in the balance sheet, in accordance with IFRS.

2.3.1. Net debt

Net debt corresponds to loans and borrowings less cash and cash equivalents and the fair value of asset derivatives, plus the fair value of liability derivatives.

(in millions of euros)	31 Dec. 2009			31 Dec. 2008		
	Current	Non-current	Total	Current	Non-current	Total
Borrowings	3,946.4	25,337.5	29,283.9	5,022.8	24,249.0	29,271.8
Cash and cash equivalents	(2,002.6)	–	(2,002.6)	(1,890.8)	–	(1,890.8)
Net debt before impact of derivatives	1,943.8	25,337.5	27,281.4	3,132.1	24,249.0	27,381.1
Asset derivatives allocated to debt	(47.9)	(250.8)	(298.6)	(66.0)	(275.3)	(341.3)
Liability derivatives allocated to debt	138.0	1,872.8	2,010.8	170.4	1,948.9	2,119.4
Net debt	2,034.0	26,959.5	28,993.5	3,236.5	25,922.6	29,159.1

2.3.2. Breakdown of net debt

(in millions of euros)	31 Dec. 2009			31 Dec. 2008		
	Current	Non-current	Total	Current	Non-current	Total
RFF long-term debt	2,601.3	23,506.1	26,107.3	1,935.5	22,377.3	24,312.8
SNCF long-term debt	90.4	1,831.5	1,921.9	487.8	1,871.7	2,359.4
Short-term debt	1,254.7	–	1,254.7	2,599.6	–	2,599.6
Borrowings	3,946.4	25,337.5	29,283.9	5,022.8	24,249.0	29,271.8

RFF raised €2.99 billion on the international capital markets in 2009 through 18 public and private issues denominated in EUR, USD, HKD, GBP, or CHF.

In particular, RFF increased the liquidity of its benchmark public issues on the pound sterling bond market, and performed new euro and Swiss franc bond issues.

These new issues and increases in existing issues break down as follows:

— two GBP50 million, each, increases in the 5.25% pound sterling bond maturing on 31 January 2035, bringing its total outstanding to GBP475 million;

— a new 4.50% issue maturing on 30 January 2024 in the initial amount of €500 million, plus an increase of €750 million and two subsequent increases of €250 million each, bringing its total outstanding to €1.75 billion;

— three new Swiss franc issues with respective outstandings of CHF300 million at 2.875% maturing on 26 February 2021, CHF200 million at 1.25% maturing on 23 March 2012 and CHF450 million at 3% maturing on 24 April 2019.

Private issues represent a total amortised cost of €481.6 million as at 31 December 2009.

3. Cash Flow Statement

(in millions of euros)	31 Dec. 2009	31 Dec. 2008	Change
Operating cash flow before movements in working capital, cost of net debt and income taxes	2,247.4	457.8	1,789.6
Movements in operating working capital	220.3	20.2	200.1
Net cash from operating activities	2,467.6	478.0	1,989.7
Net cash used in investing activities	(939.1)	(646.7)	(292.3)
<i>Including change in WCR</i>	<i>952.2</i>	<i>141.7</i>	<i>810.5</i>
Net cash from (used) in financing activities	(1,416.8)	765.5	(2,182.3)
<i>Including change in WCR</i>	<i>(28.9)</i>	<i>57.7</i>	<i>(86.6)</i>
Increase in cash and cash equivalents net of bank overdrafts	111.7	596.8	(485.0)

Net cash from operating activities increased substantially due to the rise in the State grant recognised in recurring operating profit and paid in 2009.

The increase in net cash used in investing activities was primarily due to the absence of the grant for upgrade and compliance work, partially offset by the sharp increase in development investment grants.

The decline in net cash from financing activities was mainly attributable to the cancellation of the debt reduction grant in the amount of €686 million and a slight decrease in the redemption amount of net debt. This decline was, however, partially offset by the decrease in interest payments as a result of falling interest rates.

Overall, activities in 2009 generated an increase in cash and cash equivalents of €111.7 million.



Major events of 2009

Impact of the reform of State grants

The income statement for 2009 reflects the 2008 reform by the French State of the grants allocated to RFF and applicable as from 2009. The previously allocated grants, i.e. the State contribution to infrastructure costs, the debt reduction grant, and the grant for upgrade and compliance work, are replaced by a single operating grant.

This operating grant, recognised in operating profit, totalled €2,319.1 million for 2009.

Adoption of new standards

The first-time adoption of the following standards bears mentioning:

- IAS 23 revised on borrowing costs.
- IAS 1 revised on the presentation of financial statements.

IAS 23 has been adopted prospectively for all new projects in phases that can be capitalised since 1 January 2009. The impact on 2009 net profit, and on the amount of assets under construction, totalled €3.8 million.

III.

Change in accounting policy

No changes were made to accounting policies in 2009.

IV.

Subsequent events

Signing of the GSM-R PPP agreement

On 18 February 2010, RFF signed its first public-private partnership agreement with Synérail, comprising Vinci (30%), SFR (30%), AXA Private Equity (30%) and TDF (10%), for a total amount of €1.4 billion. The agreement involves the design, roll-out, financing, operation and maintenance of a national GSM-R technology telecommunications network covering around fourteen thousand kilometres of track.

RFF has undertaken to pay a portion of the investment fees in the amount of €0.97 billion, and operation-maintenance fees in the amount of €0.5 billion. The agreement has a fifteen-year term, including a five-year construction period.

At the same time, the French State, via the *Agence de financement des infrastructures de transport de France* (AFITF), has undertaken to fund the investment in the amount of €0.9 billion as part of a financing agreement.

**CONSOLIDATED
FINANCIAL
STATEMENTS FOR
THE YEAR ENDED
31 DECEMBER 2009**

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Balance sheet

ASSETS

(in millions of euros)	Note	31 Dec. 2009	31 Dec. 2008
Intangible assets	4.1	7.7	3.9
Investment property	4.2	461.9	491.6
Property, plant and equipment	4.3	39,669.7	37,344.8
Non-current financial assets	4.4	15.8	25.5
Derivative financial instruments	4.13	250.8	275.3
Deferred tax assets	4.5	3,809.3	3,890.9
NON-CURRENT ASSETS		44,215.2	42,032.0
Trade receivables	4.6	638.9	741.6
Other receivables	4.7	454.5	831.3
Grants receivable	4.8	1,526.5	1,713.0
Current financial assets	4.4	61.9	52.9
Derivative financial instruments	4.13	47.9	66.0
Cash and cash equivalents	4.9	2,002.6	1,890.8
Assets held for sale	4.10	–	4.0
CURRENT ASSETS		4,732.1	5,299.6
TOTAL ASSETS		48,947.3	47,331.6

EQUITY AND LIABILITIES

(in millions of euros)	Note	31 Dec. 2009	31 Dec. 2008
Capital injections		9,764.6	9,764.6
Reserves and accumulated deficit		(11,137.6)	(11,297.3)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(1,372.9)	(1,532.7)
Minority interests		–	–
TOTAL EQUITY		(1,372.9)	(1,532.7)
Non-current provisions	4.12	466.2	30.9
Grants	4.11.1	14,714.7	13,692.1
Non-current borrowings	4.13	25,337.5	24,249.0
Derivative financial instruments	4.13	1,872.8	1,948.9
Deferred tax liabilities	4.5	–	–
Other non-current liabilities	4.17	49.4	107.2
NON-CURRENT LIABILITIES		42,440.6	40,028.2
Current provisions	4.12	18.3	425.7
Trade payables	4.18	403.3	850.6
Grants	4.11.4	1,427.8	883.4
Other payables	4.19	669.2	355.5
Current borrowings	4.13	3,946.4	5,022.8
Other current financial liabilities	4.20	1,238.6	1,089.5
Derivative financial instruments	4.13	138.0	170.4
Liabilities directly associated with assets held for sale	4.10	38.0	38.0
CURRENT LIABILITIES		7,879.5	8,836.0
TOTAL EQUITY AND LIABILITIES		48,947.3	47,331.6

Consolidated income statement

(in millions of euros)	Note	31 Dec. 2009 (12 months)	31 Dec. 2008 (12 months)
Revenue	5.1	3,280.7	3,098.5
Operating grants	5.2	2,421.6	716.6
Delegated management fees	5.3	(2,954.1)	(2,950.4)
Other network expenses	5.4	(156.6)	(152.5)
Taxes other than on income	5.5	(89.8)	(43.2)
Other operating expenses	5.6	(324.0)	(203.8)
Depreciation, amortisation and impairment, net		(989.6)	(844.7)
Net charge to current asset provisions		5.2	(14.0)
Investments grants released to profit or loss	5.7	295.3	256.2
Other recurring income	5.8	192.9	72.9
Other recurring expenses	5.8	(96.0)	(332.7)
RECURRING OPERATING PROFIT (LOSS)		1,585.6	(397.1)
Non-recurring income	5.9	1.1	10,130.0
Non-recurring expenses	5.9	(1.3)	(922.8)
OPERATING PROFIT (LOSS)		1,585.3	8,810.1
Debt reduction grant		–	686.2
<i>Cost of gross debt</i>	5.10	(1,156.0)	(1,535.2)
<i>Income from cash and cash equivalent</i>	5.10	17.2	64.5
Cost of net debt		(1,138.8)	(1,470.7)
Other financial income	5.11	18.3	52.1
Other financial expenses	5.11	(8.1)	(39.6)
NET FINANCE COSTS		(1,128.6)	(772.0)
Income tax expense		(152.8)	3,811.0
PROFIT FOR THE YEAR		304.0	11,849.0
Minority interests		–	–
PROFIT (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		304.0	11,849.0

Other comprehensive income

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
PROFIT FOR THE YEAR	304.0	11,849.0
Fair value gains and losses on cash flow hedges	(215.3)	(270.1)
Income tax relating to components of other comprehensive income	71.2	79.9
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY	(144.1)	(190.2)
COMPREHENSIVE INCOME	159.9	11,658.8
Attributable to equity holders of the parent	159.9	11,658.8
Attributable to minority interests	–	–

Consolidated cash flow statement

(in millions of euros)	Note	31 Dec. 2009 (12 months)	31 Dec. 2008 (12 months)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		304.0	11,849.0
Net income from assets and liabilities held for sale		–	–
Capital (gains) losses on disposal		(69.8)	(28.3)
Depreciation, amortisation, impairment and charges to provisions, net		1,034.1	(8,155.3)
Investment grants released to profit or loss		(296.4)	(256.2)
Other non-cash income and expenses		(16.0)	75.0
Cost of net debt	5.10	1,138.7	1,470.7
Debt reduction grant		–	(686.2)
Income tax expense (including deferred taxes)		152.8	(3,811.0)
OPERATING CASH FLOW BEFORE MOVEMENTS IN WORKING CAPITAL, COST OF NET DEBT AND INCOME TAXES		2,247.4	457.8
Income taxes paid		–	–
Movements in working capital	4.21.1	220.3	20.2
NET CASH FROM OPERATING ACTIVITIES		2,467.5	478.0
CASH FLOW FROM INVESTING ACTIVITIES			
Cash outflow on acquisitions	4.21.2	(3,136.9)	(3,062.1)
Investment grants	4.21.2	2,075.7	2,392.2
Changes in other non-current financial assets		1.1	(0.3)
Disposals of /reductions in non-current assets		121.1	23.4
NET CASH USED IN INVESTING ACTIVITIES		(939.1)	(646.7)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings		(8,419.8)	(735.0)
New borrowings raised		8,182.3	2,119.8
Net interest paid (after debt reduction grant)		(1,175.6)	(635.5)
Increase in guarantee deposits received		(3.8)	16.3
Changes in other non-current financial assets		–	–
NET CASH FROM FINANCING ACTIVITIES		(1,416.8)	765.5
NET INCREASE IN CASH AND CASH EQUIVALENTS		111.6	596.7
Net cash and cash equivalents at beginning of year		1,890.0	1,291.0
Net cash and cash equivalents at end of year		2,001.6	1,890.0
NET INCREASE IN CASH AND CASH EQUIVALENTS		111.6	596.7

Consolidated statement of changes in equity

(in millions of euros)	Capital injections	Reserves and accumulated deficit	Income and expenses recognised directly to equity	Equity attributable to equity holders of the parent	Minority interests	Total equity
EQUITY AS AT 1 JANUARY 2008	9,764.6	(22,986.5)	30.4	(13,191.5)	–	(13,191.5)
Comprehensive income	–	11,849.0	(190.2)	11,658.8	–	11,658.8
Other changes	–	–	–	–	–	–
EQUITY AS AT 31 DECEMBER 2008	9,764.6	(11,137.5)	(159.9)	(1,532.7)	–	(1,532.7)

(in millions of euros)	Capital injections	Reserves and accumulated deficit	Income and expenses recognised directly to equity	Equity attributable to equity holders of the parent	Minority interests	Total equity
EQUITY AS AT 1 JANUARY 2009	9,764.6	(11,137.5)	(159.9)	(1,532.7)	–	(1,532.7)
Comprehensive income	–	304.0	(144.1)	159.9	–	159.9
Other changes	–	–	–	–	–	–
EQUITY AS AT 31 DECEMBER 2009	9,764.6	(10,833.5)	(304.0)	(1,372.9)	–	(1,372.9)

Notes

to the Consolidated Financial Statements

The consolidated financial statements of the Group were approved by the Board of Directors on 15 April 2010.

Note 1

Presentation of Réseau Ferré de France (RFF)

Réseau Ferré de France is a State-owned industrial and commercial company (*Établissement public à caractère industriel et commercial*, EPIC), created by Act no. 97-135 of 13 February 1997, with retroactive effect from 1 January 1997. Its registered office is located at 92, avenue de France, Paris 13th District.

This Act and the related enabling legislation (Decree nos. 97-444, 97-445 and 97-446) transferred ownership of the French rail infrastructure previously held by SNCF to Réseau ferré de France, which was created as an independent entity. The Decree of 6 December 2006 confirmed the activities of RFF, while specifying the conditions under which they could be delegated to SNCF.

Note 2

Comparability of the financial statements

2.1. Change in accounting policy

There were no changes in accounting policy in 2009.

However, the first-time adoption of IAS 23 as from 2009 (see section 3.1) should be noted.

2.2. Major transactions and events

Impact of the reform of State grants

The 2009 income statement reflects the 2008 reform by the French State of the grants allocated to RFF and applicable as from 2009. The previously allocated grants, i.e. the State contribution to infrastructure costs, the debt reduction grant, and the grant for upgrade and compliance work, are replaced by a single operating grant.

This operating grant totalled €2,325.8 million for 2009. The following grants were recognised in 2008:

— **State contribution to infrastructure costs:** €658.2 million, in recurring operating profit;

— **Debt reduction grant:** €686.2 million in net finance costs;
— **Grant for upgrade and compliance work:** €805.2 million in non-current liabilities

2.3. Other items of comparability

The comparability of the financial statements for the year ended 31 December 2009 with those for the year ended 31 December 2008 should be assessed with regard to the following items:

— the impact of the reform of grants reflected for the first time in the 2009 consolidated income statement (see Note 2.2 above);

— the impact in the financial statements for the year ended 31 December 2008 of the reversal of impairment of infrastructure assets (+€9,207 million impact on non-recurring income);

— completed as at 31 December 2008 by the recognition of a deferred tax asset receivable in the amount of €3,890.9 million (of which €3,811.0 million offset against net profit and €79.9 million offset against reserves).

Note 3

Summary of significant accounting policies and measurement methods

3.1. Basis of preparation of the financial statements

Pursuant to European Regulation 1606/2002 of 19 July 2002, the consolidated financial statements of RFF Group have been prepared in accordance with IFRS.

At the 2009 year-end, the financial statements were prepared in accordance with standards adopted by the European Union and of mandatory application, as known at this date and available on the website <http://ec.europa.eu/internal-market/accounting/ias-fr.htm> #adopted-commission.

RFF is not concerned by any IFRS standard, amendment or interpretation issued at the balance sheet date but not yet applicable, for which the Group could have elected for early adoption.

However, it bears mentioning the first-time adoption of the following standards:

- IAS 23 revised on borrowing costs.
- IAS 1 revised on the presentation of financial statements.

IAS 23 was applied prospectively to all new projects that entered the capitalisation phase as from 1 January 2009. The impact on 2009 net profit, and at the same time on assets under construction, was an income of €3.8 million for an average rate of 3.99%.

IFRIC 12 is not applicable to the Group in 2009 as it has not entered into any concession arrangements signed prior to 31 December 2009. It will be applicable in 2010 to the first public-private partnership agreement concerning the GSM-R project entered into at the start of 2010.

Under the 2010 Finance Act, voted on 30 December 2009, French tax entities are no longer liable to pay local business tax as from 2010. This tax was replaced by the Territorial Economic Contribution (C.E.T) comprising two new contributions:

- the *Cotisation Foncière des Entreprises* (CFE), assessed on the rental value of buildings subject to the current Local Business Tax;
- the *Cotisation sur la Valeur Ajoutée des Entreprises* (CVAE), computed on the basis of the added value generated by the parent company.

The Group recognises local business tax in operating expenses.

The Group has concluded at this stage that the aforementioned tax change mainly consists of a change to the method of calculating local French tax, without changing the overall nature of the tax. The Group therefore considers that there is no reason to adopt a different accounting treatment for the CVAE and CFE than for the local business tax. These two new contributions will therefore be classified in operating expenses, without any change to the accounting treatment adopted for local business tax.

3.2. Use of estimates

The preparation of financial statements in accordance with IFRS requires certain significant accounting estimates to be made. RFF management also exercises judgement in applying the Group's accounting policies.

Changes in the business or financial environment, or adjustments to any of these assumptions, could lead to the amounts recognised in future financial statements being different from current estimates. The financial statements presented have been prepared based on best possible estimates and information available at the date the financial statements were authorised for issue.

The resulting accounting estimates impact the following headings in particular:

— **Provision for decontamination:** the amount of the provision corresponds to an estimate of the Group's risk in respect of assets identified as requiring decontamination, based on information available at the year-end, pending a comprehensive inventory of the buildings and equipment requiring decontamination.

— **Fair value of derivatives and other financial instruments:** the fair value of all financial assets and liabilities has been determined at the year-end, either for the purposes of accounting recognition or in order to provide disclosures in the notes to the financial statements (see Note 4.16).

Fair value is determined:

- based on quoted prices in an active market; or,
- based on internal valuation techniques using standard mathematical calculation methods that take account of observable market data (forward rates/prices, interest-rate curves, etc.); or

— if no observable market data is available, based on internal valuation techniques using parameters estimated by the Group.

Prices quoted on an active market

Where prices quoted on an active market are available, they are used in preference to other methods for the determination of market value. Marketable securities and certain quoted bonds are valued in this manner.

Fair values determined using models that take account of observable market data

Most derivative financial instruments (swaps, caps, floors, etc.) are traded on over-the-counter (OTC) markets on which quoted prices are not available. Accordingly, they are valued based on models commonly used by market participants to measure such financial instruments.

Valuations of derivative instruments calculated in-house are tested, every six months, for consistency with the valuations provided by our counterparties.

The fair value of quoted bonds/debt is calculated by discounting the contractual cash flows at market interest rates. For receivables and payables due in less than one year and certain floating-rate debt and receivables, the carrying amount is considered to represent a reasonable approximation of fair value on account of the short settlement periods used by the Group.

— **Recoverable amount of property**, plant and equipment: the value in use of infrastructure assets is calculated by discounting future cash flows, which requires the use of estimates and long-term assumptions.

— **Earned grants**: proceeds relating to earned grants are calculated in accordance with the percentage completion of the work, which is estimated based on expenditure incurred and the forecast cost of projects.

— **Investment property**: these assets are identified in conjunction with experts in RFF's property management department.

3.3. Consolidation scope and methods

RFF presents consolidated financial statements with a scope of consolidation that includes only the parent company.

3.4. Segment reporting

As RFF only has a single business segment, located solely in France, no segment reporting is provided.

3.5. Translation of foreign currency denominated transactions

The consolidated financial statements are presented in euros, RFF's presentation currency. Foreign currency denominated transactions are translated into the functional currency

at the exchange rate prevailing at the transaction date, with the impact on profit or loss recognised on settlement of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Foreign currency gains and losses arising on translation are recognised through profit or loss.

3.6. Related parties

All entities over which the French State exercises control or significant influence and their management are considered related parties for the purposes of the consolidated financial statements.

3.7. Structure of the balance sheet, income statement and cash flow statement

Structure of the balance sheet

Assets and liabilities generated in the normal operating cycle, together with those maturing less than one year after the balance sheet date, are classified as current. Cash and cash equivalents and bank overdrafts are also classified as current.

Any assets and liabilities that do not meet the criteria set out above are classified as non-current.

Non-current assets and liabilities held for sale are presented on a separate line in balance sheet assets and liabilities.

Structure of the income statement

The Income Statement is presented by type of income and expense and is structured around the following indicators:

Recurring operating profit (loss)

This account includes income and expenses directly relating to the Group's activities. The "Operating grants" and "Other operating expenses" accounts are presented separately in order to highlight both the contribution of the French State and local authorities to results and the Group's operating expenses (personnel costs, studies and other operating expenses).

Operating profit (loss)

This account corresponds to recurring operating profit (loss) stated after items of income and expense that are material and non-recurring, and which do not therefore arise in the context of the entity's usual business activities.

Net finance costs

Net finance costs correspond to the cost of net debt adjusted for "Other financial income and expenses" and the debt reduction grant provided by the French State.

The cost of net debt comprises all income and expenses items arising during the period in respect of components of net debt,

including income and expenses relating to interest rate and foreign currency hedges:

- interest expense on financing transactions;
- income/expense on interest-rate and foreign currency hedges on debt.

Structure of the cash flow statement

The cash flow statement is structured around operating cash flow before movements in working capital, cost of net debt and income taxes.

The purpose of this statement is to analyse the change in balance sheet cash and cash equivalents from one year to the next. For this purpose, the entity's activities are broken down into three main components: operating activities, investing activities and financing activities.

Operating activities correspond to the business of operating the infrastructure assets.

Investing activities include flows relating to investments made and investment grants received in the period.

Financing activities include flows arising on financial operations (short-, medium- and long-term) and cash flows relating to the cost of net debt.

Cash and cash equivalents in the cash flow statement include cash and cash equivalents as stated in the balance sheet less bank overdrafts.

3.8. Intangible assets

Intangible assets include purchased software and software developed in-house.

Purchased software is recognised at purchase cost, equal to the purchase price plus any ancillary costs necessary to bring the software into operational use. These costs are amortised on a straight-line basis over the estimated useful life of the software, i.e. twelve months.

Software developed in-house is capitalised in assets at production cost where it meets the corresponding IFRS criteria, and amortised on a straight-line basis over its estimated useful life, i.e., three years.

Subsequent expenditure is capitalised if it increases the future economic benefits of the specific asset to which it relates and if this cost can be reliably allocated to the asset. Costs associated with software development before the detailed design stage, and costs associated with maintaining software in operational condition, are expensed as incurred.

3.9. Investment property

Investment property corresponds to property assets held by the Group with a view to earning rentals and/or for capital appreciation.

Items of investment property are recognised at cost and depreciated on a straight-line basis over their respective useful lives.

On first-time adoption of IFRS, the balance sheet valuation of investment property was determined using the most appropriate estimate based on the overall value of the land and buildings.

This amount has subsequently been subject to depreciation and is reduced by the value of disposals.

3.10. Property, plant and equipment

Property, plant and equipment mainly comprise the infrastructure of the national rail network and is measured at purchase or production cost.

Investments made through acquisitions are relatively immaterial.

On the creation of RFF on 1 January 1997, property, plant and equipment transferred by SNCF was recognised for an amount of €22.5 billion.

3.10.1. Production cost

The production cost of projects is capitalised in balance sheet assets from the "pre-project" phase. The cost of preliminary studies is expensed in the period incurred.

The production cost of projects carried out under contracts granted by RFF includes amounts invoiced by the companies performing the work plus project management and prime contractor costs.

For projects carried out directly by RFF, production cost includes the cost of studies, construction work, purchase costs and compensation paid for land acquisitions and direct operating expenses.

3.10.2. Depreciation of property, plant and equipment

RFF 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.

RFF has defined useful lives for each component in its list. Depreciation is calculated on a straight-line basis. Asset useful lives are defined based on recommendations of technical

experts in the relevant field and are summarised in the following tables:

Asset type	Useful life
Land	not depreciated
Improvements to land	30 years
Buildings	15 to 50 years
Improvements to buildings	10 years
Earthworks	10 years
Tracks	20 to 100 years
Electricity supply equipment	10 to 75 years
Signalling equipment	15 to 50 years
Telecommunications	5 to 30 years
Level crossings	15 years
Civil engineering structures	30 to 70 years

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

Asset type	Useful life
Fixtures and fittings	10 years
Furniture and office equipment	5 to 7 years
IT and telecommunications	3 to 5 years
Vehicles	5 years

3.11. Impairment of non-financial assets

Assets are grouped into cash-generating units (CGUs). A CGU is defined as the smallest identifiable group of assets whose use generates independent cash inflows. RFF has identified two CGUs: "Infrastructure" and "Property".

3.11.1. Impairment of infrastructure in operational use ("Infrastructure" CGU)

At each balance sheet date, RFF assesses whether there is any indication of loss or gain in value. If necessary, an impairment test is performed.

Indications of impairment loss (or reversal)

RFF has adopted the following indicators of impairment:

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

Changes in these indicators are compared with changes in:

- RFF's borrowing rate and; by implication; its discount rate;
- the amount of future maintenance expenditure;
- the amount of future toll fees;

- the amount of future State contributions to infrastructure costs and other operating grants;
- the remaining average useful lives of the assets.

Impairment tests involve comparing the net carrying amount of assets, net of grants on commissioned assets not yet released to profit or loss, to the present value of future cash flows to be generated by these assets.

The recoverable amount of the assets of the Infrastructure CGU corresponds to their value in use (no net selling price exists for these assets), calculated based on the present value of the estimated future cash flows expected from the continued use of these assets and their disposal at the end of their useful lives.

Cash flows are based on figures presented in the performance contract for the period 2008-2012.

The discount rate used is based on the cost of the Group's long-term debt. A risk premium of 1.5% is added to this rate. Construction risks are excluded.

If the net carrying amount of the Infrastructure CGU is greater than the present value, an impairment loss is recognised. This impairment loss is allocated to each of the assets in the CGU in proportion to their net carrying amounts.

If the net carrying amount of the CGU is less than the present value of future cash flows and an impairment loss was previously recognised, this impairment loss is reversed to increase the net carrying amount of the CGU to the lesser of:

- the recoverable amount, or
- the net carrying amount that would have been recorded (net of depreciation) if no impairment loss had been recognised in prior periods.

3.11.2. Impairment of assets under construction

RFF performs annual impairment tests on assets under construction. These involve comparing their net carrying amount to their recoverable amount, corresponding to their value in use. The aim is to identify the risk of non-completion of the project, which would result in costs being capitalised in circumstances where no asset will ultimately be created.

When investment on a project is stopped, the expenditure recorded is written down to its recoverable amount.

If an exceptional event calls the completion of a project into question, capitalised costs are impaired in full.

Impairment losses are calculated net of earned grants relating to the projects in question.

3.11.3. Impairment of investment property (“Property” CGU)

The recoverable value of the assets in the Property CGU is equal to the higher of their fair value net of costs to sell and their value in use.

The assets in this CGU consist of land and buildings. The land (including goods yards) is owned by RFF but not used in rail activities. The fair value of land, net of costs to sell, is estimated based on:

- the geographical location of the land,
- a market value per square metre, which takes account of the land’s probable use after sale.

At each balance sheet date, RFF assesses whether there is any indication of loss or gain in value. Where such indication exists, an impairment test is performed and a provision recognised where appropriate.

The future depreciation schedule of each asset is adjusted to reflect the impairment loss allocated to it.

If the test produces a net carrying amount for the CGU which is less than the recoverable amount, and an impairment has previously been recognised on this CGU, this impairment is reversed to increase the net carrying amount in line with the recoverable amount.

3.12. Measurement and recognition of financial assets

Pursuant to IAS 39, the Group’s financial assets are classified in one of the following categories: financial assets at fair value through profit or loss; loans and receivables; available-for-sale financial assets; and financial assets held to maturity. This classification depends on the reasons underlying the acquisition of the assets.

On initial recognition, financial assets are measured at fair value plus directly attributable transaction costs. For assets measured at fair value through profit or loss, any transaction costs are expensed directly in profit or loss.

Financial assets are recognised at the transaction date.

Financial assets at fair value through profit or loss

This category includes:

a) Monetary mutual funds, negotiable debt instruments and other short-term cash investments for which the fair value option has been retained. Use of this option is justified by the fact that these instruments are managed at fair value and the profit or loss resulting from this management is specifically reported to general management.

b) Derivatives not designated as hedging instruments (trading derivatives). These derivatives are acquired to hedge foreign currency and interest rate risks but do not satisfy the effectiveness criteria set out in IAS 39 (see Note 3.13.4).

These financial assets are measured at fair value and changes in fair value are recognised through profit or loss.

Loans and receivables

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. In RFF, they comprise operating receivables and guarantee deposits paid.

Short-term receivables are recognised at fair value, which corresponds to the present value of estimated future cash flows. This value equals their nominal amount if the impact of discounting is not considered to be material. Long-term receivables are recognised in the balance sheet at fair value and are subsequently measured in accordance with the effective interest method. Where the impact of discounting remains immaterial, these receivables are accounted for in the same manner as short-term receivables, with the possible recognition of a provision for doubtful receivables where the net carrying amount exceeds the estimated recoverable amount. Such a provision may be reversed if objective indications of improvement are identified. Note 3.15 provides additional information on the calculation of the provision for doubtful receivables.

These receivables are recognised in the balance sheet in the “Trade receivables” and “Other receivables” headings.

Available-for-sale financial assets

These assets include non-consolidated investments. They are measured at fair value, with unrealised gains and losses recognised in equity until the assets are sold.

However, if there is objective indication of impairment of available-for-sale financial assets, the cumulative loss is recognised through profit or loss. Any impairment of equity instruments cannot be reversed.

If the fair value of investments not quoted on a market cannot be estimated reliably, they remain stated at acquisition cost less any provisions for impairment. Impairment losses on investments measured at cost are recognised through profit or loss and are irreversible.

These investments are recognised in “Non-current financial assets” in the balance sheet.

Financial assets held to maturity

These assets consist solely of securities with fixed or determinable payments and fixed maturity, other than loans and receivables, which are acquired with the intention of being held to maturity and which RFF has the ability to hold until this date. After their initial recognition at fair value, they are measured and recognised at amortised cost in accordance with the effective interest method.

RFF has not classified any financial asset in this category as at 31 December 2009.

3.13. Asset and liability derivative financial instruments

3.13.1. Application scope

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

3.13.2. Recognition and measurement

Derivative instruments are recognised in the balance sheet at fair value. Changes in fair value are recognised through profit or loss, with the exception of derivatives designated as cash flow hedges.

Fair value is determined on the basis of market data from external sources or on the basis of models developed in-house that are recognised by market participants.

The method of recognising changes in fair value calculated at the balance sheet date depends on whether a derivative is designated as a hedging instrument.

Derivative financial instruments designated as hedges are split between current and non-current items in assets and liabilities based on their maturity dates. Derivative financial instruments not designated as hedges are presented in current financial assets or current financial liabilities.

3.13.3. Derivatives designated as hedges

The Group applies hedge accounting where the hedge is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item. The hedging relationship is clearly defined and documented at the inception of the hedge and its high degree of effectiveness is demonstrated by tests carried out at each balance sheet date throughout the period of the hedging relationship. From the inception of the hedge, and throughout the period of the hedging relationship, documentation

is updated at each balance sheet date, thereby ensuring that the hedge remains highly effective.

Derivative financial instruments designated as hedges are split between current and non-current items in assets and liabilities based on their maturity dates.

The Group uses two types of hedges: fair value hedges and cash flow hedges.

Fair value hedges

The purpose of fair value hedges is to hedge exposure to the risk of changes in the fair value of an asset, liability or firm commitment that would impact profit or loss.

Changes in the fair value of the hedged item are recognised through profit or loss and offset by matching changes in the fair value of the derivative instrument. Any net impact on profit or loss reflects the ineffective portion of the hedge.

Cash flow hedges

The purpose of cash flow hedges is to hedge exposure to changes in cash flows attributable to assets, liabilities or highly probable forecast transactions that could impact profit or loss. The purpose of the derivative is to stabilise the interest rate or the exchange rate which was initially likely to vary.

The portion of the gain or loss on the derivative that is considered to be effective is recognised in equity and then released to profit or loss when the hedged item impacts profit or loss. The ineffective portion of the hedge, which corresponds to the excess of changes in the fair value of the hedging instrument over changes in the fair value of the hedged item, is recognised immediately through profit or loss.

The hedging relationship is immediately terminated when:

- hedge accounting qualification criteria are no longer met;
- the derivative instrument is sold or expires;
- the Group decides to revoke the designation as a hedge through a management decision;
- for cash flow hedges, the forecast future transaction ceases to be probable.

3.13.4. Derivatives not designated as hedges

The Group mainly uses derivative instruments to protect against the risks to which it is exposed, in accordance with the risk management policy authorised by the RFF Board of Directors.

Derivatives not designated as hedges partly include instruments that are hedges from a management perspective but are not designated as such by management in order

to simplify their accounting treatment. This is the case for forward currency contracts hedging short-term debt. Similarly, certain embedded derivatives cannot be designated as hedging instruments. However, for the most part, they act as economic hedges. Lastly, certain transactions that were designated as hedges at the outset no longer meet the criteria for hedge accounting when they arrive at a point close to the maturity date, leading to disqualification from hedge accounting.

These derivative instruments are measured at fair value and are presented in other financial assets or liabilities, with changes in fair value recognised immediately through profit or loss.

3.13.5. Embedded derivatives

An embedded derivative is a component of a contract which meets the definition of a derivative and whose economic characteristics are not closely related to those of the host contract. An embedded derivative must be separated from the host contract and accounted for in accordance with the rules applicable to derivatives if, and only if, the following three conditions are satisfied:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- the embedded derivative meets the definition of a derivative under IAS 39, and
- the hybrid contract is not measured at fair value through profit or loss.

Several embedded derivatives have been identified in RFF's borrowings. These embedded derivatives were separated from the host debt contracts and have been measured in the balance sheet at fair value, with changes in fair value recognised through profit or loss.

A non-optional embedded derivative (such as a forward over-the-counter contract or an embedded swap) is separated from its host contract based on its key conditions, whether expressly stated or implicit, so as to have a nil fair value on initial recognition. An embedded derivative founded on an option is separated from its host contract based on the reported conditions of the option component. The initial carrying amount of the host instrument (debt at amortised cost) is the residual amount after separation of the embedded derivative.

3.14. Deferred taxes

Temporary differences between the tax base of assets and liabilities and their carrying amount in the consolidated financial statements lead to the recognition of deferred taxes in accordance with the balance sheet liability method. No deferred taxes are recognised on the initial recognition of assets or liabilities relating to transactions which did not impact either accounting or taxable profit or loss at the time of the transaction.

Only the existence of probable future taxable profits against which the temporary differences and tax losses carried forward can be offset leads to the recognition of deferred tax assets. The impact of a change in tax rates is recognised in profit or loss for the year or in equity, depending on the item affected by the change in tax rate.

Deferred taxes are classified in non-current assets and liabilities.

3.15. Trade receivables and related accounts – Other receivables

On initial recognition, receivables are measured at fair value corresponding to their nominal value, with the exception of long-term receivables in respect of which the effects of discounting are material. Receivables are subsequently measured in accordance with the effective interest method. A provision for doubtful receivables is recognised when the fair value of the receivable at the year-end is lower than the carrying amount.

Provisions for doubtful receivables are recognised based on the risk of non-recovery, determined using both individual and statistical analyses.

“Other receivables” mainly include tax and employee-related receivables, receivables on the sale of property, plant and equipment and SNCF current accounts.

3.16. Cash and cash equivalents

Cash includes amounts held in cash and demand deposits with banks.

Cash equivalents include very short-term, highly liquid investments that are easily convertible into a known amount of cash and that are subject to a negligible risk of change in value, such as monetary mutual funds and certificates of deposit with maturities of less than three months at the date of acquisition. These securities are recognised at fair value with changes in fair value recognised in net finance costs (see Note 3.12).

3.17. Capital injections

As a State-owned industrial and commercial company, RFF has neither share capital, in the legal meaning of the term, nor shares and does not pay dividends.

RFF equity for accounting purposes at the date of incorporation amounted to €0.86 billion, and corresponded to the difference in value between its assets and liabilities. The French State subsequently increased this initial capital through additional capital injections up to the start of 2003. As at 31 December 2009, the cumulative amount of capital injections totalled €9.8 billion.

3.18. Reserves and accumulated deficit

This heading comprises the accumulated deficit, convertible reserves, translation adjustment reserves and the profit for the year.

A reserve account records changes in the fair value of available-for-sale financial assets and cash flow hedging instruments (effective portion of outstanding cash flow hedges only), recognised since inception.

3.19. Provisions

The Group recognises a provision when the following three conditions are satisfied:

- the Group has a legal or constructive obligation which results from past events;
- an outflow of resources embodying economic benefits will probably be necessary to extinguish the obligation without receipt of consideration that is at least equivalent in amount;
- the amount of the provision can be estimated reliably.

3.19.1. Provision for decontamination and environmental risks

The Company has set-up asbestos-removal programmes covering its assets and a clean-up programme involving the decontamination or elimination of railway equipment containing PCB. The amount provided is the best estimate of the expenditure expected to be necessary to extinguish the obligation. Such amounts are discounted where the impact of discounting is material.

3.19.2. Other provisions

All risks identified are regularly reviewed. Provisions used are released through profit or loss to offset the corresponding expenses.

3.20. Employee benefits

RFF has set up defined contribution and defined benefit retirement plans.

Under the defined contribution plan, RFF pays fixed contributions to an independent body. Once these contributions are paid, it no longer has any further obligation to make additional payments. The contributions are recognised in personnel costs when they fall due.

The defined benefit plan merely covers the entitlement of RFF employees to mandatory lump-sum payments on retirement due under statutory or industry-wide schemes.

Lump-sum payments on retirement

The liability recognised in the balance sheet in respect of lump-sum payments on retirement is equal to the present value of the Group's obligation to its employees at the valuation date. This obligation is calculated in accordance with the projected unit credit method and is based on assumptions relating to increases in salaries, mortality, retirement age and employee turnover.

The discount rate for future payments is determined by reference to the Bloomberg 20-year swap rate. Actuarial gains and losses generated by experience adjustments or by changes in actuarial assumptions are recognised in full in profit or loss for the year.

3.21. Grants

RFF receives two main types of grants: grants received under financing agreements for investment projects entered into with third parties (French State, local authorities, regions, etc.) and grants allocated in the French Finance Acts and notified by the French State.

a) Grants received under financing agreements for investment projects entered into with third parties

These grants follow the same accounting treatment as the corresponding expenditure:

- they are recognised in profit or loss in a specific account under "Operating grants", when they relate to operating expenses (general studies, preliminary studies),
- they are recognised in 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 the commissioned property, plant and equipment. Where grants relate to non-depreciable land, RFF uses the average useful lives of the assets associated with the land.

The manner in which these grants are received differs depending on the investment project and the identity of the payer. They are paid in accordance with a payment schedule set out in the financing agreement or based on the actual stage of completion of the work. At each balance sheet date, and for each project, grant claims are reconciled with the amount of expenditure recognised. Adjustments are then made and recorded either in assets under "Grants receivable" or in the "Grants" headings in current liabilities for grants claimed in advance.

b) Government grant allocated in the French Finance Acts and notified

This grant is of an overall lump-sum nature and is intended to contribute to the financial balance of the Company. It is recognised in operating grants.

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 that was voted in the French Finance Act (*Loi de Finances*) at the end of the previous year and notified to the Company by the authorities. It is recognised in the income statement on a straight-line basis.

3.22. Measurement and recognition of financial liabilities

With the exception of liability derivative instruments and liabilities measured at fair value through profit or loss, financial liabilities are initially recognised at fair value and are subsequently recognised at amortised cost using the effective interest method.

Borrowings

Bonds issued by RFF are initially recognised at fair value, that is, the amount of funds received net of transaction costs and issue premiums. They are subsequently recognised at amortised cost using the effective interest method with separate recognition of embedded derivatives if necessary.

For debt denominated in foreign currencies, the effective interest method is applied to the foreign currency cash flows. At each balance sheet date, the amortised cost is translated into euros using the closing rate.

Bonds are classified in non-current borrowings and, for the portion maturing in less than one year, in current financial liabilities. Bank facilities are classified in current financial liabilities.

Where the financial liability issued includes an embedded derivative requiring separate recognition, amortised cost is only calculated for the debt component. Amortised cost at the date of issue corresponds to the proceeds of the bond issue less the fair value of the embedded derivative (see Note 3.13.5).

Greater Paris Region loans

The Group receives loans at preferential interest rates from the Greater Paris Region. These loans are recognised at their fair value on inception (present value of contractual cash flows discounted at RFF's normal market financing rate).

The difference between this amount and the cash received is accounted for as a grant. The loan at market rate is subsequently accounted for using the amortised cost method and the grant is released to profit or loss on a straight-line basis over the average depreciable lives of the assets financed (approximately 30 years).

Other non-current liabilities

Other non-current liabilities mainly include guarantee deposits received from customers in the context of occupancy agreements.

Other current financial liabilities

These liabilities include the portion of long-term debt that is due in less than one year as well as short-term debt issues.

3.23. Trade payables and related accounts – Other payables

Trade payables and related accounts

This heading includes all payables arising on commercial activities. These liabilities are recognised at fair value. Payables bearing off-market interest rates are discounted where the effect of discounting is material.

Other payables

Other payables include tax and employee-related liabilities, advances received on disposals of property, plant and equipment, current year expenses that will not be settled until after the year-end and deferred income. These liabilities are recognised at fair value.

3.24. Non-current assets and liabilities held for sale

Pursuant to Article 63 of the 2006 Finance Act, property assets owned by RFF but not required for the fulfilment of its public rail service remit (as defined in Article 1 of the Act of 13 February 1997) may be declassified and the freehold interest in these assets transferred to a State-owned company with a remit to optimise their value. These transfers are made for consideration equal to the net carrying amount of the assets transferred at the balance sheet date preceding the transfer.

Assets in respect of which a decision to sell has been taken by the Board of Directors are classified within assets held for sale and are subject to a specific accounting treatment in accordance with IFRS 5. Liabilities relating to these assets are presented separately in the balance sheet under "Liabilities directly associated with assets held for sale".

Depreciation of these assets ceases as from the date of their classification in this category.

3.25. Leases

Finance leases

Assets purchased under finance leases are recognised in property, plant and equipment where the contract transfers substantially all the risks and rewards inherent to ownership of the leased assets to the lessee, irrespective of whether title is ultimately transferred or not. These assets are depreciated over the shorter of their useful lives and the lease term.

A corresponding debt is recognised in liabilities. Lease payments made under these contracts are allocated between interest expense and repayment of the debt.

At present, the main finance leases relate to photocopiers and company vehicles.

Operating leases

Leases under which the lessor retains the majority of the risks and rewards inherent to ownership are classified as operating leases. Lease payments are recognised in profit or loss.

3.26. Revenue

Revenue mainly comprises services rendered in the context of railway activities. It is recognised at the date at which these services are rendered. Infrastructure fees are broken down into access rights, route reservation fees, station stop reservation fees and traffic fees. In addition to these basic railway services, additional electricity fees are charged together with other service fees relating to intermodal transport depots, the use of marshalling yards and siding occupancy as well as the use of the "Futuroscope" station tracks.

In addition to these services, the Company also sells materials, mainly involving the sale and salvage of old goods and equipment.

Revenue also includes non-traffic income comprised of occupancy fees earned on the assets in the Property CGU.

Note 4

Notes to the balance sheet

4.1. Intangible assets

The net carrying amount of intangible assets as at 31 December 2009 breaks down as follows:

(in millions of euros)	Operating software	In-house software	Total
As at 31 December 2008			
Cost	24.7	27.2	51.9
Accumulated depreciation	(21.2)	(26.8)	(48.0)
Accumulated impairment	–	–	–
CARRYING AMOUNT	3.5	0.4	3.9

Year ended 31 December 2009			
Carrying amount at beginning of year	3.5	0.4	3.9
Acquisitions	7.2	0.1	7.3
In-house production	–	–	–
Disposals	–	–	–
Translation differences	–	–	–
Reclassifications	(2.7)	2.8	0.1
Amortisation	(2.9)	(0.7)	(3.6)
Reversal of depreciation	–	–	–
Reversal of disposals	–	–	–
Reversal of depreciation	–	–	–
Impact of revaluations	–	–	–
Movements	–	–	–
Change in accounting policy	–	–	–
Restructuring	–	–	–
Entrants to the scope of consolidation	–	–	–
Change of method (previous method)	–	–	–
Change of method (new method)	–	–	–
Change consolidation % interest	–	–	–
Increase in interest rates	–	–	–
Exits from the scope of consolidation	–	–	–
Other movements	–	–	–
CARRYING AMOUNT AT END OF YEAR	5.1	2.6	7.7

As at 31 December 2009			
Cost	29.3	30.1	59.3
Accumulated depreciation	(24.1)	(27.5)	(51.6)
Accumulated impairment	–	–	–
CARRYING AMOUNT	5.1	2.6	7.7

4.2. Investment property

Rental income from investment property totalled €79.6 million in 2009 compared with €63.9 million in 2008. Property management direct operating expenses totalled €72.7 million in 2009 compared with €69 million in 2008, including costs relating to the management of disposals.

Due to the valuation method used for investment property (see Note 3.9), it is not possible to allocate a market value to each of these assets as recommended in paragraph 79.e of IAS 40.

(in millions of euros)	Investment property
As at 1 January 2008	
Cost	533.5
Accumulated depreciation	(10.7)
Accumulated impairment	–
CARRYING AMOUNT	522.8
Year ended 31 December 2008	
Carrying amount at beginning of year	522.8
Disposals	(32.7)
Acquisitions	3.8
Reclassifications and transfers to assets held for sale	–
Depreciation	(2.4)
Reversal of depreciation	–
Reversal of disposals	–
Other movements	–
CARRYING AMOUNT AT END OF YEAR	491.6
As at 31 December 2008	
Cost	504.7
Accumulated depreciation	(13.1)
Accumulated impairment	–
CARRYING AMOUNT	491.6
Year ended 31 December 2009	
Carrying amount at beginning of year	491.6
Disposals	(28.3)
Acquisitions	–
Reclassifications and transfers to assets held for sale	–
Depreciation	(1.4)
Reversal of depreciation	–
Reversal of disposals	–
Other movements	–
CARRYING AMOUNT AT END OF YEAR	461.9
As at 31 December 2009	
Cost	476.4
Accumulated depreciation	(14.5)
Accumulated impairment	–
CARRYING AMOUNT	461.9

4.3. Property, plant and equipment

4.3.1. Breakdown of property, plant and equipment

The net carrying amount of property, plant and equipment as at 31 December 2009 breaks down as follows:

(in millions of euros)	Land, buildings and improvements	Track, earthworks, civil engineering structures and level crossings	Technical and electrical supply equipment, telecommunications	Operating equipment	Assets under construction	Total
As at 1 January 2008						
Cost	6,023.7	25,156.1	7,369.5	31.3	4,906.3	43,486.8
Accumulated depreciation	(192.4)	(4,532.2)	(2,546.8)	(16.7)	–	(7,288.1)
Accumulated impairment	(1,981.3)	(6,553.7)	(1,595.1)	–	(40.3)	(10,170.4)
CARRYING AMOUNT	3,850.0	14,070.1	3,227.6	14.6	4,866.0	26,028.3
Year ended 31 December 2008						
Carrying amount at beginning of year	3,850.0	14,070.1	3,227.6	14.6	4,866.0	26,028.3
Acquisitions	1.9	–	–	6.4	–	8.3
Production	–	–	–	–	2,961.6	2,961.6
Disposals	(4.2)	(11.2)	(3.5)	(0.5)	–	(19.5)
Translation differences	–	–	–	–	–	–
Reclassifications and transfers to assets held for sale	31.4	72.8	61.8	–	(177.8)	(11.8)
Catch-up depreciation	95.7	(665.5)	(353.1)	–	–	(922.8)
Depreciation	(50.8)	(504.8)	(259.5)	(4.3)	(26.0)	(845.4)
Reversal of depreciation	1,981.3	6,553.7	1,595.1	–	–	10,130.1
Other movements	–	16.2	–	–	–	16.2
CARRYING AMOUNT AT END OF YEAR	5,905.3	19,531.4	4,268.3	16.2	7,623.8	37,344.8
As at 31 December 2008						
Cost	6,052.8	25,217.7	7,427.7	37.2	7,690.1	46,425.5
Accumulated depreciation	(243.2)	(5,020.8)	(2,806.3)	(21.0)	–	(8,091.3)
Catch-up depreciation	95.7	(665.5)	(353.1)	–	–	(922.8)
Accumulated impairment	–	–	–	–	(66.3)	(66.3)
CARRYING AMOUNT	5,905.3	19,531.4	4,268.3	16.2	7,623.8	37,344.8

4.3.1. Breakdown of property, plant and equipment (continued)

(in millions of euros)	Land, buildings and improvements	Track, earthworks, civil engineering structures and level crossings	Technical and electrical supply equipment, telecommunications	Operating equipment	Assets under construction	Total
Year ended 31 December 2009						
Carrying amount at beginning of year	5,905.3	19,531.4	4,268.3	16.2	7,623.8	37,344.8
Acquisitions	0.9	–	–	5.7	–	6.7
Production	–	–	–	–	3,318.7	3,318.7
Disposals	(2.6)	–	–	(0.5)	–	(3.2)
Translation differences	–	–	–	–	–	–
Reclassifications and transfers to assets held for sale	87.7	841.5	354.0	(0.1)	(1,300.0)	(16.9)
Catch-up depreciation	–	–	–	–	–	–
Depreciation	(59.5)	(615.3)	(298.6)	(4.2)	(7.6)	(985.1)
Reversal of depreciation	–	–	–	–	–	–
Other movements	–	–	–	–	3.8	3.8
CARRYING AMOUNT AT END OF YEAR	5,931.9	19,757.6	4,323.8	17.1	9,638.6	39,669.7
As at 31 December 2009						
Cost	6,138.8	26,059.2	7,781.7	42.5	9,712.5	49,734.8
Accumulated depreciation	(206.9)	(6,301.6)	(3,457.9)	(25.2)	–	(9,991.7)
Catch-up depreciation	–	–	–	–	–	–
Accumulated impairment	–	–	–	–	(73.9)	(73.9)
CARRYING AMOUNT	5,931.9	19,757.6	4,323.8	17.1	9,638.6	39,669.7

Study costs expensed in the period (IAS 38.126) totalled €59.1 million in 2009 and €44.8 million in 2008.

4.3.2. Production of property, plant and equipment

Capital expenditure (excluding software and operating assets) in 2009 totalled €3,319.7 million. This capital expenditure comprises:

- Infrastructure investment projects for €3,311.5 million, including:

- production carried out by agents on behalf of RFF for €2,367 million.

- direct production for €944.5 million.

- Land and building purchases, excluding infrastructure investment projects, for €1 million.

- increase in down payments for investment land in the amount of €7.2 million

Capitalised expenditure in 2009 totalled €3,296.4 million and breaks down as follows:

(in millions of euros)	As at 31 Dec. 2009
Major development projects	927.6
Major national projects before start-up	3.9
Major national projects after start-up	866.5
Major PPP Projects	57.2
Regional development projects	644.4
Regional development projects	644.4
Network quality improvements	185.8
Safety	42.1
Access to trains	55.3
Regularity	42.3
Technical development (ERTMS)	12.3
GSM-R	17.7
Performance improvements	16.1
Environment	0.9
Environment (acoustics, etc.)	0.9
Upgrade and compliance	1,440.1
Tracks	1,033.1
Signalling equipment and telecoms (excl. GSM-R)	174.6
Electrical traction	63.9
Civil engineering structures and earthworks	152.1
Other programmes (GHV, EM, etc.)	16.4
Investment and commercial studies	12.3
Land/property scope	26.9
Work for third parties	41.4
Other operations	17.0
Total	3,296.4

4.3.3. Assets commissioned during the year

Property, plant and equipment totalling €1,286 million was commissioned in 2009 mainly corresponding to mandated upgrade and compliance operations.

(in millions of euros)	As at 31 Dec. 2009
Major development projects	127.4
Major national projects	123.3
Other	4.1
Regional development projects	238.2
Regional development projects	238.2
Network quality improvements	81.9
Safety	48.4
Access to trains	9.9
Regularity	12.3
GSM-R	(0.3)
Performance improvements	11.6
Environment	3.2
Environment (acoustics, etc.)	3.2
Upgrade and compliance	759.3
Tracks	563.0
Signalling equipment and telecoms (excl. GSM-R)	20.0
Electrical traction	46.6
Civil engineering structures and earthworks	114.6
Other upgrade and compliance programmes	15.2
Investment and commercial studies	5.8
Land/property scope	0.9
Work for third parties	69.2
Other operations	–
Total assets commissioned	1,286.0

4.3.4. Recoverable amount of assets commissioned at the balance sheet date and impairment

Infrastructure CGU

RFF found no indication of potential impairment of Infrastructure CGU.

Property CGU

RFF found no indication of potential impairment of Property CGU.

4.3.5. Breakdown of impairment of assets under construction

(in millions of euros)	Accumulated cost as at 31 Dec. 2009	Impairment as at 31 Dec. 2008	Charge	Reversal	Impairment as at 31 Dec. 2009
Dormant projects	35.7	24.4	12.6	6.3	30.7
Port tracks under construction	43.2	41.9	1.3	–	43.2
Total	78.9	66.3	13.9	6.3	73.9

4.4. Current and non-current financial assets

(in millions of euros)	31 Dec. 2009			31 Dec. 2008			Change Total
	Current	Non-current	Total	Current	Non-current	Total	
Available-for-sale financial assets ⁽¹⁾	–	0.5	0.5	–	0.5	0.5	–
Long-term receivables and guarantees deposits paid	–	3.9	3.9	–	5.0	5.0	(1.1)
Receivables on disposals of non-current assets	35.4	11.4	46.8	27.5	20.0	47.5	(0.7)
Current accounts	23.2	–	23.2	23.6	–	23.6	(0.4)
Other financial assets	3.2	–	3.2	1.8	–	1.8	1.4
Total financial assets - gross	61.9	15.8	77.7	52.9	25.5	78.4	(0.7)
Provisions	–	–	–	–	–	–	–
Total financial assets	61.9	15.8	77.7	52.9	25.5	78.4	(0.7)

(1) Including RFF's investment in the simplified joint stock company, Lyon Turin Ferroviaire.

Long-term receivables and guarantee deposits paid are measured at amortised cost, which is considered to represent the best estimate of the fair value of these assets.

Subsidiary investments are presented in the following table:

	% of share capital owned
SAS Lyon Turin Ferroviaire	50%
GEIE ERTMS	16.67%
GIE S2IF	50%
GEIE SEA Vitoria Dax	50%
CORRIDOR C	47%
CORRIDOR D	25%

The investment in Lyon-Turin-Ferroviaire SAS was measured at historical cost as the company is in the development stage and operations have not yet commenced. Fair value cannot thus be measured reliably.

Lyon-Turin-Ferroviaire SAS reported a net profit of nil in 2009. Capitalised production in the year totalled €32.4 million. The company had total equity of €522.4 million as at 31 December 2009.

Break down of current accounts

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
LTF	22.8	23.2
GIE S2IF	–	–
GEIE SEA Vitoria Dax C/C	0.4	0.4
Total	23.2	23.6

4.5. Deferred taxes

It should be noted that, based on the Group's tax profit outlook, deferred tax assets of €3,890.9 million were recognised in 2008 against net profit in the amount of €3,811 million and reserves in the amount of €79.9 million.

In 2009, a €152.8 million income tax expense was recognised in respect of the net profit for the year.

4.6. Trade receivables

The carrying amount of trade receivables breaks down as follows:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Toll fees	341.4	157.4
Non-traffic income	272.2	426.5
Other	45.2	186.0
Provisions	(20.0)	(28.3)
Trade receivables – carrying amount	638.9	741.6

Provision for doubtful receivables

Movements in the provision for doubtful receivables were as follows:

(in millions of euros)	31 Dec. 2008	Charge	Reversal		31 Dec. 2009
			Utilised	Not utilised	
Toll fees	2.3	2.4	0.3	1.6	2.7
Non-traffic income	25.4	8.6	5.2	12.2	16.6
Other	0.7	0.1	0.1	–	0.7
Provision for doubtful receivables	28.3	11.1	5.6	13.8	20.0

4.7. Other receivables

Other receivables break down as follows:

(in millions of euros)	Tax and employee-related receivables	Prepaid expenses	Other receivables	Total other receivables
Gross amount as at 31/12/2008	492.3	234.7	104.3	831.2
Provisions	–	–	–	–
Net amount as at 31/12/2008	492.3	234.7	104.3	831.2
Gross amount as at 31/12/2009	365.1	1.1	88.2	454.5
Provisions	–	–	–	–
Net amount as at 31/12/2009	365.1	1.1	88.2	454.5

Most of the receivables in this account fall due within one year.

As at 31 December 2009, the decrease in "Other receivables" was mainly due to the change in recognition method for the infrastructure management agreement. As from 1 January 2009, this expense is directly recognised as incurred, thus avoiding its recognition in "prepaid expenses".

4.7.1. Tax and employee-related receivables

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
VAT credit repayment request	106.8	176.2
VAT to be adjusted	142.5	190.8
Input VAT	115.6	125.1
Other tax receivables	0.2	0.2
Total	365.1	492.3

4.7.2. Prepaid expenses

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Infrastructure management agreements ⁽¹⁾	–	230.5
Other, including rent and expenses	1.1	4.2
Total	1.1	234.7

(1) As at 31 December 2008, this heading included advance billings by SNCF for the month of January in respect of the agreement.

4.7.3. Other receivables

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Credit notes receivable from suppliers and advances	85.8	103.4
Other miscellaneous receivables	2.4	0.9
Total	88.2	104.3

Termination of the arbitration procedure concerning the disputed allocation of assets with SNCF

The final arbitration decisions were issued in August 2008 by the Authorities for the remaining asset allocation disputes opposing RFF and SNCF.

The practical terms and conditions governing the payment of the net balance of disputed receivables, i.e. €58.7 million excluding tax, in favour of RFF, as well as the net amount of related interest of €24.5 million also in favour of RFF, were defined. The effective payment date has yet to be agreed with SNCF.

4.8. Grants receivable

Grants receivable break down as follows:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Grants to be collected	1,087.2	1,252.6
Grants not yet claimed	460.0	477.9
Provisions for impairment	(21)	(17)
Total	1,526.5	1,713.0

4.9. Cash and cash equivalents

(in millions of euros)	31 Dec. 2009	31 Dec. 2008	Change
Bank accounts (euro-denominated) and cash	1.3	19.1	(17.8)
Bank accounts (foreign currency) and cash	–	–	–
Cash and demand deposits	1.3	19.1	(17.8)
Monetary mutual funds	437.6	176.5	261.1
Negotiable debt instruments and related accrued interest receivable (maximum maturity of 3 months on purchase)	1,563.6	1,695.2	(131.5)
Cash equivalents	2,001.3	1,871.7	129.6
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET	2,002.6	1,890.8	111.8
Bank overdrafts in euros	0.7	0.5	0.1
Bank overdrafts in foreign currencies	0.3	0.2	0.1
Bank overdrafts repayable on demand	0.9	0.7	0.2
Net change in cash and cash equivalents ⁽¹⁾	2,001.6	1,890.1	111.5

(1) The net increase in cash and cash equivalents differs from that presented in the cash flow statement due to the inclusion of unrealised capital gains on UCITS.

4.10. Non-current assets held for sale and directly associated liabilities

As at 31 December 2009, assets declared not to be necessary for railway activities and held for sale had a nil value. Directly associated liabilities in the amount of €38 million are unchanged compared to 31 December 2008.

4.11. Grants

4.11.1. Summary of non-current grants

(in millions of euros)	Grants on commissioned assets	Grants for assets under construction	
Grants for assets under construction	–	4,419.5	
Net grants on commissioned assets	6,071.2	–	
Grants in the form of loans at preferential rates	20.6	–	
Reversal for port tracks	(1.6)	(37.8)	
Release of grant on commissioned land	11.9	–	
Grants for upgrade and compliance work	3,445.2	785.7	
Total	9,547.3	5,167.4	14,714.7

4.11.2. Grants on commissioned assets

(in millions of euros)	Net amount as at 31 Dec. 2008	Grants on assets commissioned in the year	Inter-account transfers	Share of grants released to profit or loss	Net amount as at 31 Dec. 2009
Land, buildings and improvements	616.7	38.3	–	(27.9)	627.1
Track, earthworks, civil engineering structures and level crossings	4,163.8	156.2	–	(103.8)	4,216.3
Technical and electrical supply equipment, telecommunications	1,120.9	168.0	–	(63.2)	1,225.7
Operating equipment	3.5	–	–	(1.5)	2.0
Total	5,905.0	362.5	–	(196.3)	6,071.2

Grants on commissioned assets total €6,071 million.

4.11.3. Grants for assets under construction

The amount of earned grants relating to assets under construction is based on the percentage completion of the work.

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Total investment grants claimed since 1 January 1997	12,203.5	10,296.1
Total investment grants transferred to commissioned assets since 1 January 1997	(6,713.0)	(6,350.5)
Investment grants claimed in advance	(1,343.9)	(808.2)
Investment grants not yet claimed	272.9	324.6
Total	4,419.5	3,462.0

Earned grants total €4,419 million as at 31 December 2009.

Grants for upgrade and compliance work

RFF no longer receives grants for upgrade and compliance since the reform of State grants applicable from 1 January 2009. However, RFF continues to commission assets in respect of grants received in previous years.

Gross amount of grants for upgrade and compliance work

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

Grants for upgrade and compliance work – commissioned assets

(in millions of euros)	Year of transfer to commissioned assets	Date of transfer to commissioned assets	Period of release (years)	Gross amount	Accumulated release	Net amount as at 31 Dec. 2009
2004		01/07/2004	38	675.0	97.7	577.3
2005		25/03/2005	42	573.9	65.2	508.7
2006		09/05/2006	42	878.4	76.3	802.1
2007		21/03/2007	35	734.2	58.4	675.8
2008		17/04/2008	33	68.8	3.8	65.0
2009		17/01/2009	42	844.4	28.1	816.3
Total		–	–	3,774.7	329.5	3,445.2

Grants for upgrade and compliance work

(in millions of euros)	Gross amount	Accumulated release	Net amount as at 31 Dec. 2009
Grants on commissioned assets	3,774.7	329.5	3,445.2
Grants for assets under construction	785.7	–	785.7
Total	4,560.4	329.5	4,230.8

4.11.4. Current grants

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

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Operating grants claimed in advance	83.9	75.3
Investment grants claimed in advance	1,343.9	808.2
Total	1,427.8	883.4

4.12. Provisions

4.12.1. Breakdown between current and non-current provisions

(in millions of euros)	31 Dec. 2009			31 Dec. 2008		
	Current	Non-current	Total	Current	Non-current	Total
Disputes and litigation	1.9	398.3	400.2	425.7	–	425.7
Tax and employee-related expenses	16.4	29.8	46.1	–	–	–
Decontamination and environmental risks	–	33.5	33.5	–	26.6	26.6
Provisions for employee benefits	–	4.6	4.6	–	4.3	4.3
Provisions	18.3	466.2	484.5	425.7	30.9	456.6

In 2009, provisions for disputes and litigation were reclassified from “current” to “Non-current”. If this classification had been adopted as at 31 December 2008, the “Disputes and litigation – non-current” heading would have shown a balance of €425.7 million, compared to €398.3 million as at 31 December 2009.

4.12.2. Movements in provisions

(in millions of euros)	31 Dec. 2008	Charges	Reversals		31 Dec. 2009
			Utilised	Not utilised	
Provisions for contingencies and losses	–	–	–	–	–
Disputes and litigation	425.7	67.9	(0.2)	(93.2)	400.2
Tax and employee-related expenses	–	46.3	–	(0.1)	46.1
Decontamination and environmental risks	26.6	13.9	(7.0)	–	33.5
Provisions for employee benefits	4.3	0.4	–	(0.1)	4.6
Provisions for contingencies and losses	456.6	128.5	(7.2)	(93.4)	484.5

Besides environmental risks, provisions for contingencies and losses comprise:

- disputes and litigation concerning infrastructure-related activity and asset management activity. The main provisions were updated as at 31 December 2009 to take account of new information available at the year-end, particularly the provision relating to the Paris Left-Bank development project, the litigation regarding the flooding in Arles and the litigation relating to decontamination costs;
- tax risks currently the subject of litigation proceedings.

Despite the provision updates, it should be noted that there remains uncertainty as to the valuation of the three provisions:

- **Paris Left-Bank development project:** audits were carried out in order to determine more precisely, or based on updated assumptions, the profit or loss on completion of this transaction,

— litigation regarding the flooding in Arles in December 2003:

the legal expert review procedure is in progress.

RFF recognised a provision based on the amount of damages known at the balance sheet date and the share it considers it will be required to bear,

- **decontamination and environmental risks:** the provision recognised at the year-end is calculated based on knowledge at that date of the assets to be treated; this provision will be updated as and when RFF identifies decontamination programmes to be implemented.

The provision for employee benefits is analysed in Note 4.12.3.

4.12.3. Employee benefits

a) Change in the present value of the obligation

(in millions of euros)	
Obligation as at 31 December 2008	4.3
Service cost for the period	0.9
Interest expense on the obligation	0.2
Actuarial gains and losses	(0.7)
Benefits paid	–
Plan curtailments and settlements	–
Other	–
Obligation as at 31 December 2009	4.6
Unrecognised actuarial gains and losses	–
Provisions recognised	4.6

Main assumptions underlying the calculation of the present value of the obligation

	31 Dec. 2009	31 Dec. 2008
Rate of increase in salaries	2.00%	3.00%
Rate of payroll taxes	47.00%	47.00%
Discount rate	4.06%	3.88%
Turnover	8.80%	8.13%

b) Long-term employee benefit expense

(in millions of euros)		31 Dec. 2009	31 Dec. 2008
Wages and salaries		(51.9)	(43.2)
Payroll taxes		(21.8)	(19.1)
Pension expense - defined contribution plans		(4.3)	(4.7)
Pension expense - defined benefit plans		–	–
Other post-employment benefits		–	–
Long-term employee benefit expense		(78.0)	(67.0)

4.13. Net debt

Net debt as defined by the Group corresponds to loans and borrowings less cash and cash equivalents and the fair value of asset derivatives, plus the fair value of liability derivatives.

(in millions of euros)		31 Dec. 2009			31 Dec. 2008		
	Note	Current	Non-current	Total	Current	Non-current	Total
Borrowings	4.14	3,946.4	25,337.5	29,283.9	5,022.8	24,249.0	29,271.8
Cash and cash equivalents	4.9	(2,002.6)	–	(2,002.6)	(1,890.8)	–	(1,890.8)
Net debt before impact of derivatives		1,943.8	25,337.5	27,281.4	3,132.1	24,249.0	27,381.1
Asset derivatives allocated to debt	4.15.3	(47.9)	(250.8)	(298.6)	(66.0)	(275.3)	(341.3)
Liability derivatives allocated to debt	4.15.3	138.0	1,872.8	2,010.8	170.4	1,948.9	2,119.4
Net debt		2,034.0	26,959.5	28,993.5	3,236.5	25,922.6	29,159.1

4.14. Borrowings

Borrowings break down as follows:

(in millions of euros)	31 Dec. 2009			31 Dec. 2008		
	Current	Non-current	Total	Current	Non-current	Total
RFF long-term debt	2,601.3	23,506.1	26,107.3	1,935.5	22,377.3	24,312.8
Long-term debt transferred from SNCF	90.4	1,831.5	1,921.9	487.8	1,871.7	2,359.4
Short-term debt	1,254.7	–	1,254.7	2,599.6	–	2,599.6
Borrowings	3,946.4	25,337.5	29,283.9	5,022.8	24,249.0	29,271.8

4.14.1. RFF long-term debt

RFF 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, through borrowings from banks and/or local authorities.

RFF raised total long-term resources of €2.99 billion in 2009 through 18 operations on the euro, US dollar, Hong Kong dollar, pound sterling and Swiss franc bond markets.

The total amount of new issues includes the carrying amount of private placements (€481.6 million), public issues and Greater Paris Region loans, as presented below.

(in millions of euros)	31 Dec. 2009					
	Type of loans	Nominal amount	Currency	Maturity date (dd/mm/year)	Interest rate%	Amortised cost
BONDS						
	EMTN RFF 2.875% – 26/02/2021	300	CHF	26/02/2021	2.875	202.6
	EMTN RFF 1.25% – 23/03/2012	200	CHF	23/03/2012	1.25	136.4
	EMTN RFF 3% – 24/04/2019	450	CHF	24/04/2019	3	307.7
	EMTN RFF 4.5% – 30/01/2024	1,750	EUR	30/01/2024	4.5	1,811.8
	EMTN RFF 5.25% – 31/01/2035	100	GBP	31/01/2035	5.25	122.5
OTHER DEBT						
	Floating-rate loan from the Greater Paris region	0.5	EUR	15/09/2034	THORIF	0.6

Characteristics of RFF borrowings at 31 December 2009:

(in millions of euros)	Amount
Bonds	21,789.4
Other borrowings	4,317.8
Total	26,107.2

Bonds

(in millions of euros)						
Type of loan	Nominal amount	Currency	Maturity date (dd/mm/year)	Interest rate%	Margin %	Amortised cost
RFF 5.25% – 14/04/2010	1,453.8	EUR	14/04/2010	5.25	–	1,508.4
EMTN RFF 4.75% – 25/01/2011	700.0	GBP	25/01/2011	4.75	–	836.1
RFF 3.25% – 01/06/2011	600.0	CHF	01/06/2011	3.25	–	419.0
RFF 1.625% – 20/12/2011	500.0	CHF	20/12/2011	1.63	–	335.7
RFF 5.40% – 26/02/2013	1,200.0	EUR	26/02/2013	5.40	–	1,306.5
EMTN – RFF 4.625% – 17/03/2014	1,900.0	EUR	17/03/2014	4.63	–	1,965.2
EMTN RFF 4.45% – 27/11/2017	1,000.0	EUR	27/11/2017	4.45	–	996.8
EMTN RFF 1.25% – 23/03/2012	200.0	CHF	23/03/2012	1.25	–	136.4
EMTN RFF 3% – 24/04/2019	450.0	CHF	24/04/2019	3.00	–	307.7
EMTN – RFF 6% – 12/10/2020	2,000.0	EUR	12/10/2020	6.00	–	2,053.4
EMTN RFF 2.875% – 26/02/2021	300.0	CHF	26/02/2021	2.88	–	202.6
EMTN – RFF 5.5% – 01/12/2021	800.0	GBP	01/12/2021	5.50	–	902.0
EMTN RFF 4.375% – 02/06/2022	2,200.0	EUR	02/06/2022	4.38	–	2,235.3
EMTN RFF 4.25% – 30/01/2024	1,750.0	EUR	30/01/2024	4.50	–	1,811.8
EMTN – RFF 5.25% – 07/12/2028	650.0	GBP	07/12/2028	5.25	–	718.1
RFF 3.25% – 30/06/2032	250.0	CHF	30/06/2032	3.25	–	172.3
EMTN RFF 5% – 10/10/2033	2,000.0	EUR	10/10/2033	5.00	–	2,089.4
EMTN – RFF 5.25% – 31/01/2035	475.0	GBP	31/01/2035	5.25	–	570.3
OBLIG CAD 4.70% – 01/06/2035	300.0	CAD	01/06/2035	4.70	–	223.3
EMTN RFF 5% – 11/03/2052	550.0	GBP	11/03/2052	5.00	–	637.6
RFF excluding inflation						19,427.6
RFF OAT Euro Infla Excl. Tobacco	2,000.0	EUR	28/02/2023	Inflation	2.45	2,361.8
Total						21,789.4

Other borrowings

(in millions of euros)					
Type of loan	Nominal amount	Currency	Average maturity	Interest rate	Amortised cost
Total EUR fixed	805.0	EUR	2015	Fixed	861.0
Total EUR floating	1,303.5	EUR	2024	Floating	1,318.9
Total GBP fixed	364.5	GBP	2038	Fixed	170.4
Total GBP inflation	50.0	GBP	2030	Inflation	73.0
Total HKD fixed	300.0	HKD	2016	Fixed	25.8
Total JPY fixed	44,000.0	JPY	2021	Fixed	334.3
Total USD fixed	1,000.0	USD	2012	Fixed	579.6
Total USD floating	300.0	USD	2010	Floating	208.3
Total CHF fixed	210.0	CHF	2017	Fixed	142.2
PRIVATE PLACEMENTS	–	–	–	–	3,713.6
EIB LOANS	550.1	EUR	2016	Floating	550.6
LOANS FROM GREATER PARIS REGION	60.64	EUR	2027	Floating	53.6
Total					4,317.8

4.14.2. Long-term debt transferred from SNCF

On the creation of RFF on 1 January 1997, €20.5 billion in debt was transferred from SNCF and recognised in RFF's opening balance sheet under liabilities.

(in millions of euros)				
Currency	Contractual interest rate	Nominal amount in foreign currency	Average maturity	Amortised cost
EUR	Floating	446.5	2015	443.6
	Fixed	1,025.5	2019	1,055.0
	Inflation	–	–	–
GBP	Fixed	–	–	–
	Floating	211.3	2014	238.0
CHF	Fixed	271.0	2016	158.4
	Floating	–	–	–
Total debt transferred from SNCF				1,921.9

The total amortised cost of debt transferred from SNCF was €1,921.9 million as at 31 December 2009. The current portion of the debt transferred from SNCF is €90.4 million and is mainly at floating rates.

4.14.3. Short-term debt

In order to manage its cash flow effectively, RFF uses domestic and international short-term financing instruments such as treasury notes and commercial paper, providing it with diversified access to liquid financial resources. Foreign currency denominated negotiable debt instruments are perfectly hedged by currency swaps.

Currency	Total amount in millions of euros	Maturing in 0 to 6 months	Maturing in 6 to 12 months
EUR	115.8	115.8	–
USD	1,133.3	946.4	186.9
GBP	5.6	5.6	–
Total	1,254.7	1,067.8	186.9

Short-term debt raised by RFF in 2009 represented average outstandings of €1,802 million.

4.15. Management of financial risks and derivative instruments

RFF is exposed to the following risks relating to the use of financial instruments:

- market risks:
 - interest rate risk,
 - currency risk,
- liquidity risk;
- credit risk, counterparty risk.

In RFF, management of transactions and financial risks is strictly governed by the document entitled “Principles and limits for trading on capital markets” issued by the Board of Directors. This document notably sets out the key policy focus in the areas of financing, treasury and overall debt management, the management principles and limits authorised in respect of interest rate, currency and counterparty risks, optimisation transactions, authorised instruments, the ceilings applicable to financing programmes,

investment products, delegations of authority granted by the Board of Directors together with delegations of signature granted.

RFF also has a procedure manual which specifies the controls to be performed and the manner in which they are to be carried out in order to ensure that, on a day-to-day basis, transactions entered into comply with the defined limits and principles and the target debt structure. RFF also prepares different types of report on a weekly or monthly basis which describe the transactions performed and control results.

4.15.1. Management of currency risk

As part of its financial strategy which aims to diversify access to sources of finance and optimise finance costs, RFF issues bonds in foreign currencies which are covered by currency hedges. Foreign currency denominated cash flows (principal payments and interest) are hedged by currency derivatives which convert this debt into euro debt.

RFF's foreign currency position at the balance sheet can be summarised as follows (in notional amounts):

31 Dec. 2009	USD	GBP	YEN	HKD	CHF	CAD
Debt denominated in foreign currencies	1,110.0	3,516.3	44,000.0	300.0	2,781.0	300.0
Foreign currency derivatives	1,110.0	3,516.3	44,000.0	300.0	2,781.0	300.0
Net foreign currency exposure	–	–	–	–	–	–

31 Dec. 2008	USD	GBP	YEN	HKD	CHF	CAD
Debt denominated in foreign currencies	1,000.0	3,416.3	44,000.0	–	1,731.0	300.0
Foreign currency derivatives	1,000.0	3,416.3	44,000.0	–	1,731.0	300.0
Net foreign currency exposure	–	–	–	–	–	–

Closing exchange rates used at the balance sheet date for the main currencies are as follows:

ECB exchange rates	31 Dec. 2009	31 Dec. 2008
CAD	1.5128	1.6998
CHF	1.4836	1.485
GBP	0.8881	0.9525
HKD	11.1709	—
USD	1.4406	1.3917
YEN	133.16	126.14

As at 31 December 2009, a spot increase or decrease of 10% in the value of the euro against foreign currencies would not have a material impact on profit or loss or equity, due to foreign currency hedges, all other things being equal.

4.15.2. Management of interest rate risk

In order to protect against interest rate risk and optimise finance costs over the medium term, RFF defines a target debt structure based on:

— efficient interest rate structures (breakdown between fixed rates, floating rates and inflation-linked rates) optimising the “Expected cost/risk” trade-off;

— a maximum defined share of floating-rate debt, thereby limiting the additional finance costs incurred by RFF to an acceptable level should interest rates rise.

RFF operates within this management framework, either by selecting the type of financing (fixed rate, floating rate or inflation-linked), or using derivative products within the limits set by the Board of Directors.

At the balance sheet date, the main characteristics of the debt in terms of exposure to interest rate risk, after adjustment for interest rate and foreign currency derivatives, are as follows:

(in millions of euros)	Exposure after hedging	
	31 Dec. 2009	31 Dec. 2008
Euro fixed-rate debt	19,878.1	18,303.0
Euro inflation-linked debt	2,920.0	2,750.1
Euro floating-rate debt (net of cash equivalents)	4,480.4	6,327.9

A breakdown of currency derivatives and interest rate derivatives hedging the debt is provided in Note 4.15.3.

Interest rate risk is defined by IFRS 7 as the risk that the fair value or the future cash flows of a financial instrument may vary as a result of changes in market interest rates. Non-derivative fixed-rate instruments are thus subject to interest rate risk if they are recognised in the balance sheet at fair value through profit or loss. Similarly, non-derivative fixed-rate instruments (not hedged) recognised at amortised cost are not subject to interest rate risk.

Sensitivity analysis

The sensitivity of cash flows of floating-rate instruments was calculated taking account of all variable cash flows of non-derivative instruments and derivative instruments. Derivative instruments not designated as hedges and separately recognised embedded derivatives generate a certain degree of volatility in net finance costs. A breakdown of derivative instruments not designated as hedges is provided in Note 4.15.3.

Conversely, changes in the value of derivatives designated as cash flow hedges generate a certain degree of volatility in equity. Sensitivity analyses are prepared assuming that the level of debt and financial instruments in the balance sheet as at 31 December remains constant during one year.

Given the relatively low market rates in 2009, RFF decided to conduct its sensitivity analyses based on a 50 basis point increase or decrease in the interest rate (instead of +/- 100 basis points in 2008).

A change of +50/(– 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 2008 but with a 100 basis point increase or decrease in the euro interest rate curve.

Summary of interest rate impacts

Instrument	31 Dec. 2009				31 Dec. 2008			
	Profit or loss		Equity		Profit or loss		Equity	
	Impact after change in interest rates of + 50 pb	Impact after change in interest rates of - 50 pb	Impact after change in interest rates of + 50 pb	Impact after change in interest rates of - 50 pb	Impact after change in interest rates of + 100 pb	Impact after change in interest rates of - 100 pb	Impact after change in interest rates of + 100 pb	Impact after change in interest rates of - 100 pb
Derivatives designated as fair value hedges	(21.4)	22.3	–	–	(54.5)	59.2	–	–
Debt designated as fair value hedges	24.9	(25.8)	–	–	58.3	(62.9)	–	–
Total ineffective portion of fair value hedges (A)	3.4	(3.5)	–	–	3.7	(3.8)	–	–
Ineffective portion of cash flow hedges	4.9	(5.2)	–	–	9.8	(11.6)	–	–
Derivatives designated as cash flow hedges	–	–	377.2	(415.6)	–	–	788.1	(972.4)
Total impact of cash flow hedges (B)	4.9	(5.2)	377.2	(415.6)	9.8	(11.6)	788.1	(972.4)
Trading derivatives (C)	0.9	(0.8)	–	–	(6.3)	(0.9)	–	–
Floating-rate debt (including short-term debt) (D)	(30.7)	30.7	–	–	(77.3)	77.3	–	–
Cash equivalents (E)	7.8	(7.8)	–	–	17.0	(17.0)	–	–

Sensitivity is measured as follows:

- (A) The ineffective portion of fair value hedges attributable to changes in the value of the hedged item and the hedging instrument.
- (B) The ineffective portion of cash flow hedges and the impact on equity (OCI) attributable to changes in the value of the hedging instrument.
- (C) Impact of the shift in the interest rate curve on derivatives not recognised using hedge accounting.
- (D) Impact of the shift in the interest rate curve on cash flows (income or expenses) of floating-rate borrowings or fixed-rate borrowings converted to floating rates.
- (E) Impact of the shift in the interest rate curve on cash flows (income or expenses) of cash equivalents.

4.15.3. Accounting position of derivative instruments

To hedge its exposure to interest rate and currency risks, RFF uses derivative instruments that may or may not be designated as hedges for accounting purposes.

The main derivatives used are interest rate swaps and swaptions, forward currency contracts, cross currency swaps and currency options.

The fair value of derivative instruments recognised in the balance sheet breaks down as follows:

(in millions of euros)	2009				2008			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
DERIVATIVES DESIGNATED AS HEDGES								
Fair value hedges								
Interest rate	–	148.2	–	77.0	5.1	135.5	–	–
Foreign currency and interest rate	–	53.3	43.0	–	–	69.8	–	110.4
Cash flow hedges								
Interest rate	–	6.7	–	183.5	–	4.4	–	197.7
Foreign currency and interest rate	–	42.5	–	1,612.3	–	65.6	–	1,640.9
Total derivatives designated as hedges	–	250.8	43.0	1,872.8	5.1	275.3	–	1,948.9

DERIVATIVES AND FORWARD CURRENCY TRANSACTIONS NOT DESIGNATED AS HEDGES

Interest rate	33.2	–	20.9	–	26.1	–	13.4	–
Foreign currency and interest rate	14.7	–	35.2	–	34.0	–	93.3	–
Embedded derivatives	–	–	39.0	–	0.9	–	63.7	–
Total derivatives and forward currency transactions not designated as hedges	47.9	–	95.0	–	60.9	–	170.4	–
Total derivatives	47.9	250.8	138.0	1,872.8	66.0	275.3	170.4	1,948.9

Fair value hedges

RFF uses euro interest rate swaps and cross currency swaps to hedge against changes in the fair value of borrowings and financial receivables.

Hedge derivatives at the balance sheet date break down as follows:

	2009			
	Carrying amount in millions of euros		Notional amount in millions of foreign currency	
	Assets	Liabilities	Assets	Liabilities
DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES				
Fixed-rate/floating-rate swaps				
Euro/Euro	148.2	–	1 114.0	–
Fixed-rate/floating-rate cross currency swaps				
JPY/Euro	12.1	–	12,000.0	–
GBP/Euro	4.7	44.4	100.0	363.9
USD/Euro	–	68.3	–	807.6
CHF/Euro	36.5	0.5	950.0	150.0
CAD/Euro	–	1.5	–	156.0
HKD/Euro	–	5.2	–	300.0
Total	201.5	119.9		

Fair value hedges (continued)

	2008			
	Carrying amount in millions of euros		Notional amount in millions of foreign currency	
	Assets	Liabilities	Assets	Liabilities
DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES				
Fixed-rate/floating-rate swaps				
Euro/Euro	140.6	–	1,264.0	–
Fixed-rate/floating-rate cross currency swaps				
JPY/Euro	18.9	–	12,000.0	–
GBP/Euro	–	74.4	–	363.9
USD/Euro	12.0	36.0	200.0	507.6
CHF/Euro	34.0	–	350.0	–
CAD/Euro	4.9	–	156.0	–
Total	210.4	110.4		

Cash flow hedges

RFF uses euro interest rate swaps or cross currency swaps or a combination of both in order to hedge against changes in contractual cash flows relating to debt. In addition, RFF uses “advance” euro interest rates swaps to hedge future issues.

Contractual flows on derivatives are paid to match contractual flows on the debt and the amount deferred through equity is recognised in profit or loss in the period the interest expense on the debt impacts profit or loss. In the case of “advance” hedges of future debt issues, the gain or loss on the hedging instrument is recognised in profit or loss in the period in which the interest flow on the debt impacts profit or loss.

At the balance sheet date, derivatives hedging cash flows break down as follows:

	2009										
	Balance sheet fair value (in millions of euros)		Notional amount in foreign currency (in millions)		Cash flow hedge reserve	< 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	10 to 20 years	> 20 years
	Assets	Liabilities	Assets	Liabilities							
DERIVATIVES DESIGNATED AS CASH FLOW HEDGES											
Swaps lending floating rates/borrowing fixed rates in euros											
	–	31.8	–	491.2	(26.1)	(0.9)	(1.1)	(7.9)	(8.8)	(4.7)	(2.8)
Floating-rate/fixed-rate cross currency swaps											
GBP	–	126.4	–	197.4	(28.7)	(0.9)	(3.1)	(13.9)	(6.3)	(4.0)	(0.4)
Fixed-rate/fixed-rate cross currency swaps											
CHF	25.5	–	1,081.0	–	1.2	0.1	0.1	0.4	0.2	0.3	0.1
GBP	–	1,230.8	–	2,000.0	(396.3)	(5.7)	(6.4)	(36.5)	(45.6)	(69.1)	(233.0)
JPY	8.6	0.6	20,000.0	5,000.0	5.1	–	0.5	1.8	2.3	0.5	–
USD	–	28.9	–	350.0	7.9	2.7	0.5	11.3	(6.6)	–	–
Fixed-rate/floating-rate cross currency swaps + floating-rate/fixed-rate swaps											
CAD	–	1.4	–	144.0	(17.3)	(0.7)	0.1	(2.6)	(3.3)	(6.6)	(4.0)
GBP	6.7	375.8	150.0	2,305.0	(18.1)	(0.3)	(0.6)	(3.7)	(5.2)	(7.8)	(0.4)
USD	–	–	–	–	–	–	–	–	–	–	–
CHF	8.3	–	300.0	–	1.0	0.1	–	0.4	0.5	–	–
Advance hedges of future issues											
	–	–	–	–	16.0	0.2	0.2	4.7	5.8	3.9	1.3
Total	49.2	1,795.8			(455.1)						

Fair value hedges (continued)

	2008										
	Balance sheet fair value (in millions of euros)		Notional amount in foreign currency (in millions)		Cash flow hedge reserve	< 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	10 to 20 years	> 20 years
	Assets	Liabilities	Assets	Liabilities							
DERIVATIVES DESIGNATED AS CASH FLOW HEDGES											
Swaps lending floating rates/ borrowing fixed rates in euros	–	31.7	–	245.1	(30.3)	(1.1)	(1.1)	(9.0)	(11.3)	(4.5)	(3.3)
Swaps lending floating rates/ borrowing fixed rates in euros											
GBP	–	145.0	–	197.4	(30.2)	(1.8)	(1.8)	(13.5)	(2.7)	(8.7)	(1.5)
Fixed-rate/fixed-rate cross currency swaps											
CHF	31.8	–	1,081.0	–	7.7	0.8	0.8	4.6	(1.8)	2.6	0.9
GBP	–	1,292.3	–	2,000.0	(301.3)	(4.2)	(4.2)	(33.1)	(41.1)	(70.1)	(148.6)
JPY	26.5	–	25,000.0	–	13.0	0.5	0.5	4.4	5.5	2.1	–
USD	2.8	1.8	100.0	250.0	28.4	2.3	2.3	17.7	6.2	–	–
Fixed-rate/floating-rate cross currency swaps + floating- rate/fixed-rate swaps											
CAD	4.5	–	288.0	–	(0.5)	–	–	(0.1)	(0.1)	(0.2)	(0.1)
GBP	4.4	367.7	50.0	2,339.8	57.0	1.5	1.4	12.2	16.5	25.6	(0.2)
USD	–	–	–	–	–	–	–	–	–	–	–
Advance hedges of future issues	–	–	–	–	16.4	0.2	0.2	3.8	5.8	4.7	1.7
Total	70.0	1,838.6			(239.7)						

Derivatives not designated as hedges As at 31 December 2009

	31 Dec. 2009			
	Fair value in millions of euros		Notional amount in millions of foreign currency	
	Assets	Liabilities	Assets	Liabilities
DERIVATIVES NOT DESIGNATED AS HEDGES	47.9	95.0	–	–
Interest rate swaps	33.2	20.9	1,206.5	1,215.6
Foreign currency swaps				
GBP	0.1	–	5.0	–
CHF	–	0.1	–	300.0
USD	14.6	35.1	604.0	1,031.0
Embedded derivatives	–	39.0	–	605.5

Derivatives not designated as hedges (continued)
As at 31 December 2008

	31 Dec. 2008			
	Fair value in millions of euros		Notional amount in millions of foreign currency	
	Assets	Liabilities	Assets	Liabilities
DERIVATIVES NOT DESIGNATED AS HEDGES	60.9	170.4	–	–
Interest rate swaps	26.1	13.4	305.5	581.8
Foreign currency swaps				
GBP	–	23.5	–	132.0
CHF	7.0	0.5	515.0	70.0
USD	27.0	69.4	903.0	1,144.5
Embedded derivatives	0.9	63.7	381.1	755.5

Embedded derivatives

RFF also holds an option over a borrowing for which the counterparty controls the exercise decision. This option has been recognised as a separate embedded derivative in accordance with IAS 39 (see Note 3.13.5). The value of this embedded derivative as at 31 December 2009 is: ___ (€36.03) million: borrowing maturing in 2015, including an option for the set-up in 2015 of a 14-year EUR loan (converted into GBP at an exchange rate of 0.652) and bearing fixed-rate interest of 5.35%.

4.15.4. Liquidity risk

Thanks to the proactive management of its liquidity, the quality of its signature and its frequent presence on international capital markets, RFF enjoys diversified access to both short-term (treasury notes, commercial paper) and long-term (public and private bond issues) financing sources. In addition, RFF has a 5-year credit line of €1.25 billion. This facility was not drawn in 2009.

The following tables present non-discounted contractual cash flows (corresponding to amounts to be repaid, including interest, the floating-rate portion of which is set to the fixed rate as at 31 December 2009) for financial liabilities as at 31 December 2009 and 31 December 2008. In addition to liquidity information, current assets are presented at the foot of these tables, with details of cash flows receivable within less than six months.

4.15.4. Liquidity risk

(in millions of euros)	2009							
	Carrying amount	Total cash flows	< 6 months	6 months to < 1 year	1 to < 5 years	5 to < 10 years	10 to < 20 years	> 20 years
NON-DERIVATIVE FINANCIAL LIABILITIES								
RFF long-term borrowings – euros	(19,112.4)	(27,306.7)	(1,934.9)	(601.8)	(6,797.5)	(4,227.9)	(10,670.6)	(3,074.0)
RFF long-term borrowings – foreign currencies	(6,994.9)	(12,607.7)	(160.1)	(435.7)	(3,071.5)	(1,627.7)	(4,149.1)	(3,163.7)
Total RFF long-term borrowings	(26,107.2)	(39,914.4)	(2,094.9)	(1,037.5)	(9,869.0)	(5,855.6)	(14,819.7)	(6,237.7)
Long-term borrowings transferred from SNCF – euros	(1,498.5)	(2,360.4)	(53.3)	(89.2)	(879.8)	(454.8)	(883.2)	(0.1)
Long-term borrowings transferred from SNCF – foreign currencies	(423.4)	(576.6)	(3.2)	(6.1)	(206.8)	(360.5)	–	–
Total long-term borrowings transferred from SNCF	(1,921.9)	(2,936.9)	(56.5)	(95.4)	(1,086.6)	(815.2)	(883.2)	(0.1)
Short-term debt – euros	(115.6)	(115.0)	(115.0)	–	–	–	–	–
Short-term debt – foreign currencies	(1,139.1)	(1,160.6)	(981.4)	(179.2)	–	–	–	–
Total short-term debt	(1,254.7)	(1,275.6)	(1,096.4)	(179.2)	–	–	–	–
Trade payables⁽¹⁾	(403.3)	(403.3)	(403.3)	–	–	–	–	–
Other current financial liabilities	(1,238.6)	(1,238.6)	(1,238.6)	–	–	–	–	–
Total non-derivative financial liabilities	(A) (30,925.7)	(45,768.8)	(4,889.7)	(1,312.1)	(10,955.5)	(6,670.8)	(15,702.9)	(6,237.7)
DERIVATIVES ASSOCIATED WITH FINANCIAL LIABILITIES								
Interest rate swaps designated as hedges								
Cash inflows	–	2,462.3	57.5	345.2	295.6	341.8	1,096.3	325.8
Cash outflows	–	(542.2)	(6.6)	(14.0)	(77.0)	(61.3)	(193.1)	(190.2)
	(105.5)	1,920.1	50.9	331.2	218.6	280.6	903.2	135.6
Interest rate swaps not designated as hedges⁽²⁾								
Cash inflows	–	169.7	61.0	15.6	60.5	27.2	5.4	–
Cash outflows	–	(117.1)	(12.2)	(9.9)	(56.3)	(29.8)	(8.8)	–
	12.3	52.6	48.8	5.7	4.1	(2.6)	(3.4)	–
Cross currency swaps designated as hedges								
Cash inflows in foreign currencies	–	12,974.8	156.8	441.9	3,074.6	1,988.5	4,149.3	3,163.7
Cash outflows in euros	–	(15,458.2)	(157.3)	(500.9)	(3,313.4)	(2,487.7)	(5,327.4)	(3,671.5)
	(1,596.9)	(2,483.5)	(0.5)	(59.0)	(238.8)	(499.3)	(1,178.1)	(507.8)
Cross currency swaps not designated as hedges⁽²⁾								
Cash inflows in foreign currencies	–	210.7	6.6	–	204.1	–	–	–
Cash outflows in euros	–	(218.5)	(10.4)	–	(208.0)	–	–	–
	(0.1)	(7.8)	(3.8)	–	(3.9)	–	–	–
Forward currency contracts								
Cash inflows in foreign currencies	–	1,160.6	981.4	179.2	–	–	–	–
Cash outflows in euros	–	(1,161.8)	(981.9)	(179.9)	–	–	–	–
	(20.4)	(1.1)	(0.5)	(0.7)	–	–	–	–
Total derivatives associated with financial liabilities	(B) (1,710.6)	(519.6)	95.0	277.2	(20.0)	(221.3)	(278.3)	(372.2)
Total	(A + B) (32,636.2)	(46,288.4)	(4,794.7)	(1,034.9)	(10,975.5)	(6,892.2)	(15,981.2)	(6,610.0)
Sub-total of net flows in euros	–	(46,288.4)	(4,794.7)	(1,034.9)	(10,975.5)	(6,892.2)	(15,981.2)	(6,610.0)
Sub-total of net flows in foreign currencies	–	–	–	–	–	–	–	–
CURRENT ASSETS								
Trade receivables	638.9	638.9	638.9	–	–	–	–	–
Grants	1,526.5	1,526.5	1,526.5	–	–	–	–	–
Cash and cash equivalents	2,002.6	2,002.6	2,002.6	–	–	–	–	–
TOTAL CURRENT ASSETS	4,167.9	4,167.9	4,167.9	–	–	–	–	–

(1) Excluding credit notes to be issued.

(2) Although not qualifying for hedge accounting, these derivatives are not used in a trading activity and economically back cash flows on liabilities.

4.15.4. Liquidity risk (continued)

(in millions of euros)	2008							
	Carrying amount	Total cash flows	< 6 months	6 months to < 1 year	1 to < 5 years	5 to < 10 years	10 to < 20 years	> 20 years
NON-DERIVATIVE FINANCIAL LIABILITIES								
RFF long-term borrowings – euros	(18,449.1)	(26,711.3)	(1,862.3)	(336.3)	(6,029.9)	(5,997.3)	(9,024.9)	(3,460.6)
RFF long-term borrowings – foreign currencies	(5,863.7)	(11,188.1)	(119.4)	(119.4)	(3,001.4)	(1,101.7)	(3,871.1)	(2,975.0)
Total RFF long-term borrowings	(24,312.8)	(37,899.4)	(1,981.7)	(455.7)	(9,031.3)	(7,099.0)	(12,896.0)	(6,435.6)
Long-term borrowings transferred from SNCF – euros	(1,952.1)	(2,927.5)	(114.4)	(438.6)	(975.9)	(467.0)	(931.6)	(0.1)
Long-term borrowings transferred from SNCF – foreign currencies	(407.3)	(608.4)	(7.0)	(7.0)	(221.6)	(372.8)	–	–
Total long-term borrowings transferred from SNCF	(2,359.4)	(3,535.9)	(121.4)	(445.6)	(1,197.5)	(839.7)	(931.6)	(0.1)
Short-term debt – euros	(743.3)	(808.3)	(668.3)	(140.0)	–	–	–	–
Short-term debt – foreign currencies	(1,856.2)	(1,860.5)	(1,800.3)	(60.2)	–	–	–	–
Total short-term debt	(2,599.6)	(2,668.7)	(2,468.6)	(200.2)	–	–	–	–
Trade payables⁽¹⁾	(850.6)	(850.6)	(850.6)	–	–	–	–	–
Other current financial liabilities	(1,089.5)	(1,089.5)	(1,089.5)	–	–	–	–	–
Total non-derivative financial liabilities	(A) (31,211.9)	(46,044.1)	(6,511.8)	(1,101.5)	(10,228.8)	(7,938.8)	(13,827.6)	(6,435.7)
DERIVATIVES ASSOCIATED WITH FINANCIAL LIABILITIES								
Interest rate swaps designated as hedges								
Cash inflows	–	2,637.4	69.8	53.3	442.3	342.9	1,326.7	402.4
Cash outflows	–	(367.2)	(29.3)	(29.3)	(153.9)	(74.5)	(52.6)	(27.7)
	(52.7)	2,270.2	40.5	24.1	288.4	268.4	1,274.1	374.7
Interest rate swaps not designated as hedges⁽²⁾								
Cash inflows	–	161.4	19.7	9.7	77.9	45.4	8.6	–
Cash outflows	–	(187.4)	(29.2)	(29.2)	(73.8)	(45.3)	(9.8)	–
	12.6	(26.1)	(9.5)	(19.5)	4.1	–	(1.2)	–
Cross currency swaps designated as hedges								
Cash inflows in foreign currencies	–	11,478.9	122.3	122.3	2,913.4	1,474.5	3,871.3	2,975.1
Cash outflows in euros	–	(15,322.9)	(189.0)	(180.5)	(3,417.4)	(2,039.7)	(5,677.4)	(3,818.7)
	(1,678.6)	(3,843.9)	(66.7)	(58.2)	(504.1)	(565.1)	(1,806.1)	(843.6)
Cross currency swaps not designated as hedges⁽²⁾								
Cash inflows in foreign currencies	–	318.2	4.2	4.2	309.8	–	–	–
Cash outflows in euros	–	(330.7)	(6.6)	(6.6)	(317.5)	–	–	–
	(17.4)	(12.5)	(2.4)	(2.4)	(7.6)	–	–	–
Forward currency contracts								
Cash inflows in foreign currencies	–	1,860.3	1,800.1	60.2	–	–	–	–
Cash outflows in euros	–	(1,865.1)	(1,804.8)	(60.3)	–	–	–	–
	(41.9)	(4.8)	(4.7)	(0.1)	–	–	–	–
Total derivatives associated with financial liabilities	(B) (1,778.0)	(1,617.1)	(42.8)	(56.2)	(219.2)	(296.6)	(533.3)	(468.9)
Total	(A + B) (32,989.9)	(47,661.2)	(6,554.6)	(1,157.7)	(10,448.0)	(8,235.4)	(14,360.8)	(6,904.6)
Sub-total of net flows in euros		(47,661.0)	(6,554.4)	(1,157.7)	(10,448.0)	(8,235.4)	(14,360.8)	(6,904.6)
Sub-total of net flows in foreign currencies		(0.2)	(0.2)	–	–	–	–	–
CURRENT ASSETS								
Trade receivables	741.6	741.6	741.6	–	–	–	–	–
Grants	1,713.0	1,713.0	1,713.0	–	–	–	–	–
Cash and cash equivalents	1,890.8	1,890.8	1,890.8	–	–	–	–	–
TOTAL CURRENT ASSETS	4,345.4	4,345.4	4,345.4	–	–	–	–	–

(1) Excluding credit notes to be issued.

(2) Although not qualifying for hedge accounting, these derivatives are not used in a trading activity and economically back cash flows on liabilities.

4.15.5. Credit risk

Credit risk is the risk of financial loss for RFF should a customer or a counterparty to a financial instrument fail to meet its contractual obligations.

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the balance sheet date is as follows:

(in millions of euros)	Note	Carrying amount	
		31 Dec. 2009	31 Dec. 2008
Long-term receivables and guarantee deposits paid	4.4	7.6	7.3
Fair value of derivatives not designated as hedges	4.15.3	47.9	60.9
Fair value of derivatives designated as hedges	4.15.3	250.8	280.4
Trade receivables	4.6	638.9	741.6
Grants receivable	4.8	1,526.5	1,713.0
Current accounts	4.4	23.2	23.6
Other receivables (excluding prepaid expenses)	4.7	453.3	596.6
Cash and cash equivalents	4.9	2,002.6	1,890.8
Total		4,950.7	5,314.3

Management of customer risk

The aged listing of trade receivables past due as at 31 December 2009 is as follows:

(in millions of euros)	Outstanding amount	Current		Non-current
		< 6 months	> 6 months	
Past due trade receivables not provided	227.8	227.8	–	–
Past due trade receivables provided	26.6	26.6	–	–
Provision for doubtful receivables	(20.0)	(20.0)	–	–
Total	234.4	234.4	–	–

This table does not include sales invoice accruals, receivables not yet due or related provisions for write-down.

The aged listing of grants receivable past due as at 31 December 2009 is as follows:

(in millions of euros)	Outstanding amount	Current		Non-current
		< 6 months	> 6 months	
Past due grants receivable not provided	848.4	848.4	–	–
Past due grants receivable provided	30.0	30.0	–	–
Provision for doubtful receivables	(20.7)	(20.7)	–	–
Total	857.7	857.7	–	–

This table does not include sales invoice accruals, receivables not yet due or related provisions for write-down.

Management of counterparty risk on cash and cash equivalents and derivatives

RFF is exposed to counterparty risk both in its day-to-day treasury management (investment of cash surpluses in certificates of deposit, commercial paper, etc.) and in the management of its medium- and long-term debt (transactions on derivatives, etc.).

In the order to protect against a downturn in the financial position of counterparties:

— with which RFF invests cash, a limit is set on the nominal amount that can be invested per counterparty, based on its short-term credit rating, which must be at least equal to A1/P1/F1 (S&P/Moody's/Fitch respectively);

— with which RFF carries out financial instrument transactions, an exposure limit is set per counterparty. This limit is expressed in terms of market value and is based on the counterparty's long-term credit rating, which must be at least equal to BBB-/Baa3/BBB- (S&P/Moody's/Fitch respectively), and equity;

— RFF has also set up a guarantee contract with all its derivative counterparties. This contract is triggered when the counterparty's credit rating falls below AA-/Aa3/AA- (S&P/Moody's/Fitch respectively). Account is taken of the rating granted by at least two of the following three rating agencies: Standard & Poor's, Moody's, Fitch-IBCA.

4.16. Fair value of financial instruments

(in millions of euros)

31 Dec. 2009

IAS 39 accounting categories

Note	Assets measured at fair value through profit or loss (trading)	Assets measured at fair value through profit or loss (fair value option)	Derivatives designated as hedges	Assets held to maturity	Available-for-sale assets	Loans and receivables	Liabilities at amortised cost	Total balance sheet carrying amount	Fair value	Level 1 Fair value measured based on quoted prices	Level 2 Fair value measured based on unquoted prices
ASSETS											
Asset derivatives allocated to debt	4.15.3	47.9	–	250.8	–	–	–	298.6	298.6	–	298.6
Trade receivables	4.6	–	–	–	–	638.9	–	638.9	638.9	–	638.9
Other financial assets	4.4	–	–	–	–	77.7	–	77.7	77.7	–	77.7
Cash and cash equivalents	4.9	–	2,002.6	–	–	–	–	2,002.6	2,002.6	2,002.6	–
Total		47.9	2,002.6	250.8	–	–	–	3,017.8	3,017.8	2,002.6	1,015.2
LIABILITIES											
RFF long-term debt	4.14	–	–	–	–	–	26,107.2	26,107.2	27,098.0	–	27,098.0
Long-term debt transferred from SNCF	4.14	–	–	–	–	–	1,921.9	1,921.9	2,311.8	–	2,311.8
Short-term debt	4.14	–	–	–	–	–	1,254.7	1,254.7	1,254.7	–	1,254.7
Liability derivatives allocated to debt	4.15.3	95.0	–	1,915.7	–	–	–	2,010.8	2,010.8	–	2,010.8
Trade payables	4.15.4	–	–	–	–	–	403.3	403.3	403.3	–	403.3
Other financial liabilities	4.17. and 4.20	–	–	–	–	–	1,288.0	1,288.0	1,288.0	–	1,288.0
Total		95.0	–	1,915.7	–	–	30,975.1	32,985.9	4,956.7	–	4,956.7

4.16. Fair value of financial instruments (continued)

(in millions of euros)												
31 Dec. 2008		IAS 39 accounting categories										
Note	Assets measured at fair value through profit or loss (trading)	Assets measured at fair value through profit or loss (fair value option)	Derivatives designated as hedges	Assets held to maturity	Available-for-sale assets	Loans and receivables	Liabilities at amortised cost	Total balance sheet carrying amount	Fair value	Level 1 Fair value measured based on quoted prices	Level 2 Fair value measured based on unquoted prices	
ASSETS												
Asset derivatives allocated to debt	4.15.3	60.9	–	280.4	–	–	–	341.3	341.3	–	341.3	
Trade receivables	4.6	–	–	–	–	741.6	–	741.6	741.6	–	741.6	
Other financial assets	4.4	–	–	–	–	78.4	–	78.4	78.4	–	78.4	
Cash and cash equivalents	4.9	–	1,890.8	–	–	–	–	1,890.8	1,890.8	1,890.8	–	
Total		60.9	1,890.8	280.4	–	–	820.0	3,052.1	3,052.1	1,890.8	1,161.3	
LIABILITIES												
RFF long-term debt	4.14	–	–	–	–	–	24,312.4	24,312.4	24,963.8	–	24,963.8	
Long-term debt transferred from SNCF	4.14	–	–	–	–	–	2,359.4	2,359.4	2,970.9	–	2,970.9	
Short-term debt	4.14	–	–	–	–	–	2,598.8	2,598.8	2,598.8	–	2,598.8	
Liability derivatives allocated to debt	4.15.3	170.4	–	1,948.9	–	–	–	2,119.4	2,119.4	–	2,119.4	
Trade payables	4.15.4	–	–	–	–	–	850.6	850.6	850.6	–	850.6	
Other financial liabilities	4.17. and 4.20	–	–	–	–	–	1,196.8	1,196.8	1,196.8	–	1,196.8	
Total		170.4	–	1,948.9	–	–	31,318.0	33,437.3	34,700.2	–	34,700.2	

4.17. Other non-current liabilities

(in millions of euros)		31 Dec. 2009	31 Dec. 2008
Guarantee deposits received		32.4	32.0
Other		17.0	75.2
Total other non-current liabilities		49.4	107.2

Other non-current liabilities correspond to advances received on disposals in progress.

4.18. Trade payables

Trade payables break down as follows:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Trade payables	154.9	323.5
Accrued liabilities	248.4	527.1
Credit notes to be issued	–	–
Total	403.3	850.6

As at 31 December 2008, trade payables included the advance billing by SNCF of the agreement for January.

4.19. Other payables

Other payables break down as follows:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Tax and employee-related liabilities	241.7	205.5
Deferred income	215.3	44.8
Advances received on fixed asset disposals	21.8	77.8
Customer toll advances	180.0	–
Other payables	10.4	27.4
Total	669.2	355.5

"Customer toll advances" reflect the payment by rail company customers of an advance corresponding to 20% of reservation fees payable in respect of the 2010 timetable, pursuant to the ruling of 25 November 2008, the date of publication of the timetable. These advances are deducted in 1/12ths on a monthly basis from the reservation fee invoice payments.

4.20. Other current financial liabilities

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Liabilities relating to property, plant and equipment	1,204.8	1,050.4
Guarantee deposits	12.6	16.7
SNCF current accounts	21.2	22.4
Total	1,238.6	1 089.5

Guarantee deposits received relate to financial contracts.

4.21. Other disclosures

4.21.1. Analysis of the movement in operating working capital requirements

(in millions of euros)	31 Dec. 2008	Impact on cash flows	Inter-account transfers	Change in fair value	31 Dec. 2009
Trade receivables	(745.2)	250.7	(0.3)	–	(494.7)
Trade payables	1,053.4	(567.6)	–	–	485.8
Tax and employee-related receivables	(385.6)	139.0	–	–	(246.6)
Tax and employee-related liabilities	148.5	(24.0)	–	–	124.6
Current accounts	3.5	(3.9)	–	–	(0.5)
Other payables	3.1	183.0	88.6	–	274.9
Other receivables	(7.5)	(0.7)	–	–	(8.1)
Operating grants receivables	(15.8)	(36.5)	(88.3)	–	(140.6)
Operating grants recognised	–	–	–	–	–
Deferred income (other)	44.8	46.9	–	–	91.7
Prepaid expenses	(234.7)	233.5	–	–	(1.1)
Working capital requirements	(135.4)	220.3	–	–	85.4

4.21.2. Analysis of cash flows relating to purchases of property, plant and equipment and intangible assets

(in millions of euros)	31 Dec. 2009	o/w movements in WCR	31 Dec. 2008	o/w movements in WCR
Gross amount of property, plant and equipment and intangible assets purchased in the year	(3,333.6)	–	(2,962.2)	–
Change in liabilities relating to property, plant and equipment and intangible assets	196.6	196.6	(99.8)	(99.8)
Cash outflows on purchases	(3,137.0)	196.6	(3,062.0)	(99.8)
Grants allocated in the year	1,320.0	–	2,113.3	–
Change in grants to be collected	172.5	172.5	3.1	3.1
Change in grants not yet claimed	47.4	47.4	135.8	135.8
Change in grants claimed in advance	535.7	535.7	140.0	140.0
Grants collected	2,075.6	755.6	2,392.2	278.9
Net cash flows	(1,061.4)	952.2	(669.8)	179.1

Note 5.

Notes to the income statement

5.1. Revenue breakdown by type

Revenue breaks down as follows:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Infrastructure fees	2,855.9	2,675.8
Additional electricity fees	89.9	93.0
Other service fees	39.7	63.5
Income from private sidings	14.3	9.1
Sub-total infrastructure commercial revenue	2,999.8	2,841.4
Electricity transmission	158.2	154.2
Non-traffic income (direct management or outsourced)	81.8	63.9
Sales of materials	32.3	34.1
Other income from ancillary activities	8.6	5.0
Total revenue	3,280.7	3,098.5

Infrastructure fees

Network fees invoiced for basic railway services totalled €2,855.9 million in 2009 (up 6.7% compared to 2008). This amount includes the fees applicable under the 2009 timetable (up to 12 December 2009 inclusive) and those applicable under the 2010 timetable (beginning 13 December 2009, i.e. 19 days in 2009).

(in millions of euros)	31 Dec. 2009	31 Dec. 2008	Change in %
Access rights	97.7	100.8	-3
Route reservation fees	1,627.8	1,631.0	-
Station stop reservation fees	439.1	440.3	-
Traffic fees	480.0	503.7	-5
Total infrastructure fees under 2009 price scale	2,644.6	2,675.8	-1
Access charges	72.2	-	-
Reservation charges	75.3	-	-
Traffic charges	63.8	-	-
Total infrastructure fees under 2010 price scale	211.3	-	-
Total minimum services	2,855.9	2,675.8	7

The pricing structure for the 2010 timetable marks a significant change in order to take greater consideration of infrastructure costs and the market situation. It now comprises three types of charges: access charges, reservation charges and traffic charges (in replacement of access fees, route reservation fees, station stop reservation fees and traffic fees).

With the pricing reform, access charges (fixed amount for registered passenger services) are paid by the *Syndicat des Transports d'Île-de-France* for services in the Paris region and by the French State, on behalf of the administrative regions, for other regional passenger services. Reservation and traffic fees now represent around 50% of route costs each.

Additional electricity fees of €89.9 million remain broadly stable compared with 2008 (down 3.3%).

Other service fees totalled €39.7 million, down €23.8 million, or 37.5% compared to 2008. The decrease between 2009 and 2008 in the amount invoiced for other service fees is attributable to the decline in the number of marshalling yards in operation (from 21 to 10) invoiced to the SNCF and the length of service track in kilometres. A €4.5 million credit note was also issued to SNCF in 2009 in respect of 2008 regarding the use of marshalling yards.

Private sidings

RFF recognised income of €14.3 million in 2009 from the management of private sidings. This amount can be compared with income of €9.1 million for the year ended 31 December 2008, due to the 2008 adjustment to income previously recognised in the amount of €2.55 million.

5.2. Operating grants

Operating grants break down as follows:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
State contribution to infrastructure costs	–	658.2
State operating grant	2,325.8	–
Other operating grants	95.8	58.4
Total	2,421.6	716.6

State operating grant: new grant as from 2009 (see *Major events*).

Property rental income

Property rental income totalled €81.8 million in 2009, compared with €63.9 million in 2008.

The 2009 income includes credit notes in the amount of €0.6 million corresponding to the adjustment of the SNCF Rail Company rent following quality compliance work on the physical inventory performed in 2009. The 2008 rent invoiced to SNCF Rail Company totalled €3.1 million for an occupancy area of 142,000 m². Furthermore, the 2009 income includes income of €2.2 million arising from the adjustment of income invoiced by SNCF on behalf of RFF in previous years (the work for this adjustment that was conducted following the allocation of assets was ended in 2009).

Excluding adjustments to prior years, 2009 income amounted to €80.1 million, compared to €75.7 million in 2008 (corresponding to the year's production after restatement of journal entries of previous years), up 5.8%.

Property rental income is allocated to five major categories: rail (8%), land and property (64%), telecommunications (24%), networks (2%) and sundry authorisations (2%).

The 2009 increase mainly concerns "telecommunications income" which totalled €19.2 million compared to €16.3 million in 2008 and advertising income (station and non-station) which totalled €24.5 million and represents 48% of "Land and property" income.

5.3. Delegated management fees

Delegated management fees break down as follow:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Delegated management fees for infrastructure management	(2,836.6)	(2,809.8)
Delegated management fees for platform management	(44.8)	(46.0)
Malicious acts	–	(25.5)
Total delegated infrastructure management fees	(2,881.4)	(2,881.3)
Property management fees	(72.7)	(69.0)
Total delegated management fees	(2,954.1)	(2,950.4)

NB: Repair costs with respect to malicious acts and other damages were retransferred in 2009 to other operating expenses in the same way as the other work not provided for in the SNCF mandate agreements. The costs relating to these repairs totalled €32.7 million in 2009, compared to €25.5 million in 2008.

Note that RFF delegates the following activities to SNCF:

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

Pursuant to Article 15 of the aforementioned Decree, fees payable to SNCF are defined on a fixed-sum basis for each of the three activity categories.

Network management fees represented an expense of €2,836.6 million in 2009 including an adjustment of €2 million for prior years.

Platform management fees under the contract signed with SNCF represented an expense of €44.8 million in 2009, including an adjustment of €2.5 million for prior years.

Fees under the services contract totalled €44.7 million in 2009. Fees under the financial agreement in the same period totalled €15.3 million. Services rendered by Adyal, Nexity and by the Adyal-IBM grouping acting as agents totalled €12.6 million.

5.4. Other network expenses

Other network expenses concern the “Electricity Transport” heading.

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Electricity transport	(156.6)	(152.5)
Total	(156.6)	(152.5)

RFF purchases the electric power used in its installations under a contract signed on 1 March 2007 with EDF Entreprise, mainly in the form of Joule effect losses.

Under the same contract, EDF-Entreprise (via the so-called *Responsable d'équilibre* adjustment system) provides RFF with the additional power supply it requires.

RFF network access contracts with RTE (Cart contract), EDF-ERD (Card contract) and Électricité de Strasbourg provide for the transmission, via the high-voltage and medium-voltage grid upstream of substations, of the energy used by all rail operators.

Together these services represented an expense of €155.4 million in 2009, taking account of an annual CSPE public service electricity levy capped at €0.5 million.

Expenses incurred, together with contract management costs, are recharged on a monthly basis to users of the network in proportion to traffic levels in the form of additional electrical traction fees, and represented an amount of €158.2 million in 2009.

The difference between income and expenses relating to additional electrical traction fees is partly attributable to certain contract management costs recharged by RFF to network users in proportion to traffic levels.

5.5. Taxes other than on income

This expense heading comprises the following items:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Taxes other than on income – direct management	(10.0)	(8.8)
Taxes other than on income – delegated management	(33.7)	(34.5)
Net (charges)/reversals of provisions for tax risks	(46.1)	–
Total	(89.8)	(43.2)

The 2009 charge to provisions for income tax corresponds to the additional tax charge subject to litigation proceedings.

5.6. Other operating expenses

Other operating expenses break down as follows:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Study costs net of capitalised production	(59.1)	(44.8)
Railway work and equipment net of capitalised production	(57.5)	(9.6)
Other external expenses net of capitalised production	(129.3)	(82.4)
Personnel costs net of capitalised production	(78.0)	(67.0)
Total	(324.0)	(203.8)

In 2009, railway work and equipment included the repair of damages and malicious acts in the amount of €32.7 million. The 2008 corresponding amount of €25.5 million was classified under “Delegated management fees”. Statutory auditor fees totalled €250,000 in 2009, i.e. €115,000 for Mazars and €135,000 for PriceWaterhouseCoopers.

5.6.1. Personnel costs

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Salaries	(55.5)	(50.7)
Payroll taxes	(22.5)	(16.2)
Total	(78.0)	(67.0)

5.6.2. Workforce

As at 31 December 2009, RFF had a workforce of 1,166 including 37 specifically-assigned civil servants and 66 seconded staff (61 from SNCF, 2 from RATP, 1 from GDF, 1 from UIC and 1 from SCET). As at 31 December 2008, RFF had a workforce of 939.

5.6.3. Remuneration of key management personnel

Total remuneration of the members of the RFF Executive Committee in 2009 was €1,324,504 million. The Committee had an average of 7 members during the year.

5.7. Investment grants released to profit or loss

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Investment grants released to profit or loss	196.3	185.7
Grants for upgrade and compliance work released to profit or loss	99.0	70.5
Total	295.3	256.2

5.8. Other recurring income and expenses

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Bank charges	(0.1)	(0.5)
Other expenses	(95.9)	(332.2)
Other recurring expenses	(96.0)	(332.7)
Net gains on disposal of investment property	120.5	60.9
Gain (loss) on disposal of other property, plant and equipment	–	–
Other income	72.4	12.0
Other recurring income	192.9	72.9

5.9. Other non-recurring income and expenses

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Impairment	(1.3)	–
Depreciation and amortisation	–	(922.8)
Other expenses	–	–
Other non-recurring expenses	(1.3)	(922.8)
Grant reversals	1.1	–
Impairment reversals	–	10,130.0
Other income	–	–
Other non-recurring income	1.1	10,130.0

It should be noted that for the year ended 31 December 2009, non-recurring income included the impact of the reversal of impairment of the Infrastructure CGU's assets in the net amount of €9,207.2 million, after taking into account a depreciation and amortisation adjustment of €922.8 million.

5.10. Cost of net debt

The cost of net debt breaks down as follows:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Expenses on liabilities recognised at amortised cost	(1,154.8)	(1,252.5)
Fair value gains (losses) on debt hedged by FVH	51.8	(157.3)
Income (expense) on derivatives designated as FVH	(66.7)	(85.7)
Income (expense) on derivatives not designated as hedges	22.2	(32.0)
Premium /discount on foreign currency derivatives	(8.6)	(7.7)
Total cost of gross debt	(1,156.0)	(1,535.2)
Income (expense) on assets measured at fair value	17.2	64.4
Cost of net debt	(1,138.8)	(1,470.7)

Derivative impacts exclude foreign currency derivatives, as such impacts are exactly offset by foreign currency gains and losses on the debt.

Breakdown of income (expense) on derivatives designated as fair value hedges

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Interest for the period on FVH swaps	64.8	(10.3)
Fair value gains and losses on derivatives designated as FVH	(47.7)	152.1
Income (expense) on derivatives designated as FVH	17.1	141.7

Breakdown of income (expense) on derivatives designated as cash flow hedges

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Net interest received/paid on CFH swaps	(88.1)	(78.2)
Release to profit or loss of amounts deferred in equity	5.7	10.4
Ineffective portion of cash flow hedges	(1.3)	(2.4)
Income (expense) on derivatives designated as CFH	(83.8)	(70.2)

Breakdown of income (expense) on derivatives not designated as hedges

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Net interest received /paid on swaps not designated as hedges	(1.6)	(9.0)
Fair value gains (losses) on derivatives not designated as hedges	23.8	(23.0)
Income (expense) on derivatives not designated as hedges	22.2	(32.0)

Movement in cash flow hedge reserves

Income (expenses) deferred in equity include the foreign currency impact recognised on cash flow hedges.

As at 31 December 2009, amounts deferred in equity break down as follows (in millions of euros):

As at 1 January 2008	30.4
Amounts released to 2008 profit or loss ⁽¹⁾	(787.9)
Change in equity	517.8
As at 1 January 2009	(239.7)
Amounts released to 2009 profit or loss ⁽¹⁾	227.6
Change in equity	(443.0)
As at 31 December 2009	(455.1)

(1) Including the impact of currency derivatives designated as cash flow hedges immediately transferred to profit or loss in the amount of €855.7 million in 2008 and €145.1 million in 2009.

5.11. Other financial income and expenses

Other financial income and expenses break down as follows:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Interest income on current accounts	7.4	3.5
Other financial income	10.9	48.6
Other financial income	18.3	52.1
Interest expense on current accounts	(6.9)	(33.9)
Other financial expenses	(1.2)	(5.6)
Other financial expenses	(8.0)	(39.5)

Other financial income and expenses mainly comprise interest on SNCF current accounts and late payment interest charged by RFF to co-financing bodies and charged to RFF by suppliers.

Note 6.

Related parties

Relations with the French State

In accordance with legislation applicable to companies in which the French State is the sole shareholder, RFF is subject to the economic and financial control of the State, the *Cour des Comptes* (French National Audit Office), the French Parliament and audits performed by the Inspection Générale des Finances (audit body of the French Finance Ministry).

P&L impact

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Operating grant - State contribution to infrastructure costs	–	658.2
Operating grant	2,325.8	–
Grant for upgrade and compliance work	103.5	75.0
Debt reduction grant	–	686.2
Total	2,429.4	1,419.4

Balance sheet impact

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Grant for upgrade and compliance work	4,230.8	4,334.4
Operating grant receivable	8.1	–
Total	4,238.9	4,334.4

Relations with SNCF

Relations between RFF and SNCF are governed by agreements. Act no. 97-135 of 13 February 1997 which created RFF provides, in Article 1, that an agreement between RFF and SNCF must set, in particular, the conditions of performance and remuneration of the management services delegated to SNCF, which include traffic and circulation management, the operation and maintenance of the technical infrastructure and network safety. To this end, RFF and SNCF signed agreement no. 98-007 on 26 October 1998. Decree no. 97-444 of 5 May 1997 stipulates that this agreement can provide, if necessary, for the signature of specific agreements of appropriate terms for the performance of the different services entrusted to SNCF. A specific agreement was thus signed for the management of platforms, passenger departure

and arrival terminals and related facilities. Similarly, the agreement signed on 19 May 1999 sets out the respective obligations of RFF and SNCF for the performance of research relating to the national rail network. Two agreements govern capital investment by RFF; the first defines the conditions of combined purchases, logistics and the transport of centrally managed supplies and the second addresses services relating to these operations.

In addition to these agreements of a purely rail-related nature, a property management contract defines the conditions under which RFF delegates management of property to SNCF and the agreement concerning RFF's debt with SNCF sets out the components of the debt transferred and the manner in which it is to be repaid.

Main impacts of activities on relations with SNCF

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Income: tolls	3,059.7	2,972.8
Expenses: management agreements	2,941.5	2,912.8
Production of property, plant and equipment delegated to SNCF	2,356.1	2,047.9

Note 7.

Off-balance sheet commitments

Financial guarantees

RFF has received bank guarantees from Calyon in a total amount of €1.3 million in favour of:

— various local authorities (préfectures), to cover the cost of restoration work on sites operated under investment programmes (five guarantees for a total amount of €1.1 million);

— Crédit Suisse Asset Management to cover a commercial lease (one guarantee for €0.2 million).

Other commitments given relating to asset disposals

RFF regularly sells property assets not necessary for railway activities.

Agreements to sell that have been signed but not yet exercised amounted to €117.5 million as at 31 December 2009, compared with €172.27 million as at 31 December 2008 and mainly included an agreement to sell relating to the Batignoles site in Paris for €103 million.

Note 8.

Subsequent events

Signature of the GSM-R PPP agreement

On 18 February 2010, RFF signed its first public-private partnership agreement with Synérail, comprising Vinci (30%), SFR (30%), AXA Private Equity (30%) and TDF (10%) for a total amount of €1.4 billion. The agreement involves the design, roll-out, financing, operation and maintenance of a national GSM-R technology telecommunications network covering around fourteen thousand kilometres of track.

RFF has undertaken to pay a portion of the investment fees in the amount of €0.97 billion, and operation-maintenance fees in the amount of €0.5 billion. The agreement has a fifteen-year term, including a five-year construction period.

At the same time, the French State, via AFITF, has undertaken to finance the investment in the amount of €0.9 billion, as part of the signing of a financing agreement.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2009

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by the French Ministry of the Economy, Industry and Employment, we hereby report to you, for the year ended 31 December 2009, on:

- the audit of the accompanying consolidated financial statements of Réseau Ferré de France;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2009 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the following matters:

— Note 2 "Comparability of the financial statements" which presents the various transactions and events for the year ended 31 December 2009 affecting the comparability of the consolidated financial statements with those for the year ended 31 December 2008;

— Note 4.12.2 "Movements in provisions" which presents the uncertainties regarding the measurement of:

- the loss on completion of the ZAC Paris Rive Gauche development project, based on information available at the date of the preparation of the consolidated financial statements for the year ended 31 December 2009;
- ongoing disputes in respect of the flooding in Arles in December 2003;
- provisions for decontamination and environmental risks, based on currently available information regarding the installations that require treatment.

2. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Notes 3.19 and 4.12 "Provisions" present the nature of provisions recorded by RFF. We have assessed the reasonableness of the manner in which these provisions were determined, on the basis of currently available information, as described in the last paragraph of the section relating to our opinion on the consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Neuilly sur Seine, 15 April 2010

The Statutory Auditors

Mazars
Xavier CHARTON

PricewaterhouseCoopers Audit
Florence PESTIE

DIRECTORS' REPORT ON THE FINANCIAL STATEMENTS

Fiscal year 2009 was marked by a net profit of **€418.3 million**, including net non-recurring income of **€24.5 million**.

The recurring operating profit before tax stood at **€393.8 million** for the year ended 31 December 2009, compared to a loss of €930.3 million for 2008.

The 2009 income statement reflects the 2008 reform by the French State of the grants allocated to RFF and applicable as from 2009. The previously allocated grants, i.e. the State contribution to infrastructure costs, the debt reduction grant, and the grant for upgrade and compliance

work, are replaced by a **single operating grant**. This operating grant, recognised in operating profit, totalled **€2,319.1 million** for 2009.

Expenditure incurred in rail network infrastructure projects amounted to **€3,318.7 million** for 2009, compared to €2,965.4 million for 2008.

Equity, including investment grants, amounted to **€10 billion** as at 31 December 2009.

Financial performance over the year and comments on key figures

1. Income statement

Net profit for the year

Net profit for 2009 amounted to €418.3 million, taking into account net non-recurring income of €24.5 million, compared to €8,098 million for the year ended 31 December 2008, taking into account net non-recurring income of €9,028.2 million.

Income statement

(in millions of euros)	2009	2008	Change
EBITDA	2,225.1	457.1	1,768.0
Operating profit (loss)	1,565.4	(213.7)	1,779.1
Net finance costs	(1,171.6)	(716.6)	(455.0)
Net non-recurring income (loss)	24.5	9,028.2	(9,003.7)
Net profit (loss) for the year	418.3	8,098.0	—

Operating profit totalled €1,565.4 million for the year ended 31 December 2009, compared to a loss of €213.7 million in 2008. This sharp improvement was due to the recognition of the new State operating grant in the amount of €2,319.1 million, which significantly exceeds the State contribution to infrastructure costs that was the only State grant recognised in operating profit for the year ended 31 December 2008 in the amount of €658.2 million.

This new State grant helps to finance the cost of using the national rail network incurred by regional passenger trains (TER) outside the greater Paris region, standard national passenger trains (CORAIL) and freight trains.

The table below shows the main changes in recurring operating profit.

Net finance costs increased by €455.0 million to €(1,171.6) million, compared to 31 December 2008, due to the cancellation of the debt reduction grant recognised in net finance costs in 2008 for €686.2 million.

Net non-recurring income in 2009 includes the gain or loss arising from the disposal of land and property assets and a provision adjustment. It should be noted that, in 2008, the impact of the Infrastructure CGU asset impairment reversal was recognised in the amount of €9,207.2 million.

Change in operating income and expenses

(in millions of euros)	2009	2008	Change
Infrastructure fees	2,985.5	2,832.3	153.2
Property rental income	81.8	63.9	17.9
State contribution to infrastructure costs	–	658.2	(658.2)
Operating grant – State	2,325.8	–	2,325.8
Other operating income	213.3	202.9	10.4
Capitalised production	890	876	14
Delegated management fees	(2,954.1)	(2,924.8)	(29.3)
Studies and construction costs (net of grants)	(857.7)	(858.1)	0.4
Other external expenses	(150.4)	(106.8)	(43.6)
Other operating expenses	(309.3)	(286.4)	(22.9)
Change in EBITDA	–	–	1,768.0
Depreciation and amortisation expense	(983.3)	(829.1)	(154.2)
Charges to provisions for impairment of projects in progress (net of reversals)	(6.3)	(15.7)	9.4
Charges to provisions for operating liabilities and charges (net of reversals)	15.9	(75)	90.9
Charges to provisions for impairment of current assets (net of reversals)	5.2	(14)	19.2
Investment grants released to profit	299.8	260.7	39.1
Other	9	2.1	6.9
Change in operating profit	–	–	1,779.0

EBITDA increased due to:

- the reform of State grants and the replacement, as from 2009, of the debt reduction grant and the grant for upgrade and compliance work allocated in 2008 by a single operating grant. This item also includes for 2009 the €6.7 million portion of the State “freight compensation” grant intended to offset the reduced scales applied by RFF to the freight activity in respect of the 2010 working timetable;
- an increase in network fees.

1.1. Changes in operating income

1.1.1. Infrastructure fees

Network fees invoiced for **basic railway services** totalled €2,855.9 million in 2009 (up 6.7% compared to 2008).

This amount includes the fees applicable to the 2009 working timetable (until 12 December 2009 inclusive) and those applicable to the 2010 working timetable (beginning 13 December 2009, i.e. 19 days of 2009).

The pricing structure for the 2010 working timetable marks a significant change in order to take greater consideration of infrastructure costs and the market situation. It now breaks

down into three types of charges: access charges, reservation charges and traffic charges (in replacement of access fees, route reservation fees, station stop reservation fees and traffic fees).

With the pricing reform, access charges (fixed amount for registered passenger services) are paid by the *Syndicat des Transports d'Île-de-France* for Greater Paris regional services and the State, in respect of administrative regions, for other regional services. Reservation and traffic charges now each represent around 50% of route costs.

(in millions of euros)	2009	2008	Change in % ⁽¹⁾
Access fees	97.7	100.8	(3)
Route reservation fees	1,627.8	1,631.0	–
Station stop reservation fees	439.1	440.3	–
Traffic fees	480.0	503.7	(5)
Total basic railway services under 2009 scale	2,644.6	2,675.8	(1)
Access charges	72.2	–	–
Reservation charges	75.3	–	–
Traffic charges	63.8	–	–
Total basic railway services under 2010 scale	211.3	–	–
Total basic railway services	2,855.9	2,675.8	NM

(1) NM: not Material, keeping in mind that the pricing structure differs between 2008 and 2009 (for the last 19 days of December 2009).

The table below shows changes in traffic during the year:

Changes in route kilometres per activity

(in millions of route-kms)	2009	2008	Change in %
High-speed trains	139.8	137.8	1
Corail and Corail Intercity	51.3	53.6	(4)
TER Regional express trains	180.3	178.6	1
Greater Paris region	63.7	61.1	4
Freight	97.0	137.7	(30)
Other	13.0	15.3	(15)
Sub-total SNCF	545.1	584.1	(7)
New rail Freight companies	15.5	15.5	–
Total	560.6	599.6	(7)

In 2009, total traffic expressed in route-kilometres decreased by 7% compared to the previous year.

The impacts of the economic crisis on Freight activity were very significant. The business volume of the main carrier, SNCF Freight, declined dramatically by around 30%, primarily due to the poor economic climate which was worsened by the underlying decline of the single wagon activity. The new rail freight companies resisted considerably better to the crisis, maintaining their business volume in route-kilometres.

The market share of new rail companies increased from 7.0% to 12.5% between 2008 and 2009 (market share expressed in train-kilometres).

Despite the economic crisis, high-speed train activity did not decline, as, overall, the transport offering was not revised downward by the operator. On the contrary, standard long-distance passenger train traffic in 2009 continued to decline as in the past several years. However, regional passenger transport pursued its growth trajectory, and was not, at least in the short term, impacted by the adverse changes in the economic climate.

Additional electricity fees, standing at €89.9 million, declined compared to the amount recorded in 2008 (down 3.3%).

Other service fees amounted to €39.7 million, down €23.8 million or 37.5% compared to 2008. The difference between 2009 and 2008 in the amount invoiced for other service fees was attributable to the decline in the number of marshalling yards in operation (from 21 to 10) invoiced to the SNCF and the length of service track in kilometres. A €4.5 million credit note was prepared for the SNCF in 2009 in respect of 2008 regarding the use of marshalling yards.

1.1.2. Private sidings

RFF recognised income of €14.2 million in 2009 from the management of private sidings. This amount can be compared with the €9.1 million recorded for the year ended 31 December 2008, considering the 2008 adjustment of income previously recognised in the amount of €2.55 million.

1.1.3. Electricity

For the year ended 31 December 2009, RFF's electricity charges amounted to €155.4 million (excluding VAT). This includes the CSPE public service electricity levy of €0.5 million, according to the annual cap set by the 2004 Amended Finance Act.

The expense for the year is rebilled on a monthly basis to users of the national rail network in the form of additional electricity transmission fees, calculated in proportion to distance travelled and adjusted to take account of train profiles.

The total amount of fees recognised in income by RFF for 2009 was €158.2 million. This income includes electric traction management fees rebilled by RFF to rail network operators.

The CSPE public service electricity levy cap of €0.5 million was charged to the various operators.

1.1.4. Property rental income

Property rental income totalled €81.8 million in 2009, compared to €63.9 million in 2008.

The 2009 income includes credit notes in the amount of €0.6 million corresponding to the adjustment of the SNCF Rail Company rent following the quality compliance work on the physical inventory performed in 2009. To recap, the 2008 rent invoiced to SNCF Rail Company totalled €3.1 million for an occupation of 142,000 m². Furthermore, the 2009 income includes income of €2.2 million arising from the adjustment of income invoiced by SNCF on behalf of RFF in previous years (the work for this adjustment that was conducted following the distribution of assets ended in 2009).

Excluding adjustments in previous years, 2009 income amounted to €80.1 million, compared to €75.7 million in 2008, (corresponding to the year's production after restatement of journal entries of previous years), up 5.8%.

Property rental income is allocated to five major categories: rail (8%), land and property (64%), telecommunications (24%), networks (2%) and sundry authorisations (2%).

The 2009 increase mainly involves "telecommunications" income, which totalled €19.2 million, compared to €16.3 million in 2008 and advertising income (station and non-station), which totalled €24.5 million and represented 48% of "land and property" income.

1.1.5. Sales of materials

This item mainly represents sales and recoveries of old materials by SNCF on behalf of RFF in connection with maintenance or upgrade and compliance work.

It totalled €32.3 million in 2009, down €1.8 million, compared to €34.1 million in 2008.

1.1.6. Capitalised production

Capitalised production, comprising expenditure on directly managed projects, was stable. Construction and maintenance increased from €803.5 million in 2008 to €820.5 million in 2009, for an increase of €17 million.

(in millions of euros)	2009	2008	Change in %
Construction and maintenance	820.5	803.5	2.11
Studies	44.8	55.0	(18.5)
Other expenditure ⁽¹⁾	24.7	17.5	41
Capitalised production	890.0	876.0	1.6

(1) Personnel and other operating costs that can be capitalised.

1.1.7. Investment grants released to profit or loss

Investment grants are released to profit or loss on the same basis as the depreciation charged on the related assets.

Grants released in 2009 amounted to €299.8 million, including €103.5 million in grants relating to upgrading and compliance work.

1.2. Change in operating expenses

1.2.1. Rail network infrastructure and platform management fees

The delegated infrastructure manager is remunerated based on the 2007-2010 long-term infrastructure management agreement signed by RFF and SNCF on 25 May 2007, and the amendments thereto setting the basic projected annual fee. The projected amount for 2009 totalled €2,766 million.

For 2009, delegated infrastructure management fees totalled €2,766 million, including the indexation impact. In addition, various adjustments should be taken into account, primarily the financial impact on the reform of special pension plans for SNCF employees in the amount of €40.5 million, a performance bonus of €4 million and remuneration relating to other research services as well as additional major maintenance operations in the Greater Paris Region in the amount of €28.15 million. Prior-year adjustments were also recorded in 2009 in the negative amount of €2 million. The amount recognised in 2009 therefore totalled €2,836.6 million, compared to a total of €2,809.8 million in 2008.

The cost of platform management delegated to SNCF amounted to €44.8 million for 2009, compared to €46 million recognised in 2008 (including a prior-year adjustment of €2.5 million).

Malicious damage by identified and unidentified third parties, and the impact of accidents and damage caused by adverse weather conditions totalled €32.7 million for 2009 (including prior-year adjustments in the negative amount of €1.3 million), compared to €25.5 million in 2008.

1.2.2. Property management

Property management has been divided between SNCF on the one hand and Adyal and Nexity on the other.

This includes the management of property assets (rental, expenses, construction and maintenance), assistance with disposals, tax planning, and the management of land use and urban planning procedures.

SNCF property management is governed by two agreements: — a services contract for assignments conferred to SNCF. The cost of this agreement amounts to €44.7 million for the year ended 31 December 2009, including tax planning fees and claim repayments; — a financial contract for the reimbursements of the charges for property belonging to SNCF and occupied by infrastructure installations or SNCF delegated management services. The cost of this agreement amounts to €15.3 million for the year ended 31 December 2009.

The total charge to SNCF as agent amounts to €60 million for the year ended 31 December 2009.

Management fees for the other service providers, Adyal and Nexity, amounted to €12.6 million for the year ended 31 December 2009.

1.2.3. Study costs

In 2009, RFF recorded €104.4 million in study costs related to direct project management assistance, for an increase of 5% compared to 2008. Project management assistance including construction and maintenance phases represents €19.1 million (€35.6 million in 2008).

These costs break down as follows:

(in millions of euros)	Capitalised study costs	Operating study costs	Total
Major development projects	24.6	27.2	51.8
Regional development projects	7.6	7.2	14.9
Development studies	0.0	0.4	0.4
Network quality improvement (of which GSM-R)	8.6	4.6	13.2
Environment	0.1	0.0	0.1
Upgrade and compliance	3.2	0.4	3.6
Maintenance	0.2	0.0	0.2
Strategic studies	0.0	16.5	16.5
Property studies	0.6	0.5	1.1
Sales studies	0.4	0.5	0.8
Other	0.0	1.8	1.8
Total 2009	45.3	59.1	104.4
Total 2008	55.1	44.8	99.9

A total of 43% of study costs were capitalised. Capitalised study costs declined in 2009 compared to 2008 (down 18%), due to the expiration of the EE and Rhine-Rhone high-speed train line projects that had contributed to the 2008 increase. In 2009, these costs totalled €45.3 million, including project management assistance costs of €6.15 million, compared to €55.1 million in 2008, including project management assistance costs of €19.4 million.

However, operating studies increased by 32% (€59.1 million in 2009, compared to €44.8 million in 2008). This rise was primarily attributable to strategic studies.

1.2.4. Construction and maintenance work, and railway equipment

Costs recognised in this line item, totalling €849.1 million in 2009, relate to projects conducted by RFF itself. Practically all of these costs are included in capitalised production.

In 2009, the main items of expenditure for construction and maintenance concern the Rhine-Rhone high-speed line for €606.3 million, the Fréjus tunnel for €44.6 million and the Haut Bugey rail link project for €105.1 million.

1.2.5. Personnel costs

The headcount increased from 939 as at 31 December 2008 to 1,166 as at 31 December 2009, a year-on-year rise of 24.17%.

Personnel costs represented €77.5 million as at 31 December 2009, compared to €65.2 million in 2007, for a 18.86% increase.

1.2.6. Other external expenses

Other external expenses amount to €150.4 million for the year ended 31 December 2009, compared to €106.8 million

in 2008, for an increase of €43.6 million. The item includes work on projects managed by sub-contractors for €3.3 million, compared to €9.6 million in 2008, demolition and decontamination costs for €12.6 million, compared to €7.6 million in 2008 and, project-related temporary occupancy costs for €3.5 million, compared to €2.7 million in 2008. The latter project-related costs are recorded in capitalised production.

The cost of personnel seconded to RFF amounted to €8.6 million as at 31 December 2009, compared to €9.7 million in 2008.

1.2.7. Taxes other than on income

This account includes taxes managed on behalf of and rebilled to SNCF and other non-income based taxes paid directly by RFF, in the amount of €43.7 million

1.2.8. Depreciation and amortisation expenses

The total expense for the year amounted to €983.3 million, compared to €829.1 million for 2008.

1.2.9. Impairment of assets under construction

RFF records impairment provisions on projects in the pre-project or post pre-project phase to reflect the risk of non-completion.

An impairment charge was recorded in the amount of €12.6 million for the year ended 31 December 2009, in tandem to a reversal of €6.3 million. The provision thus amounted to €30.7 million, covering 262 projects and the portion of expenditure financed by RFF

1.2.10. Charges to provisions for operating liabilities and charges

1.2.10.1. Decontamination

The French Chart of Accounts (*Plan Comptable Général*) and the French National Accounting Committee (*Conseil National de la Comptabilité*) opinion 00-01 on liabilities require entities that are under an obligation in respect of decontamination or environmental risks to recognise a provision. This applies, in particular, to provisions for asbestos removal and the removal of PCBs in railway equipment. RFF has implemented two asbestos removal and asset decontamination programmes: one for buildings in the RFF property portfolio, and the other covering signalling equipment cabins, battery housing and accumulator shelters.

The amount of provisions for decontamination and environmental risks is revised at each balance sheet date to reflect the latest information obtained by RFF on these issues.

One programme involves the removal of asbestos in property assets. The balance of this provision as at 31 December 2009 was €10.7 million, including an additional charge of €1.5 million.

Another programme involves the removal of asbestos in machines and the decontamination or removal of rail sector machines or installations containing PCB. The balance of this provision as at 31 December 2009 was €10.9 million following a 2009 reversal of €6.6 million corresponding to expenses incurred and recognised as at 31 December 2009.

Despite the provision updates performed, the valuation of these provision amounts is still uncertain.

In addition to the Gobelins site asbestos removal programme, a provision for liabilities was recorded for the standards compliance cost of the site's installations. The balance of the provision as at 31 December 2009 was €12.0 million.

1.2.10.2. Other risks

RFF has also updated the other provisions existing at the balance sheet date based on changes in risks for the various files concerned.

1.3. Net finance costs

Net finance costs increased year-on-year by an amount of €455 million, from €(716.6) million one year ago to €(1,171.6) million in 2009, due to the cancellation of the debt reduction grant recognised in net finance costs in 2008 (for €686.2 million).

(in millions of euros)	2009	2008	Change
Short-term debt	(5.6)	(24.6)	19.0
Long-term debt	(1,175.8)	(1,391.7)	215.9
<i>Of which change in inflation indexation provision</i>	7.0	(76.0)	83.0
Net finance costs from ordinary financing activities	(1,181.4)	(1,416.4)	234.9
Debt reduction grant	–	686.2	(686.2)
Net finance costs net of debt reduction grant	(1,181.4)	(730.2)	(451.3)
Other financial items	9.8	13.6	(3.8)
Net finance costs	(1,171.6)	(716.6)	(455.0)

Net finance costs prior to the debt reduction grant showed some improvement by declining €233.6 million to €(1,182.7) million, compared to €(1,416.4) million in 2008.

This improvement was due to more favourable interest rates. The average cost of RFF debt in 2009 was 4.25%, compared to 5.11% in 2008.

For comparison purposes, the average 3-month Euribor and 10-year swap rates were 1.22% and 3.55% in 2009, compared to 4.64% and 4.51% in 2008, respectively.

Total debt for the year ended 31 December 2009 broke down as follows: 76% fixed rate, 15% floating rate and 9% indexed to inflation.

1.4. Net non-recurring income

The line item largely comprises the gain or loss on reversal of the infrastructure asset impairment for the year ended 31 December 2009 in the amount of €120.4 million. The capital gain arising on these asset disposals totalled €90.0 million in 2009, compared to €30.8 million in 2008.

This amount also takes into account the impact of updates to provisions relating to the Paris Left Bank Development project and the Flooding litigation in Arles.

RFF's direct production costs amounted to €944.5 million as at 31 December 2009 (including €628.1 million for the Rhine-Rhone high-speed line, €108.2 million for the Haut Bugey rail link project), compared to €910.1 million in 2008, up 3.77%.

Land and building purchases, excluding infrastructure investment projects, represent €1 million.

Advances for investment land increased by €7.2 million.

Infrastructure project capital expenditure amounted to €3,296.4 million as at 31 December 2009.

The portion relating to development projects declined by €32 million (or 2% compared to 31 December 2008) due to: — a €35.2 million increase in major development projects relating to the Rhine-Rhone high-speed line and the impact of the State recovery plan initiated by the French President on 4 December 2008;

— a €67.2 million decline in regional development projects mainly involving the reclassification of combined transactions for the Track programme (UIC line traffic indicators 7 to 9).

The portion relating to upgrade and compliance projects rose by €389.3 million or 37% compared to 31 December 2008. This increase, which forms part of the network renovation plan, was also partially ensured by the recovery plan.

2. Balance sheet

2.1. Property, plant and equipment

2.1.1. Capitalised production and acquisition of rail network assets

Total annual investment in rail network projects amounted to €3,319.7 million as at 31 December 2009, compared to €2,967.3 million for the same period in 2008, i.e. an increase of €352.4 million.

Projects carried out by service providers on behalf of RFF amounted to €2,367 million as at 31 December 2009, compared to 2,047.9 million in 2008, up by 15.58%.

Breakdown of capitalised expenditure

(in millions of euros)	31 Dec. 2009	31 Dec. 2008	Change
Major development projects	927.6	892.4	35.2
Major national projects before works	3.9	7.1	
Major national projects in progress	866.5	846.2	
Major PPP Projects	57.2	39.1	
Regional development projects	644.4	711.6	(67.2)
Regional development projects	644.4	711.6	
Network quality improvement	185.8	203.5	(17.7)
Security	42.1	44.2	
Train access	55.3	41.6	
Punctuality	42.3	33.1	
Techno development (ERTMS)	12.3	8.8	
GSM-R	17.7	60.6	
Performance enhancement	16.1	15.2	
Other	–	–	
Environment	0.9	2.5	(1.6)
Environment (acoustics, etc.)	0.9	2.5	
Upgrade and compliance work	1,440.1	1,050.8	389.3
Tracks	1,033.1	724.9	
Signalling and telecoms (excluding GSM-R)	174.6	133.4	
Electric traction	63.9	57.2	
Civil engineering structures and earthworks	152.1	119.6	
Other programmes (GHV, EM,)	16.4	15.7	
Sales investments and studies	12.3	8.3	4.0
Sales investments and studies	12.3	8.3	
Land/property	26.9	18.1	8.8
Land/property	26.9	18.1	
Works for third-parties	41.4	61.9	(20.5)
Works for third-parties	41.4	61.8	
Other operations	17.0	8.8	8.2
Other operations	17.0	8.8	
Total	3,296.4	2,957.9	338.5

2.1.2. Assets commissioned during the year

Assets commissioned during the year amounted to €1,286 million as at 31 December 2009, compared to €166.9 million as at 31 December 2008.

The commissioned assets concern the following programmes:

(in millions of euros)	31 Dec. 2009	31 Dec. 2008	Change
Major development projects	127.4	77.6	49.8
Major national projects in progress	123.3	77.6	
Other	4.1	–	
Regional development projects	238.2	16.1	222.1
Regional development projects	238.2	16.1	
Network quality improvement	81.9	10.4	71.5
Security	48.4	7.6	
Train access	9.9	1.2	
Punctuality	12.3	1.4	
GSM-R	(0.3)	–	
Performance enhancement	11.6	0.2	
Environment	3.2	–	3.2
Environment (acoustics and other)	3.2	–	
Upgrade and compliance work	759.4	58.6	700.8
Tracks	563.0	36.9	
Signalling and telecoms (excluding GSM-R)	20.0	8.2	
Electric traction	46.6	3.5	
Civil engineering structures and earthworks	114.6	5.1	
Other upgrade and compliance programmes	15.2	4.9	
Sales investments and studies	5.8	0.6	5.2
Sales investments and studies	5.8	0.6	
Land/property	0.9	0.1	0.8
Land/property	0.9	0.1	
Works for third-parties	69.2	3.5	65.7
Works for third-parties	69.2	3.5	
Total assets commissioned	1,286.0	166.9	1,119.1

2.1.3. Impairment testing at the balance sheet date

Property CGU

RFF found no indications of potential impairment for Property CGU assets.

Infrastructure CGU

RFF found no indications of potential impairment for Infrastructure CGU assets.

2.2. Investments grants

2.2.1. Grants for upgrading and compliance work

Grants on commissioned assets amounted to €844.4 million as at 31 December 2009 and will be transferred to income over a period of 42 years.

Regeneration grants released to profit or loss totalled €103.5 million as at 31 December 2009.

2.2.2. Other investment grants

Other grants included in equity amounted to €10,451.2 million as at 31 December 2009, compared to €9,328.7 million as at 31 December 2008, for an increase of €1,122.5 million (12.3%).

— Net grants on commissioned assets amounted to €6,069.6 million as at 31 December 2009, compared to €5,903.4 million at the end of 2008.

Transfers to in-service investment grants amounted to €362.5 million as at 31 December 2009. Reversals to income over this same period amounted to €196.3 million.

— Earned investment grants on assets under construction, calculated on a percentage of completion basis, totalled €4,381.7 million as at 31 December 2009, compared to 3,425.3 million at the end of 2008. Earned investment grants relating to expenditure over the period amounts to €1,323.7 million.

2.3. Breakdown of net debt

(in millions of euros)			
Total outstanding	2009	2008	Change
Long-term debt			
Debt transferred from SNCF	1,992.3	2,440.0	(447.7)
Debt contracted by RFF	26,580.5	24,982.9	1,597.6
Total long-term debt (A)	28,572.8	27,422.9	1,149.9
Short-term debt (B)	1,868.1	3,222.4	1,354.3
Cash and cash equivalents net of bank overdrafts (C)	2,002.5	1,888.2	114.3
Net debt (A + B – C)	28,438.4	28,757.3	(318.9)
Net debt excluding accrued interest	27,845.9	28,202.8	(356.9)

RFF raised an amount of €2.99 billion in 2009 on the international capital markets in 18 public and private operations denominated in euros, US dollar, Hong Kong dollar, pound sterling or Swiss franc.

3. Statement of cash flows

(in millions of euros)	2009	2008	Change
Operating cash flow	1,056.9	(160.2)	1,217.1
Change in working capital requirements	1,149.1	205.6	943.5
o/w operating	1,178.0	147.7	–
o/w financial	(28.9)	57.9	–
Net cash used in investing activities (excluding change in WCR)	(3,191.0)	(2,901.7)	(289.3)
Net cash from financing activities (excluding change in WCR)	1,099.3	3,453.0	(2,353.7)
Change in net cash position	114.3	596.7	(482.4)
Net cash at beginning of the year	1,888.2	1,291.5	–
Net cash at end of year	2,002.5	1,888.2	–

The change in working capital requirements is an inflow of €1,149.1 million, breaking down as a €28.9 million requirement for the portion relating to net financial income and an inflow of €1,178 million for the other income components.

The improvement in operating cash flow and operating working capital requirement was mainly attributable to the increase in the State operating grant.

Net cash used in investing activities amounted to €3,191.0 million, essentially representing 2009 investments. The increase is related to the capital expenditure for projects.

The decline in net cash from financing activities was attributable to the absence of the upgrade and compliance work grant in 2009 and the decrease in borrowings.

4. Trade payable settlement period

As at 31 December 2009, trade payables represented €727.7 million (reconciled with the amounts appearing in the financial statements) and break down as follows (in € millions):

Operating payables in the Liabilities' Balance Sheet	1,861.5
Of which tax and employee-related payables	(241.8)
Of which accrued expenses and credit notes	(877.7)
Of which warranties and contract penalties	(14.3)
Total trade payables	727.7

In order to comply with regulations, the breakdown of trade payables by maturity is as follows:

(in millions of euros)	Amount
Maturity	
Outstanding invoices	698.4
Outstanding by less than 30 days	4.9
Outstanding by more than 30 days	24.4
Total	727.7

Amounts due but not yet paid relate to disputed invoices. The corresponding disputes are currently being dealt with.

II.

Major events of 2009

Impact of the reform of State grants

The income statement for the first six months of 2009 reflects the 2008 reform by the French State of the grants allocated to RFF and applicable as from 2009. The previously allocated grants, i.e. the State contribution to infrastructure costs, the debt reduction grant, and the grant for upgrade and

compliance work, are replaced by a single operating grant.

This operating grant, recognised in operating profit, totalled €2,319.1 million for 2009.

III.

Change in accounting policy

No changes were made to accounting policies in 2009.

IV.

Subsequents events

Signing of the GSM-R PPP agreement

On 18 February 2010, RFF signed its first public-private partnership agreement with Synérail, comprising Vinci (30%), SFR (30%), AXA Private Equity (30%) and TDF (10%), for a total amount of €1.4 billion. The agreement involves the design, roll-out, financing, operation and maintenance of a national GSM-R technology telecommunications network covering around fourteen thousand kilometres of track.

RFF has undertaken to pay a portion of the investment fees in the amount of €0.97 billion, and operation-maintenance fees in the amount of €0.5 billion. The agreement has a fifteen-year term, including a five-year construction period.

At the same time, the French State, via the *Agence de financement des infrastructures de transport de France* (AFITF), has undertaken to fund the investment in the amount of €0.9 billion as part of the signing of a financing agreement.

STATUTORY

FINANCIAL

STATEMENTS

FOR THE YEAR

ENDED

31 DECEMBER 2009

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Balance sheet

ASSETS

(in millions of euros)	Note	31 Dec. 2009			31 Dec. 2008
		Gross	Depreciation, amortisation and provisions	Net	Net
Intangible assets	7.1.1/7.1.2	59.3	51.6	7.7	3.9
Property, plant and equipment (rail network)					
Land	7.1.1/7.1.2	4,938.7	–	4,938.7	4,967.1
Other assets in service	7.1.1/7.1.2	35,526.2	9,984.1	25,542.1	25,235.7
Assets under construction	7.1.1/7.1.4	9,705.7	73.9	9,631.8	7,623.8
Property, plant and equipment (operating)	7.1.1/7.1.2	37.3	22.1	15.2	13.9
Long-term investments	7.1.5	4.4	–	4.4	5.5
NON-CURRENT ASSETS		50,271.6	10,131.7	40,139.9	37,849.8
Trade receivables and related accounts	7.1.6.2/7.1.6.3	672.3	20.0	652.3	755.4
SNCF current accounts		0.5	–	0.5	–
Other receivables	7.1.6.1/7.1.6.2	2,246.1	20.7	2,225.4	2,551.9
Short-term investments, cash and cash equivalents	7.1.7	2,003.4	–	2,003.4	1,888.9
Prepaid expenses	7.1.8	64.4	–	64.4	301.0
CURRENT ASSETS		4,986.7	40.7	4,945.9	5,497.1
Deferred charges	7.1.9	569.0	377.0	192.0	194.6
Bond redemption premiums	7.1.9	12.6	8.3	4.4	5.1
Unrealised foreign exchange losses	7.1.10	239.9	–	239.9	246.7
TOTAL ASSETS		56,079.7	10,557.7	45,522.0	43,793.2

EQUITY AND LIABILITIES

(in millions of euros)	Note	31 Dec. 2009	31 Dec. 2008
Initial capital endowment	7.1.11	856.2	856.2
Capital injections	7.1.11	8,908.5	8,908.5
Accumulated deficit	7.1.11	(14,863.7)	(22,961.6)
Net income/(loss)	7.1.11	418.3	8,098.0
Investment grants	7.1.12	10,451.2	9,328.7
Grants for upgrade and compliance work	7.1.12	4,230.8	4,334.4
EQUITY		10,001.3	8,564.0
PROVISIONS FOR LOSSES AND CONTINGENCIES	7.1.13	724.4	703.3
Borrowings	7.1.14	30,443.9	30,647.8
Advances and down-payments received	7.1.15	201.8	77.8
Operating payables	7.1.16	1,861.5	2,187.6
SNCF current accounts		21.2	22.4
Other payables	7.1.16	1,685.7	1,169.0
Deferred income	7.1.17	582.3	421.4
TOTAL LIABILITIES		34,796.3	34,525.9
Unrealised foreign exchange gains		–	–
TOTAL EQUITY AND LIABILITIES		45,522.0	43,793.2

Income statement

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
OPERATING INCOME		
Infrastructure fees	2,855.9	2,675.8
Electricity transmission	158.2	154.2
Additional electricity fees	89.9	93.0
Other service fees	39.7	63.5
Income from private sidings	14.2	9.1
Non-traffic income from assets managed by RFF or under outsourced management	81.8	63.9
Sales of materials	32.3	34.1
Other	8.6	5.5
NET REVENUE	3,280.7	3,099.0
Capitalised production	890.0	876.0
State contribution to infrastructure costs	–	658.2
State operating grants	2,325.8	–
Investment grants released to profit or loss	196.3	185.7
Other grants	95.8	57.9
Grants for upgrade and compliance work released to profit or loss	103.5	75.0
Releases of provisions for operating contingencies and losses	79.6	7.8
Releases of provisions for impairment of current assets	19.5	18.9
Releases of provisions for impairment of projects in progress	6.3	9.1
Other operating income	0.1	–
Operating expense reclassifications	8.9	2.1
Total	7,006.6	4,989.9
OPERATING EXPENSES		
Delegated network management fees	2,836.6	2,809.8
Delegated property management fees	72.7	69.0
Delegated platform management fees	44.8	46.0
Malicious damage	32.7	25.5
Study costs	104.4	99.9
Construction and maintenance work, railway equipment	849.1	816.1
Electricity	155.4	152.5
Other external purchases	150.4	106.8
Taxes other than on income	43.7	43.2
Personnel costs	77.5	65.2
Charges to depreciation and amortisation	983.3	829.1
Charges to provisions for impairment of projects in progress	12.6	24.8
Charges to provisions for operating contingencies and losses	63.7	82.8
Charges to provisions for impairment of current assets	14.3	32.9
Total	5,441.2	5,203.6
NET OPERATING PROFIT/(LOSS)	1,565.4	(213.7)

Income statement (continued)

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
FINANCIAL INCOME		
Other financial income	424.1	498.6
Foreign exchange gains	0.6	4.6
Releases of provisions for indexation risks	6.8	–
Interest on short-term investments	30.9	111.0
Contribution to debt reduction	–	686.2
Total	462.3	1,300.3
FINANCIAL EXPENSES		
Interest on SNCF borrowing	109.0	174.7
Interest on loans secured by RFF	1,036.9	1,027.6
Interest on short-term loans	21.0	77.6
Other financial expenses	439.7	625.9
Foreign exchange losses	4.6	13.9
Charges to provisions for indexation risks	–	76.2
Amortisation of deferred charges	22.8	20.9
Total	1,634.0	2,016.9
NET FINANCIAL INCOME/(EXPENSE)	(1,171.6)	(716.6)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX	393.8	(930.3)
NON-RECURRING INCOME		
Proceeds from the sale of assets	120.5	60.9
Releases of provisions for exceptional contingencies and losses	22.1	11.9
Other non-recurring income	–	10,130.0
Total	142.6	10,202.8
NON-RECURRING EXPENSES		
Net carrying amount of assets sold	31.0	32.6
Charges to provisions for exceptional contingencies and losses	66.1	219.2
Other non-recurring expenses	21.0	922.8
Total	118.1	1,174.6
NET NON-RECURRING ITEMS	24.5	9,028.2
Income tax expense	–	–
NET PROFIT/(LOSS) FOR THE YEAR	418.3	8,098.0

Statement of cash flows

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) for the year	418.3	8,098.0
EXPENSES/(INCOME)WITH NO CASH IMPACT		
Net book value of assets sold	30.5	32.6
Proceeds from asset disposals	(120.5)	(60.9)
Depreciation and amortisation	983.3	829.1
Grants for upgrade and compliance work released to profit or loss	(103.5)	(75.0)
Investment grants released to profit or loss	(196.3)	(185.7)
Exceptional grants released to profit or loss	–	(11.9)
Charges to provisions for impairment of projects in progress	12.6	24.8
Releases of provisions for impairment of projects in progress	(6.3)	(9.1)
Charges to provisions for operating contingencies and losses	63.7	82.8
Releases of provisions for operating contingencies and losses	(79.6)	(7.8)
Charges to provisions for financial contingencies and losses	–	76.2
Charges to provisions for exceptional contingencies and losses	66.1	219.2
Charges to provisions for impairment of current assets	14.3	32.9
Releases of provisions for impairment of current assets	(19.5)	(18.9)
Amortisation of deferred charges (financial)	22.8	20.9
Releases of provisions for financial items	(6.8)	–
Releases of provisions for exceptional impairment	–	(10,130.0)
Exceptional depreciation and amortisation	–	922.8
Releases of provisions for exceptional contingencies and losses	(22.1)	–
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL REQUIREMENTS	1,056.9	(160.1)
Changes in working capital requirements	1,149.1	205.6
Trade receivables	111.3	305.2
Other receivables	323.3	130.8
Prepaid expenses	236.6	1.2
Operating payables	(326.1)	(131.5)
SNCF current accounts	(1.7)	19.6
Other payables	520.8	88.2
Deferred income	160.9	(208.0)
Advances and down-payments received	124.0	0.1
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	2,206.0	45.5

Statement of cash flows (continued)

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on acquisitions	(3,312.5)	(2,962.3)
Intangible assets	(7.3)	(3.7)
Network PP & E	(3,292.3)	(2,952.2)
Operating PP & E	(5.7)	(2.6)
Down payments on investment land	(7.2)	(3.9)
Long-term investments	1.1	0.3
Change in guarantee deposits	1.1	(0.3)
Reduction in capital and reserves	–	–
Disposals and reductions of fixed assets	120.5	60.9
Net proceeds from disposals of property, plant and equipment	120.5	60.9
NET CASH USED IN INVESTING ACTIVITIES	(3,191.0)	(2,901.7)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(8,381.5)	(11,465.0)
SNCF long-term borrowings	(447.7)	(1,242.5)
RFF long-term borrowings	(1,746.6)	(843.6)
RFF short-term borrowings	(6,205.9)	(9,341.2)
ICNE	38.1	(18.3)
Issue premiums	(19.4)	(19.4)
Bond redemption premiums	–	–
Increase in equity	1,320.0	2,113.3
Capital injections	–	–
Grants for upgrading and compliance	–	805.2
Change in investment grants	1,320.0	1,308.2
Increase in equity	8,164.5	12,788.4
Capital injections	3,351.0	2,963.4
Grants for upgrading and compliance	–	0.3
Change in investment grants	4,813.5	9,824.7
Increase in guarantee deposits received	(3.7)	16.2
NET CASH FROM FINANCING ACTIVITIES	1,099.3	3,453.0
CHANGE IN NET CASH POSITION	114.3	596.7
NET CASH POSITION AT THE BEGINNING OF THE YEAR	1,888.2	1,291.5
NET CASH POSITION AT THE END OF THE YEAR	2,002.5	1,888.2
CHANGE IN NET CASH POSITION	114.3	596.7

Notes

to the Statutory Financial Statements

1.

Presentation of "Réseau Ferré de France" (RFF)

Réseau Ferré de France (RFF) is a State-owned industrial and commercial company (*Établissement public à caractère industriel et commercial*, EPIC), established by Act no. 97-135 of 13 February 1997 ("the 1997 Act"), with retrospective effect from 1 January 1997.

The purpose of this legislation was to separate ownership of the rail infrastructure (devolved to RFF) from its operation (devolved to SNCF). Pursuant to the 1997 Act, SNCF is responsible for managing and maintaining the infrastructure on behalf of RFF. The services to be provided by SNCF and the related fee arrangements are specified in an agreement between RFF and SNCF. The Act of 5 January 2006 and the accompanying Decree no. 2006-1534 of 7 December 2006 provided additional clarifications regarding the functions of both companies and the manner in which they are to be carried out.

The principles applied to prepare RFF's opening balance sheet as at 1 January 1997 were as follows:

— the assets taken over by RFF as at 31 December 1996 were recorded at their net book value in SNCF's accounts;
— grants transferred to RFF's balance sheet included all grants relating to i) investments in the Paris commuter network for a total of €1,068.8 million (€556 million for commissioned assets, and €512.8 million for assets under construction) and ii) assets under construction for the main network amounting to €164.5 million (total grants relating to assets under construction thus amounted to €677.3 million).

As provided for under the 1997 Act of 13 February 1997, Réseau Ferré de France also recorded €20.5 billion worth of debt transferred from SNCF in its opening balance sheet.

2.

Accounting policies

Article 3 of the 1997 Act stipulates that RFF is subject to the rules applicable to industrial and commercial entities with respect to its finances and accounts. The financial statements of RFF have been prepared in accordance with the French Chart of Accounts and French generally accepted accounting principles (*Plan Comptable Général*).

2.1. Property, plant and equipment

RFF is free to manage these assets as it sees fit and may either develop or dispose of them, subject to compliance with the rules

governing public land (Article 11 of the 1997 Act and Article 5 of Decree no. 97-445 of 5 May 1997). RFF has full title to the assets transferred to the Company at the time of its formation, including the French rail network and other land and buildings.

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

The net book value of assets transferred to RFF by SNCF on 1 January 1997 amounted to €22.5 billion.

2.1.1. Property, plant and equipment under construction

2.1.1.1. Production cost of property, plant and equipment

Property, plant and equipment is stated at acquisition or production cost.

The production cost of projects is capitalised in the balance sheet as from the “pre-project” phase.

The production cost of projects carried out under contracts granted by RFF includes amounts invoiced by the companies performing the work. Project management and prime contractor fees are specified in the contract between the two companies.

For projects carried out directly by RFF, production cost includes the cost of studies, construction work, purchase cost and compensation paid for land acquisitions and direct operating expenses.

2.1.1.2. Impairment of projects in progress

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

Two types of criteria are used in determining impairment provisions:

— the exception procedure: this is used when an exceptional event calls the completion of the project into question. If the risk of non-completion is greater than 50%, the project costs are written down in full;

— the fixed-percentage procedure: capitalised project costs are written down by 25%, 55% or 100%, where the investments have been discontinued for 2, 3 or 4 or more years, respectively. Studies related to upgrade and compliance projects are written down only if the work is not scheduled for future years.

Impairment losses are calculated net of earned grants related to the projects in question.

2.1.2. Property, plant and equipment commissioned

2.1.2.1. Commissioning procedure

RFF applies the following commissioning procedures:

— at the start of the construction phase, when the detailed estimate is prepared, projected costs for each technical tranche are allocated between assets on the basis of the PP&E categories used by RFF;

— as the project advances and tranches reach technical completion, all expenditure incurred is allocated between assets; the assets for any given project are commissioned upon technical completion or on handover to the delegated

infrastructure manager;

— commissioned project expenditure includes accrued expenses.

2.1.2.2. Property, plant and equipment categories

In accordance with French Accounting Regulations Committee (CRC – *Comité de la Réglementation Comptable*) regulation 2002-10, RFF 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.

2.1.2.3. Depreciation of property, plant and equipment

As part of the CRC regulation 2002-10 compliance process, RFF has defined useful lives for each component in its list. Depreciation is calculated on a straight-line basis. Useful lives, which are defined on the basis of recommendations from technical experts in the relevant field, are summarised in the following tables:

	Useful life
Improvements to land	30 years
Line earthworks and buildings	15 – 50 years
Improvements to buildings	10 years
Tracks	20 – 100 years
Electrical supply equipment	10 – 75 years
Signalling	15 – 50 years
Telecommunications	5 – 30 years
Level crossings	15 years
Civil engineering structures	30 – 70 years

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

	Useful life
Fixtures and fittings	10 years
Office furniture and equipment	5 – 7 years
Computer and telecommunications equipment	3 – 5 years
Vehicles	5 years
Software	1 – 5 years

2.1.2.4. Valuation of commissioned property, plant and equipment

Step 1. Allocation of assets to cash-generating units

CRC regulation 2002-10 specifies methods for calculating the recoverable amount of assets and the circumstances in which assets must be tested for impairment.

In the case of RFF, it is not possible to estimate the recoverable amounts of stand-alone assets. Consequently, RFF departed

from CRC regulation 2002-10 and used the concept of the cash-generating unit as defined by IFRS (IAS 36).

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

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

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

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

Step 2. Asset valuations

Definition

The recoverable amount of Infrastructure CGU assets is their value in use (these assets do not have a net realisable value).

The recoverable amount of Property CGU assets is their market value.

Calculation of value in use of the Infrastructure CGU

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

a) Scope of the Infrastructure CGU

The Infrastructure CGU comprises all assets included in the following asset families in the asset classification structure used by RFF.

Improvements to Land and Buildings, Electrical Supply Equipment, Signalling Equipment, Telecommunications Equipment, Civil Engineering Structures, Track, Level Crossings, Line Earthworks.

The Land and Buildings asset families have been split between the Infrastructure CGU and the Property CGU according to their use.

RFF's buildings were allocated 90% to the Infrastructure CGU as at 1 January 2005. Pending a complete asset inventory and based on the information currently available to RFF, 90% of buildings are occupied by the delegated infrastructure manager.

Land was allocated as follows:

- all trackbed land was allocated to the Infrastructure CGU;
- other land not classified as investment land or goods yards was also allocated to the Infrastructure CGU.

The allocation of land and buildings between the two CGUs is somewhat arbitrary and could be improved.

b) Breakdown of future cash flows

Inflows:

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

Outflows:

- network management fees;
- property management fees attributable to infrastructure assets;
- platform management fees;
- investment in upgrade and compliance work.

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

c) Cash flows projections

The annual budget preparation process used by RFF does not enable it to prepare cash flow projections covering several years. Projected cash flows are based on the figures contained in the most recent budget, which are extrapolated over the remaining average useful lives of the different asset categories. The data shown in the 2008-2012 performance contract approved by the ministerial authorities is also taken into account.

d) Discounting cash flows to present value

The discount rate used is based on the cost of the company's long-term debt. A 1.5% risk premium is added to this rate. Construction risks are excluded.

Valuation method used for Property CGU assets

a) Scope of property CGU assets

The Property CGU assets consist of land and buildings.

Land

This includes saleable land belonging to RFF on which there is no railway activity. Such land is considered as not usable

for infrastructure or transport purposes. Saleable land also includes goods yards.

Building

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

b) Valuation method used for land

The land and buildings allocated to the Property CGU were valued on an overall basis as at 1 January 2005, particularly based on:

- the geographical region in which they are located;
- a market value per square metre, which takes account of the probable use of the land after sale.

This valuation is updated at each balance sheet date to take account of disposals in the period.

Step 3. Impairment of Infrastructure CGU assets

Indications of impairment

RFF has adopted the following indications of impairment:

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

Changes in these indicators are compared with changes in:

- RFF's borrowing rate and, by implication, its discount rate;
- the amount of future maintenance expenditure;
- the amount of future toll fees;
- the amount of future State contributions to infrastructure costs or other operating grants;
- the remaining average useful lives of the assets.

Impairment testing

At each balance sheet date, RFF assesses whether there is any indication of loss or gain in value. If necessary, an impairment test is performed.

Impairment tests involve comparing the carrying amount of assets, net of grants on commissioned assets not yet released to profit or loss, to the present value of future cash flows to be generated by these assets, to which the residual value of the assets at the end of their useful lives is added.

Calculation of impairment losses

If the net carrying amount of the Infrastructure CGU is greater than the present value, an impairment loss is recognised.

The impairment loss is allocated to each of the assets in the CGU in proportion to their carrying amounts. The future depreciation schedule of each asset is adjusted to reflect the impairment loss allocated to it. If the test results in a carrying amount of the CGU that is below the present value of the future cash flows and if impairment had previously been recognised, a reversal of impairment is recognised so that the carrying amount is increased to the value in use.

2.1.3. Disposals

Assets may be sold either by RFF itself or by delegated agents acting on behalf of RFF. In the latter case, the delegated agents inform RFF of the disposal proceeds and the net book value of the assets sold.

2.2. Grants

RFF receives two types of grant:

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

They follow the same accounting treatment as the corresponding expenditure:

- they are included in operating income when they relate to operating expenses (general studies, preliminary studies);
- they are recorded in equity when they relate to capitalised expenditure (assets under construction, from the pre-project phase onwards). These grants are then released to profit or loss to match the depreciation recognised on the commissioned property, plant and equipment.

b) The 2009 Finance Act introduced a lump-sum grant intended to contribute to RFF's financial balance

2.3. Receivables

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

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

2.4. Short-term investments

Short-term investments are stated at historical cost. The market value of short-term investments is calculated at the balance sheet date and a provision is recorded for any impairment losses.

2.5. Transactions in foreign currencies and provisions for foreign exchange losses

Monetary assets and liabilities denominated in foreign currencies are translated into euros at the year-end exchange rate, 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.

2.6. Derivative financial instruments

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

RFF uses virtually all its derivatives for hedging purposes. Any gains and losses on these hedging instruments are recognised in the income statement to match the recognition of gains and losses on the hedged items.

Differences in interest receivable and payable arising from interest rate swaps and caps, and any premiums and balancing cash payments on such instruments, are recorded as an adjustment to the interest expense over the term of the contract.

In the case of forward currency contracts and currency swaps, the initial difference between the contractual forward rate and the spot rate is recorded in foreign exchange gains or losses in the income statement over the term of the contract.

2.7. Borrowings

a) Debt transferred from SNCF

When RFF was established on 1 January 1997, a €20.5 billion debt was transferred to RFF's opening balance sheet from SNCF. The term, interest rate and currency of this borrowing were representative of SNCF's debt structure at the time of the formation of RFF.

The characteristics of the debt were modified in 2001 due to loan extension clauses. No further modifications have been made since then.

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

b) RFF 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, RFF revalues the redemption premium based on changes in inflation. A provision for contingencies and losses is recorded at each year-end, representing the amount of the unrealised loss at the year-end.

2.8. Provision for decontamination and environmental risks

The French Chart of Accounts and CNC opinion 00-01 on liabilities require entities that have obligations in respect of decontamination or environmental risks to recognise a provision. This applies to RFF. Obligations of this type may relate to remediation of past environmental damage or prevention of future environmental damage, and include asbestos removal provisions.

2.9. Insurance

RFF has taken out insurance policies since 1 January 2007. These policies cover financial liability for loss or injury risks related to all of its activities and risks of damages to its assets and consequential loss of toll revenues.

These "all risks subject to exclusions" policies also cover natural disasters and are taken out with leading insurers.

3.

Changes in accounting policies

No changes were made to accounting policies in 2009.

4.

Significant events

Impact of the reform of the State grant

The 2009 income statement reflects the 2008 reform by the French State of the grants allocated to RFF and applicable as from 2009. The previously allocated grants, i.e. the State contribution to infrastructure costs, the debt reduction grant, and the grant for upgrade and compliance work, are replaced by a single operating grant.

This operating grant totalled €2,325.8 million for 2009.

The following grants were recognised in 2008:

- state contribution to infrastructure costs: €658.2 million, in recurring operating income;
- debt reduction grant: €686.2 million in financial income;
- grant for upgrade and compliance work: €805.2 million in equity

5.

Comparability of the financial statements

The comparability of the financial statements for the year ended 31 December 2009 with those for the year ended 31 December 2008 should be assessed with regard to the following items:

— the impact of the reform of grants reflected for the first time in the 2009 income statement (see Note 4 above);

— the impact in the financial statements for the year ended 31 December 2008 of the reversal of impairment of infrastructure assets (+€9,207 million impact on non-recurring items for the year ended 31 December 2008).

6.

Subsequent events

Signing of the GSM-R PPP agreement

On 18 February 2010, RFF signed its first public-private partnership agreement with Synérail, comprising Vinci (30%), SFR (30%), AXA Private Equity (30%) and TDF (10%) for a total amount of €1.4 billion. The agreement involves the design, roll-out, financing, operation and maintenance of a national GSM-R technology telecommunications network covering around fourteen thousand kilometres of track.

RFF has undertaken to pay a portion of the investment fees in the amount of €0.97 billion, and operation-maintenance fees in the amount of €0.5 billion. The agreement has a fifteen-year term, including a five-year construction period.

At the same time, the French State, via AFITF, has undertaken to finance the investment in the amount of €0.9 billion, as part of the signing of a financing agreement.

7.

Notes to the balance sheet and income statement

7.1. Notes to the balance sheet

7.1.1. Property, plant and equipment and intangible assets

(in millions of euros)	Gross value as at 31 Dec. 2008	Increases	Transfers	Expense reclassifications	Decreases	Gross value as at 31 Dec. 2009
Intangible assets						
Software	50.1	2.9	3.4	–	–	56.4
Software in progress	1.8	4.4	(3.4)	–	–	2.9
Total intangible assets: gross value	51.9	7.3	–	–	–	59.3
Rail assets						
Land	4,967.1	0.4	–	–	(28.7)	4,938.7
Improvements to land	689.4	–	41.6	–	–	731.0
Housing fixtures & fittings: Med. high-speed line	1.3	–	–	–	–	1.3
Line earthworks	4,775.9	–	31.3	–	–	4,807.2
Buildings	824.8	0.6	41.8	(0.7)	(2.3)	864.3
Improvements to buildings	80.0	–	4.9	–	–	84.9
Tracks	11,379.6	–	629.2	–	–	12,008.9
Level crossings	497.7	–	16.3	–	–	514.0
Civil engineering structures	8,564.4	–	164.7	–	–	8,729.1
Electrification	2,769.5	–	197.9	(1.0)	–	2,966.4
Signalling	3,779.2	–	128.0	–	–	3,907.2
Telecommunications	876.4	–	26.6	–	–	903.1
Computer equipment	2.6	–	2.4	–	–	5.0
Billboards	3.8	–	–	–	–	3.8
PP&E under construction	7,672.0	3,311.5	(1,284.9)	(15.2)	–	9,683.4
Advances on PP&E under construction	18.1	7.2	–	–	(3.0)	22.3
Total property plant and equipment (excl. operating assets): gross value	46,901.8	3,319.7	–	(16.8)	(33.9)	50,170.6
Operating assets						
Office fixtures and fittings	19.7	2.2	(0.1)	–	–	21.8
Vehicles	0.1	–	–	–	–	0.1
Office equipment	0.5	0.1	–	–	–	0.6
Computer equipment	6.9	1.7	–	(0.1)	(0.5)	8.0
Telecommunications equipment	1.3	1.1	–	–	–	2.4
Furniture	3.8	0.6	0.1	–	–	4.4
Total operating assets: gross value	32.2	5.7	–	(0.1)	(0.5)	37.3

Capital expenditure

Capital expenditure (excluding software and operating assets) in 2009 totalled €3,319.7 million.

This capital expenditure comprises:

- infrastructure investment projects for €3,311.5 million including:

- production carried out by agents on behalf of RFF for €2,367 million,
- direct production for €944.5 million;
- land and building purchases, excluding infrastructure investment projects, for €1 million;
- increase in down payments for investment land in the amount of €7.2 million.

Capitalised expenditure during the year

Capitalised expenditure in 2009 totalled €3,296.4 million and breaks down as follows:

(in millions of euros)	As at 31 Dec. 2009	
Major development projects	–	927.6
Major national projects before start-up	3.9	–
Major national projects after start-up	866.5	–
Major PPP projects	57.2	–
Regional development projects	–	644.4
Regional development projects	644.4	–
Network quality improvements	–	185.8
Safety	42.1	–
Access to trains	55.3	–
Regularity	42.3	–
Technical development (ERTMS)	12.3	–
GSM-R	17.7	–
Performance improvements	16.1	–
Environment	–	0.9
Environment (acoustics, etc.)	0.9	–
Upgrade and compliance	–	1,440.1
Tracks	1,033.1	–
Signalling equipment and telecoms (excl. GSM-R)	174.6	–
Electrical traction	63.9	–
Civil engineering structures and earthworks	152.1	–
Other programmes (GHV, EM, etc.)	16.4	–
Investment and commercial studies	–	12.3
Investment and commercial studies	12.3	–
Land/property scope	–	26.9
Land/property scope	26.9	–
Work for third parties	–	41.4
Work for third parties	41.4	–
Other operations	–	17.0
Other operations	17.0	–
Total	–	3,296.4

Assets commissioned during the year

Assets commissioned in 2009 totalled €1,286 million.

They break down as follows:

(in millions of euros)	As at 31 Dec. 2009	
Major development projects	–	127.4
Major national projects	123.3	–
Other	4.1	–
Regional development projects	–	238.2
Regional development projects	238.2	–
Network quality improvements	–	81.9
Safety	48.4	–
Access to trains	9.9	–
Regularity	12.3	–
GSM-R	(0.3)	–
Performance improvements	11.6	–
Environment	–	3.2
Environment (acoustics, etc.)	3.2	–
Upgrade and compliance	–	759.3
Tracks	563	–
Signalling equipment and telecoms (excl. GSM-R)	20	–
Electrical traction	46.6	–
Civil engineering structures and earthworks	114.6	–
Other upgrade and compliance programmes	15.2	–
Investment and commercial studies	–	5.8
Investment and commercial studies	5.8	–
Land/property scope	–	0.9
Land/property scope	0.9	–
Work for third parties	–	69.2
Work for third parties	69.2	–
Total assets commissioned	–	1,286.00

7.1.2. Depreciation and amortisation schedule

(in millions of euros)	Accumulated depreciation and amortisation as at 31 Dec. 2008	Charges	Transfers	Decreases	Accumulated depreciation and amortisation as at 31 Dec. 2009
Intangible assets					
Software	48.1	3.6	–	–	51.6
Total amortisation of intangible assets	48.1	3.6	–	–	51.6
Rail assets					
Line earthworks	839.8	100.7	–	–	940.5
Improvements to land	45.7	24.6	–	–	70.3
Buildings	64.4	30.1	–	(0.5)	94.1
Housing fixtures & fittings: Med. high-speed line	0.7	0.1	–	–	0.8
Improvements to buildings	50.4	6.6	–	–	57.0
Tracks	3,141.5	372.1	–	–	3,513.7
Level crossings	453.8	10.1	–	–	463.9
Civil engineering structures	1,251.1	132.3	–	–	1,383.4
Electrification	860.8	103.7	–	–	964.5
Signalling	1,639.0	150.7	–	–	1,789.7
Telecommunications	659.2	40.6	–	–	699.8
Computer equipment	0.4	3.5	–	–	3.9
Billboards	1.5	0.9	–	–	2.4
Total depreciation of property plant and equipment (excl. operating assets)	9,008.4	976.2	–	(0.5)	9,984.1
Operating assets					
Office fixtures and fittings	9.5	2.0	–	–	11.5
Vehicles	0.1	–	–	–	–
Office equipment	0.4	–	–	–	0.5
Computer equipment	5.3	1.0	0.1	(0.3)	6.0
Telecommunications equipment	1.0	0.1	–	–	1.1
Furniture	2.6	0.4	–	–	3.0
Total depreciation of operating assets	18.8	3.5	0.1	(0.3)	22.1
GRAND TOTAL	9,075.3	983.3	0.1	(0.8)	10,057.8

7.1.3. Recoverable amount of assets at the balance sheet date

Infrastructure CGU

RFF found no indication of potential impairment of Infrastructure CGU assets.

Property CGU

RFF found no indication of potential impairment of Property CGU assets.

7.1.4. Impairment of intangible assets and property, plant and equipment under construction

(in millions of euros)	Accumulated costs as at 31 Dec. 2009	Impairment as at 31 Dec. 2008	Charges	Reversals	Impairment as at 31 Dec. 2009
Dormant projects	35.7	24.4	12.6	6.3	30.7
Port tracks under construction	43.2	41.9	1.3	–	43.2
Total	78.9	66.3	13.9	6.3	73.9

7.1.5. Long-term investments

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Guarantee deposits	3.9	5.0
Equity investments	0.5	0.5
Total long-term investments	4.4	5.5

Subsidiaries and affiliates

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

Lyon-Turin-Ferroviaire SAS broke even in 2009; capitalised production in the period amounted to €32.4 million. The company's equity amounted to €522.4 million as at 31 December 2009.

RFF also has equity interests in the following EIGs and EEIGs:

- GEIE ERTMS: 16.67% interest;
- GIE S2IF: 50% interest;
- GEIE SEA Victoria Dax: 50% interest;
- CORRIDOR C: 47% interest;
- CORRIDOR D: 25% interest.

7.1.6. Receivables

7.1.6.1. Other receivables

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
VAT credit repayment request	106.8	176.2
VAT to be adjusted on purchase invoice accruals	140.5	176.6
Input VAT		125.1
VAT on accrued credit notes	2.0	13.4
Other tax receivables	0.3	0.9
Amounts receivable on sales of fixed assets	46.8	47.5
State grants not yet claimed	8.1	–
Other grants to be collected	1,087.2	1,252.6
Grants not yet claimed ⁽¹⁾	452.0	477.9
Accrued income on debt instruments	189.3	184.8
Employee receivables	–	–
Credit notes receivable from suppliers and advances	73.4	89.7
Other miscellaneous receivables	24.2	24.5
<i>Of which: LTF</i>	22.8	23.2
<i>Other</i>	1.4	1.3
Total	2,246.1	2,569.4

(1) Including operating grants of €109.7 million as at 31 December 2009 (€88.3 million as at 31 December 2008).

7.1.6.2. Receivables by maturity

(in millions of euros)	Gross amount as at 31 Dec. 2009	Due within less than 1 year	Due in over 1 year
Trade receivables and related accounts	672.3	672.3	–
Other receivables	2,246.1	2,216.1	30.0
Other operating receivables:		2,026.9	30.0
<i>Tax and employee-related receivables</i>	365.2	365.2	–
<i>Amounts receivable on sales of fixed assets</i>	46.8	16.8	30.0
<i>Grants to be collected</i>		1,087.2	–
<i>State grants not yet claimed</i>		8.1	–
<i>Grants not yet claimed</i>		451.9	–
<i>Other operating receivables</i>		97.7	–
Other financial receivables:		189.3	–
<i>Accrued income on debt instruments</i>	189.3	189.3	–
Total	2,918.4	2,888.4	30.0

7.1.6.3. Provisions for doubtful receivables

(in millions of euros)	Amounts to 31 Dec. 2008	2009 additions	2009 reversals		Amounts as at 31 Dec. 2009
			Utilised	Not utilised	
Provisions for trade receivables	28.3	11.1	5.6	13.8	20.0
Provisions other receivables	17.5	3.3	0.1	–	20.7
Total	45.8	14.4	5.7	13.8	40.7

Write-downs mainly concern grant receivables and other receivables relating to the Property activity.

Termination of the arbitration procedure concerning the disputed allocation of assets with SNCF

arbitration decisions were issued in August 2008 by the Authorities for the remaining asset allocation disputes opposing RFF and SNCF.

The practical terms and conditions governing the payment of the net balance of disputed receivables, i.e. €58.7 million, in favour of RFF, as well as the net amount of related interest of €24.5 million also in favour of RFF, were defined. The effective payment date has yet to be agreed with SNCF.

7.1.7. Short-term investments and cash and cash equivalents

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Short-term investments		1,869.8
Money market securities		1,695.5
Mutual funds		174.1
Accrued interest receivable on euro-denominated money market securities	–	0.2
Cash at bank		19.1
Euro-denominated accounts		19.1
Foreign currency-denominated accounts	–	–
Total	2,003.4	1,888.9

All mutual funds comprise money market funds with low risk profiles.

7.1.8. Prepaid expenses

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Interest on euro and foreign currency commercial paper		10.3
Interest on French commercial paper		0.3
Balancing cash payments on interest rate swaps	60.7	53.3
Premiums and discounts		2.4
Infrastructure management fees ⁽¹⁾		230.5
Other, including rent and associated charges	1.1	4.2
Total	64.4	301.0

(1) As at 31 December 2008, this balance comprised the infrastructure management fees for January 2009 billed in advance by SNCF and written off in prepaid expenses.

7.1.9. Deferred charges

(in millions of euros)	Gross amount as at 31 Dec. 2009	Amortisation charge	Amortisation of the premium	Accumulated amortisation	Net amount as at 31 Dec. 2009
Premiums and costs on RFF debt issues	349.6	22.0	–	157.6	192.0
Unamortised issuance costs on debt transferred from SNCF	21.4	–	–	21.4	–
Discount/premium on bond portfolio	198.0	–	–	198.0	–
SUB-TOTAL	569.0	22.0	–	377.0	192.0
Redemption premiums on RFF bond issues	12.6	0.8	–	8.3	4.4
Total	581.6	22.8	–	385.3	196.3

7.1.10. Unrealised foreign exchange losses

(in millions of euros)	Amounts as at 31 Dec. 2008	Additions	Reversals		Amount as at 31 Dec. 2009
			Utilised	Not utilised	
Provisions for inflation-indexed borrowings	246.7	–	–	6.8	239.9
Total unrealised foreign exchange losses	246.7	–	–	6.8	239.9

7.1.11. Statement of changes in equity

(in millions of euros)	Initial capital endowment	Capital injections	Accumulated deficit	Net profit/ (loss) for the year	Grants ⁽¹⁾	Grants released to profit or loss	Total
Equity as at 31 December 2008	856.2	8,908.5	(22,961.7)	8,098.0	13,663.1	–	8,564.1
Capital injection	–	–	–	–	–	–	–
Accumulated deficit	–	–	8,098.0	(8,098.0)	–	–	–
Net profit for the year	–	–	–	418.3	–	–	418.3
Net investment grants on commissioned assets	–	–	–	–	362.5	(196.3)	166.2
Net investment grants for assets under construction	–	–	–	–	956.3	–	956.3
Net grants for upgrade and compliance work on commissioned assets	–	–	–	–	844.3	(103.5)	740.7
Net grants for upgrade and compliance work on assets under construction	–	–	–	–	(844.3)	–	(844.3)
Equity as at 31 December 2008	856.2	8,908.5	(14,863.7)	418.3	14,982.0	(299.8)	10,001.3

(1) See breakdown in section 7.1.12.

7.1.12. Investment grants

1) Investment grants for commissioned assets

(in millions of euros)	Net amount as at 31 Dec. 2008	Grants on assets commissioned in year	Transfers	Released to profit or loss	Net amount as at 31 Dec. 2009
Land and improvements to land	425.3	14.2	–	(21.3)	418.2
Line earthworks	1,015.2	8.4	–	(21.6)	1,002.0
Buildings	181.2	22.3	–	(4.7)	198.9
Improvements to buildings	10.1	1.8	–	(1.9)	10.1
Civil engineering structures	1,906.0	65.6	–	(31.7)	1,939.9
Tracks	1,227.8	77.7	–	(48.3)	1,257.2
Level crossings	14.8	4.5	–	(2.1)	17.2
Electrification	492.6	89.3	–	(20.3)	561.6
Signalling	554.8	61.8	–	(31.1)	585.5
Telecommunications	73.5	16.9	–	(11.8)	78.6
Intangible assets	3.5	–	–	(1.5)	2.0
Total	5,905.0	362.5	–	(196.3)	6,071.2

2) Investment grants for assets under construction

Cumulated earned grants related to assets under construction are recognised under the percentage-of-completion method.

They are included in equity under "Investment grants" (assets under construction).

(in millions of euros)	31 Dec. 2009
Total investment grants claimed since 1 January 1997	12,203.5
Total investment grants for commissioned assets since 1 January 1997	(6,713.0)
Investment grants claimed in advance	(1,343.9)
Investment grants not yet claimed	272.9
Investment grants for assets under construction	4,419.5

(in millions of euros)	31 Dec. 2008	Increase	31 Dec. 2009
Reversal of investment grants for port track under construction	(36.7)	(1.1)	(37.8)
Reversal of investment grants for commissioned port track	(1.6)	–	(1.6)
Reversal of investment grants for port track under construction	(38.3)	(1.1)	(39.4)

3) Grants for upgrading and compliance (see Note 2.2)

Gross amount of grants for upgrade and compliance work

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

Grants for upgrade and compliance work – commissioned assets

(in millions of euros)	Date of commissioning	Period of release (years)	Gross amount	Accumulated release	Net amount in equity
2004	01/07/2004	38	675.0	(97.7)	577.3
2005	25/03/2005	42	573.9	(65.2)	508.7
2006	09/05/2006	42	878.4	(76.3)	802.1
2007	21/03/2007	35	734.2	(58.4)	675.8
2008	17/04/2008	33	68.8	(3.8)	65.0
2009	17/01/2009	42	844.4	(28.1)	816.3
Total	–	–	3,774.7	(329.5)	3,445.2

Grants released to profit or loss during 2009 totalled €103.5 million.

Net grants for upgrade and compliance work

(in millions of euros)	Gross amount	Accumulated release	Net amount in equity
Grants for commissioned assets	3,774.7	329.5	3,445.2
Grants for assets under construction	785.7	–	785.7
Total	4,560.4	329.5	4,230.8

4) Summary of investment grants at 31 December 2009

(in millions of euros)	Grant for commissioned assets	Grant for assets under construction	Net amount in equity
Grant for assets under construction (Net)	–	4,381.6	4,381.6
Grant for commissioned assets (Net)	6,069.6	–	6,069.6
Total	6,069.6	4,381.6	10,451.2

7.1.13. Provisions for contingencies and losses

(in millions of euros)	Amount as at 31 Dec. 2008	Charges	Reversals		Amount as at 31 Dec. 2009
			Utilised	Not utilised	
Provisions for contingencies and losses	452.3	128.0	7.2	93.4	479.8
Disputes and litigation	425.7	67.9	0.2	93.2	400.2
Tax and employee-related expenses	–	46.3	–	0.1	46.1
Decontamination and environmental risks	26.6	13.9	7.0	–	33.5
Provisions for retirement benefit obligations	4.3	0.4	–	0.1	4.6
Provisions for inflation-indexed issues	246.7	–	–	6.8	239.9
Total	703.3	128.5	7.2	100.2	724.4

Besides environmental risks, provisions for contingencies and losses comprise:

- disputes and litigation concerning infrastructure-related activity and asset management activity. The main provisions were updated as at 31 December 2009 to take account of new information available at the year-end, particularly the provision relating to the Paris Left-Bank development project, the litigation regarding the flooding in Arles and the litigation relating to decontamination costs;
- tax risks currently the subject of litigation proceedings.

Despite the provision updates, it should be noted that there remains uncertainty as to the valuation of the three provisions:

- Paris Left-Bank development project: audits were carried out in order to determine more precisely, or based on updated assumptions, the profit or loss on completion of this transaction;

— litigation regarding the flooding in Arles in December 2003: the legal expert review procedure is in progress.

RFF recognised a provision based on the amount of damages known at the balance sheet date and the share it considers it will be required to bear,

— decontamination and environmental risks: the provision recognised at the year-end is calculated based on knowledge at that date of the assets to be treated; this provision will be updated as and when RFF identifies decontamination programmes to be implemented.

The provision for retirement benefit obligations showed a balance of €4.6 million as at 31 December 2009 compared to €4.3 million as at 31 December 2008.

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

Main assumptions underlying the calculation of the present value of the obligation	31 Dec. 2009	31 Dec. 2008
Rate of increase in salaries	2.0%	3.0%
Rate of payroll taxes	47.0%	47.0%
Discount rate	4.06%	3.88%
Turnover	8.8%	8.13%

7.1.14. Borrowings

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

Funds raised in 2009 totalled €2.99 billion, based on 18 transactions on the euro, US dollar, Hong-Kong dollar, pound sterling, and Swiss franc bond markets.

In order to manage its cash flow effectively, RFF uses domestic and international short-term financing instruments such as French and international commercial paper (7% and 93% of outstanding short-term debt, respectively).

(in millions of euros)	31 Dec. 2009	31 Dec. 2008	Change
	Y	Y - 1	Y - (Y - 1)
Borrowings			
Debt transferred from SNCF	2,025.5	2,480.0	(454.5)
Principal outstanding	1,992.3	2,440.0	(447.7)
<i>Transferred debt (historical rate)</i>	1,711.3	2,158.6	(447.3)
<i>Impact of foreign exchange rate on Swiss-franc debt</i>	–	–	–
<i>Greater Paris Region loans</i>	7.5	7.9	(0.4)
<i>Rollover of EIB line</i>	273.5	273.5	–
Accrued interest	33.2	40.0	(6.8)
RFF debt issue	28,418.4	28,167.7	250.6
Principal outstanding	27,856.1	27,650.9	205.2
<i>Short-term</i>	1,275.6	2,668.0	(1,392.4)
<i>Long-term:</i>	–	–	–
<i>At hedged rate</i>	26,073.4	24,476.4	1,597.0
<i>Inflation-indexed portion</i>	239.8	246.6	(6.8)
<i>Greater Paris Region loans</i>	60.6	63.4	(2.7)
<i>Zero coupon bonds</i>	206.6	196.6	10.1
Accrued interest	559.3	514.4	44.9
Bank overdrafts	0.9	0.7	0.2
Guarantee deposits received	2.0	1.6	0.4
Total Borrowings (A)	30,443.9	30,647.8	(203.9)
Cash-Short-term investments (B)	2,003.4	1,888.9	114.5
<i>Of which accrued interest</i>	–	0.2	(0.2)
Net borrowings (A) – (B)	28,440.5	28,758.9	(318.4)
Net borrowings excluding accrued interest	27,847.9	28,204.4	(356.5)

7.1.14.1. RFF debt

The following tables provide a breakdown by currency and interest rate type of RFF's short and long-term debt:

(in millions of euros)	Gross	Due within 1 year	Due after more than 1 year but less than 5 years	Due after more than 5 years
Debt before swaps				
A – RFF debt issues	27,856.1	3,354.9	6,252.9	18,248.3
1 – Bond issues	26,580.5	2,079.3	6,252.9	18,248.3
Total fixed rate	22,070.4	1,540.6	5,484.2	15,045.6
Total inflation-indexed	2,627.8	–	–	2,627.8
Total floating rate	1,882.2	538.7	768.7	574.9
EUR fixed rate	14,308.8	1,453.8	3,300.0	9,555.0
EUR inflation-indexed	2,627.8	–	–	2,627.8
EUR floating rate	1,564.3	303.4	768.7	492.3
Total EUR	18,500.9	1,757.1	4,068.7	12,675.1
CAD fixed rate	208.3	–	–	208.3
CAD floating rate	–	–	–	–
Total CAD	208.3	–	–	208.3
CHF fixed rate	1,635.0	–	876.0	759.0
CHF floating rate	–	–	–	–
Total CHF	1,635.0	–	876.0	759.0
GBP fixed rate	4,919.6	–	914.0	4,005.5
GBP floating rate	82.6	–	–	82.6
Total GBP	5,002.2	–	914.0	4,088.1
HKD fixed rate	30.7	–	–	30.7
HKD floating rate	–	–	–	–
Total HKD	30.7	–	–	30.7
JPY fixed rate	326.0	–	40.0	286.0
JPY floating rate	–	–	–	–
Total JPY	326.0	–	40.0	286.0
USD fixed rate	642.1	86.9	354.1	201.1
USD floating rate	235.3	235.3	–	–
Total USD	877.4	322.2	354.1	201.1
2 – Money market securities	1,275.6	1,275.6	–	–
French Commercial paper	85.0	85.0	–	–
Euro Commercial Paper	1,190.6	1,190.6	–	–
<i>EUR</i>	30.0	30.0	–	–
<i>GBP</i>	5.5	5.5	–	–
<i>USD</i>	1,155.1	1,155.1	–	–

(in millions of euros)	Gross	Due within 1 year	Due after more than 1 year but less than 5 years	Due after more than 5 years
Debt before swaps				
B – Accrued interest	559.3	559.3	–	–
Bond issues	559.3	559.3	–	–
Total fixed rate	499.5	499.5	–	–
Total inflation-indexed	53.6	53.6	–	–
Total floating rate	6.2	6.2	–	–
EUR fixed rate	376.8	376.8	–	–
EUR inflation-indexed	53.6	53.6	–	–
EUR floating rate	5.3	5.3	–	–
Total EUR	435.7	435.7	–	–
CAD fixed rate	0.8	0.8	–	–
CAD floating rate	–	–	–	–
Total CAD	0.8	0.8	–	–
CHF fixed rate	22.9	22.9	–	–
CHF floating rate	–	–	–	–
Total CHF	22.9	22.9	–	–
GBP fixed rate	92.4	92.4	–	–
GBP floating rate	0.8	0.8	–	–
Total GBP	93.2	93.2	–	–
HKD fixed rate	–	–	–	–
HKD floating rate	–	–	–	–
Total HKD	–	–	–	–
JPY fixed rate	2.4	2.4	–	–
JPY floating rate	–	–	–	–
Total JPY	2.4	2.4	–	–
USD fixed rate	4.2	4.2	–	–
USD floating rate	0.1	0.1	–	–
Total USD	4.3	4.3	–	–
Money market securities	4.0	4.0	–	–
French Commercial paper	0.6	0.6	–	–
Euro Commercial Paper	3.4	3.4	–	–
EUR	–	–	–	–
GBP	–	–	–	–
USD	3.4	3.4	–	–

7.1.14.1. RFF debt (continued)

(in millions of euros)	Gross	Due within 1 year	Due after more than 1 year but less than 5 years	Due after more than 5 years
Debt before swaps				
C – Prepaid interest	1.7	1.7	–	–
French Commercial paper	–	–	–	–
Euro Commercial Paper	1.7	1.7	–	–
EUR	–	–	–	–
GBP	–	–	–	–
USD	1.7	1.7	–	–

7.1.14.2. SNCF debt

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

(in millions of euros)	Gross	Due within 1 year	Due after more than 1 year but less than 5 years	Due after more than 5 years
Debt before swaps				
A – Debt transferred from SNCF	1,992.3	57.2	741.6	1,193.5
Total fixed rate:	1,200.4	–	412.3	788.1
Total floating rate:	792.0	57.2	329.4	405.4
EUR fixed rate	1,025.5	–	412.3	613.2
EUR floating rate	446.5	57.2	158.1	231.2
Including Greater Paris Region loans	7.5	0.5	1.9	5.1
Total EUR	1,472.0	57.2	570.4	844.5
CHF fixed rate	174.9	–	–	174.9
CHF floating rate	–	–	–	–
Total CHF	174.9	–	–	174.9
GBP fixed rate	–	–	–	–
GBP floating rate	345.5	–	171.3	174.2
Including EIB rollover	345.5	–	171.3	174.2
Total GBP	345.5	–	171.3	174.2
B – Accrued interest	33.2	33.2	–	–
Total fixed rate :	32.2	32.2	–	–
Total floating rate :	1.1	1.1	–	–
EUR fixed rate	29.5	29.5	–	–
EUR floating rate	1.0	1.0	–	–
Total EUR	30.5	30.5	–	–
CHF fixed rate	2.7	2.7	–	–
CHF floating rate	–	–	–	–
Total CHF	2.7	2.7	–	–
GBP fixed rate	–	–	–	–
GBP floating rate	0.1	0.1	–	–
Total GBP	0.1	0.1	–	–
Total (A) + (B)	2,025.5	90.4	741.6	1,193.5

7.1.14.3. Long-term borrowings (summary)

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

Currency	Fixed rate		Inflation-indexed		Floating rate		Total outstanding long-term borrowings	
	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009	31 Dec. 2008	31 Dec. 2009
EUR	19,678.5	21,072.3	2,634.6	2,627.8	5,109.8	4,872.6	27,422.9	28,572.7
RFF	18,232.0	19,625.9	2,634.6	2,627.8	4,116.3	4,326.8	24,982.9	26,580.5
SNCF	1,446.5	1,446.4	–	–	993.5	545.8	2,440.0	1,992.3
CHF	–	–	–	–	–	–	–	–
Total	19,678.5	21,072.3	2,634.6	2,627.8	5,109.8	4,872.6	27,422.9	28,572.7
In% terms	71.76	73.75	9.61	9.20	18.63	17.05	100.00	100.00
Total principal outstanding							27,422.9	28,572.7
Accrued interest on RFF debt issues							514.4	559.3
Accrued interest on transferred debt							40.0	33.2
TOTAL							27,977.4	29,165.3

7.1.15. Advances and down payments received

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Advance payments on fixed asset disposals	21.8	77.8
Customer toll advances	180.0	–
Total	201.8	77.8

"Customer toll advances" reflect the payment by rail company customers of an advance corresponding to 20% of reservation fees payable in respect of the 2010 timetable, pursuant to the ruling of 25 November 2008, the date of publication of the timetable. These advances are deducted in 1/12ths on a monthly basis from the reservation fee invoice payments.

7.1.16. Trade and other payables

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Operating payables:	1,861.5	2,187.6
Trade payables		1,982.1
Tax and employee-related liabilities	241.8	205.5
Other payables:	1,685.7	1,169.0
Other operating payables	1,512.1	973.3
Grants claimed in advance ⁽¹⁾	1,427.8	883.4
Other payables	84.3	89.9
Other liabilities on financial instruments	173.6	195.6
Interest and charges payable on debt instruments	154.3	171.0
Currency SWAP accounts	6.8	7.9
Bilateral guarantee deposit	12.6	16.7
Total	3,547.2	3,356.6

(1) Including operating grants of €83.93 million

Maturity of payables at 31 december 2009

(in millions of euros)	Gross	Due within less than 1 year	Due after more than 1 year but less than 5 years	Due after more than 5 years
PAYABLES				
Operating payables:	1,861.5	1,861.5	–	–
Trade payables	1,619.7	1,619.7	–	–
Tax and employee-related liabilities	241.8	241.8	–	–
Other payables:	1,685.7	1,685.7	–	–
Other operating payables	1,512.1	1,512.1	–	–
Grants claimed in advance	1,427.8	1,427.8	–	–
Other payables	84.3	84.3	–	–
Other liabilities on financial instruments	173.6	173.6	–	–
Interest and charges payable on debt instruments	154.3	154.3	–	–
Currency SWAP accounts	6.8	6.8	–	–
Bilateral guarantee deposit	12.6	12.6	–	–
Total	3,547.2	3,547.2	–	–

7.1.17. Deferred income

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Prepaid occupancy fees	82.9	39.9
Prepaid infrastructure fees	123.6	4.9
Prepaid operating grants	8.8	–
Bond issue premiums	217.3	213.3
Balancing cash payments on interest rate swaps	136.2	150.0
Prepaid income on bonds and other instruments	13.5	13.1
Income on debt reduction grant	–	(0.1)
Premiums/Discounts	–	0.2
Total	582.3	421.4

7.2. Notes to the income statement

7.2.1. Analysis of revenue

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Infrastructure fees	2,855.9	2,675.8
Electricity transmission	158.2	154.2
Additional electricity fees	89.9	93.0
Other service fees	39.7	63.5
Income from private sidings	14.2	9.1
Income from assets/property	81.8	63.9
Sales of materials	32.3	34.1
Other income	8.6	5.5
Total	3,280.7	3,099.0

7.2.2. Network management fees

SNCF performs three main services on behalf of RFF:

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

The amount recognised in 2009 totalled €2,836.6 million. This amount takes into account an indexation impact adjustment, a performance bonus, remuneration relating to other studies performed as well as additional day-to-day maintenance and major maintenance operations in the Greater Paris Region. Prior-year adjustments were also recorded in 2009 in the negative amount of €2 million.

This amount also takes into account the impact on the cost of this service as at 31 December 2009 of the reform of special pension plans for SNCF employees in the amount of €40.5 million.

7.2.3. Other fees paid under management contracts

Property management was split by RFF between SNCF and new service providers. The service agreement defines the assignments conferred to SNCF. The cost of this agreement amounts to €44.7 million in 2009. The financial agreement for the reimbursement of property charges on property belonging to SNCF and SNCF delegated management services, amounted to €15.3 million in 2009.

7.2.5. Personnel costs

Direct personnel costs

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Salaries	54.3	45.7
Payroll taxes	23.2	19.5
Total	77.5	65.2

The cost of personnel seconded to RFF is recorded under “Other external expenses”.

(in millions of euros)	31 Dec. 2009	31 Dec. 2008
Personnel seconded to RFF	8.6	9.7

For the property management assignments conferred by RFF to ADYAL and NEXITY, each for a different geographical area, as well as the update of its property inventory entrusted to the ADYAL-IBM grouping, RFF recorded expenses of €12.6 million in 2009.

Fees of €44.8 million were incurred for 2009, under the platform management agreement signed with SNCF.

7.2.4. Purchase and resale of traction electricity

RFF purchases the electric power used in its installations under a contract signed on 1 March 2007 with EDF Entreprise, mainly in the form of Joule effect losses.

Under the same contract, EDF-Entreprise (via the so-called *Responsable d'équilibre* adjustment system) provides RFF with the additional power supply it requires.

RFF network access contracts with RTE (Cart contract), EDF-ERD (Card contract) and Électricité de Strasbourg provide for the transmission, via the high-voltage and medium-voltage grid upstream of substations, of the energy used by all rail operators.

Together these services represented an expense of €155.4 million in 2009 taking account of an annual CSPE public service electricity levy capped at €0.5 million. Expenses incurred, together with contract management costs, are recharged on a monthly basis to rail operators in proportion to traffic levels in the form of additional electrical traction fees (*R.C.T.E.*), and represented an amount of €158.2 million in 2009.

The difference between income and expenses relating to additional electrical traction fees is due to the impact of contract management costs on income.

7.2.5. Personnel costs (continued)

Workforce and total payroll

As at 31 December 2009, RFF had a workforce of 1,166, including 37 specifically-assigned civil servants and 66 seconded staff (61 from SNCF, 2 from RATP, 1 from GDF, 1 from UIC and 1 from SCET). As at 31 December 2008, RFF had a workforce of 939.

In 2009, RFF had an average workforce of 1,054.3, including 64.4 second staff, compared to 887.1 and 78.4 seconded staff in 2008.

Total remuneration of the members of the RFF Executive Committee in 2009 was €1,324,504. The Committee had an average of 7 members during the year.

Individual training entitlement

The volume of training hours accrued by employees and corresponding to vested individual training entitlement totalled 67,378 hours as at 31 December 2009.

As at 31 December 2009, the volume of training hours not having given rise to a request was nil.

7.2.6. Statutory auditors' fees

Statutory auditors' fees for Mazars and PWC totalled €115,000 and €135,000, respectively, for 2009.

7.2.7. Non-recurring items

Non-recurring items in 2009 of €24.5 million included the impact of certain provision updates in addition to gains and losses on disposal of property assets.

For the year ended 31 December 2009, non-recurring income included the impact of the reversal of impairment of infrastructure assets in the net amount of €9,207.2 million, taking into account a depreciation and amortisation adjustment of €922.8 million.

7.2.8. Income tax expense

RFF benefited from a tax loss carry-forward of €10.8 billion as at 31 December 2009, compared to €11.3 billion as at 31 December 2008.

8.

Off-balance sheet commitments

8.1. Commitments given and received on financial instruments

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

Long-term debt management

— *Allocation between fixed-rate, floating-rate and inflation-indexed debt*

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

Management of signature and counterparty risks

— *Principles and limits*

In RFF, management of transactions and financial risks is strictly governed by the document entitled "Principles and

limits for trading on capital markets" issued by the Board of Directors. This document notably sets out the key policy focus in the areas of financing, treasury and overall debt management, the management principles and limits authorised in respect of interest rate, currency and counterparty risks, optimisation transactions, authorised instruments, the ceilings applicable to financing programmes, investment products, delegations of authority granted by the Board of Directors together with delegations of signature granted.

RFF also has a procedure manual which specifies the controls to be performed and the manner in which they are to be carried out in order to ensure that, on a day-to-day basis, transactions entered into comply with the defined limits and principles and the target debt structure. RFF also prepares different types of report on a weekly or monthly basis which describe the transactions performed and control results.

— Counterparty risk exposure limits

RFF's counterparty risks are tied to the use of over-the-counter off-balance sheet currency and interest rate instruments and correspond to the risks of default by the counterparty on the contract due dates in the event of a favourable difference for RFF.

— Counterparty authorisation criteria

Only counterparties with a minimum long-term rating of BBB-/Baa3/BBB- issued by at least two of the three agencies below are authorised:

- Fitch;
- Moody's;
- Standard & Poor's.

These limits are set on the nominal amount. The counterparties must have a minimum short-term rating of A1/P1/F1 (S&P/Moody's/Fitch respectively) and this rating also determines the counterparty's maximum outstanding. Mutual fund custodians are assessed in the same manner.

RFF assesses these risks by valuing at mark-to-market its commitments vis-a-vis its counterparties on a weekly basis.

— Determination criteria: An exposure limit per counterparty is determined according to its long-term rating and equity. The percentage applied to equity produces an absolute number that is reviewed annually.

— Exceeded counterparty exposure limits

Any exceeded exposure limit is officially authorised by the Chairman.

Collateral contracts are established with all counterparties. Collateral must be put up as soon as the counterparty's credit rating falls below AA-/Aa3/AA- (S&P/Moody's/Fitch respectively). Account is taken of the rating attributed by at least two of the following three rating agencies: Fitch-IBCA, Moody's, Standard & Poor's.

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 RFF is exposed through its use of derivatives:

I. Futures and options market

(In millions of currency units)		31 Dec. 2009	Mark-to-market	31 Dec. 2008	Mark-to-market
OVER-THE-COUNTER HEDGING TRANSACTIONS					
EUR swaps					
Specific hedges	< 1 year	1,772.0 EUR	1.3 EUR	531.1 EUR	3.9 EUR
	1 – 5 years	864.0 EUR	98.5 EUR	514.0 EUR	36.0 EUR
	> 5 years	2,789.0 EUR	– 100.1 EUR	2,834.3 EUR	– 80.3 EUR
General hedges	< 1 year	19.0 EUR	– EUR	– EUR	–
TRADING TRANSACTIONS					
	< 1 year	125.0 EUR	– EUR	–	–

II. Forex transactions

(In millions of currency units)		31 Dec. 2009	Mark-to-market	31 Dec. 2008	Mark-to-market	
OVER-THE-COUNTER HEDGING TRANSACTIONS						
EUR forward contracts	< 1 year	– CHF	– EUR	285.0 CHF	5.6 EUR	
		5.0 GBP	0.1 EUR	132.0 GBP	– 23.4 EUR	
		– JPY	– EUR	– JPY	– EUR	
		1,635.0 USD	– 20.8 EUR	2,047.5 USD	– 41.7 EUR	
	1 – 5 years	–	–	–	–	
	> 5 years	–	–	–	–	
EUR currency swaps	< 1 year	– CHF	– EUR	– CHF	– EUR	
		400.0 USD	– 14.8 EUR	– USD	– EUR	
	1 – 5 years	1,350.0 CHF	37.8 EUR	1,100.0 CHF	– 43.1 EUR	
		806.9 GBP	– 156.5 EUR	806.9 GBP	– 221.4 EUR	
			5,000.0 JPY	0.7 EUR	– JPY	–
			450.0 USD	– 54.1 EUR	750.0 USD	– 28.9 EUR
	> 5 years	300.0 CAD	– 3.0 EUR	300.0 CAD	9.5 EUR	
		1,431.0 CHF	31.7 EUR	631.0 CHF	24.1 EUR	
		2,709.4 GBP	– 1,482.9 EUR	2,609.4 GBP	– 1,495.9 EUR	
		300.0 HKD	– 5.2 EUR	– HKD	– EUR	
		39,000.0 JPY	10.2 EUR	44,000.0 JPY	43.4 EUR	
		250.0 USD	– 17.6 EUR	250.0 USD	7.8 EUR	

III. Other off-balance sheet commitments

(In millions of currency units)	31 Dec. 2009	31 Dec. 2008
FINANCING COMMITMENTS RECEIVED		
Syndicated multi-currency loan	1,250.0 EUR	1,250.0 EUR
Greater Paris Region loan	0.7 EUR	0.3 EUR

A €1,250 million five-year syndicated credit line was set up on 11 December 2007. No draw-downs had been made under this facility as at 31 December 2009.

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

RFF also has an option on a borrowing. However, the decision on whether or not to exercise it resides with the counterparties: — Option on a borrowing maturing in 2015: if not exercised, extension to 2015 of the EUR debt converted into GBP at an exchange rate of 0.652, over 14 years at a fixed rate of 5.35%; the value of this option as at 31 December 2009 was (€36.03) million.

8.2. Other commitments given and received

Bank guarantees

RFF has received bank guarantees in a total amount of €1.2 million as at 31 December 2009 in favour of:

— Different local authorities (préfectures) to cover restoration costs related to sites operated in the context of investment programmes (four guarantees for a total amount of €1.0 million);

— Crédit Suisse Asset Management to cover a commercial lease (one guarantee for €0.2 million).

Other commitments given relating to asset disposals

RFF regularly sells property assets not necessary for railway activities.

Agreements to sell that have been signed but not yet exercised amounted to €117.5 million as at 31 December 2009, compared with €172.27 million as at 31 December 2008 and mainly included an agreement to sell relating to the Batignolles site in Paris for €103 million.



STATUTORY AUDITORS' REPORT --- ON THE FINANCIAL STATEMENTS



Statutory Auditors' report on the financial statements

Year ended 31 December 2009

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in all audit reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by the French Ministry of the Economy, Industry and Employment, we hereby report to you, for the year ended 31 December 2009, on:

- the audit of the accompanying financial statements of Réseau Ferré de France;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2009 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we draw your attention to the following matters:

— Note 5 "Comparability of the financial statements" which presents the various transactions and events for the year ended 31 December 2009 affecting the comparability of the financial statements with those for the year ended 31 December 2008;

— Note 7.1.13 "Provisions for contingencies and losses" which presents the uncertainties regarding the measurement of:

- the loss on the completion of the ZAC Paris Rive Gauche development project, based on information available at the date of the preparation of the financial statements for the year ended 31 December 2009;

- ongoing disputes concerning the flooding in Arles in December 2003;
- provisions for decontamination and environmental risks, based on currently available information regarding the installations that require treatment.

2. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 7.1.13 "Provisions for contingencies and losses" presents the nature of the provisions recorded by RFF. We have assessed the reasonableness of the manner in which these provisions were determined, on the basis of currently available information, as described in the last paragraph of the section relating to our opinion on the financial statements.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verifications and information

In accordance with professional standards applicable in France, we have also performed the specific verifications required by law.

With the exception of any possible impact resulting from the matters set out 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 of the Board of Directors.

Courbevoie and Neuilly sur Seine, 15 April 2010

The Statutory Auditors

Mazars

Xavier CHARTON

PricewaterhouseCoopers Audit

Florence PESTIE