

# GENERAL CONTENTS

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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 n°. 2009-1503 of 8 December 2009.

The above Act and enabling legislation (Decree n<sup>os</sup>. 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 n°. 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 n°. 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 n°. 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 n°. 97-444 of 5 May 1997.

The composition of the Board complies with the provisions of the aforementioned Act n°. 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 n°. 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 n°. 84-148 of 1 March 1984 and its enabling Decree n°. 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

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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 2010, the cumulative amount of capital injections amounted to €9.8 billion.

As at 31 December 2010, total equity amounted to €11.2 billion, including the profit for 2010 and net investment grants.

# DIRECTOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

... AS AT 31 DECEMBER 2010

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RFF reported a consolidated net profit for 2010 of **+€197.4 million**, including net non-recurring income of **+€1,490.8 million** and a financial loss of **€(1,193.8) million**, compared to a net profit of **+€304 million** in 2009.

Expenditure incurred in rail network infrastructure projects amounted to **€3,226.7 million** for 2010, compared to **€3,318.7 million** for 2009.

Consolidated equity remained negative, amounting to **€(1,193.1) million** at 31 December 2010.

# I.

## Financial performance during the year and comments on key figures

### 1. PROFIT FOR THE YEAR

RFF reported a net profit for 2010 of **€197.4 million**, compared to a net profit of **€304 million** in 2009.

(in millions of euros)			
	31 Dec. 2010 (12 months)	31 Dec. 2009 (12 months)	% Change
Recurring operating profit (loss)	1,490.8	1,585.5	6.0
Non-recurring income and expenses	(0.8)	(0.2)	NA
Net finance costs	(1,193.8)	(1,128.6)	(5.8)
Income tax	(98.8)	(152.8)	(35.4)
<b>Profit (loss) for the year</b>	<b>197.4</b>	<b>304.0</b>	<b>(35.1)</b>

**Recurring operating income** decreased by €94.7 million compared to 2009. The decline is explained by a reduction in the State operating grant and an increase in recurring operating expenses.

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

**Net finance costs** increased by €65.2 million to €(1,193.8) million compared to 31 December 2009. This was largely due to the increase in the cost of debt indexed to inflation. The inflation index rose by approximately 2.5% in 2010, compared to a 1% fall in 2009. The higher finance costs were partially offset by a lower interest expense due to the drop in rates in 2010 compared to 2009.



## 1.1 Change in operating profit (loss)

(in millions of euros)			
	31 Dec. 2010 (12 months)	31 Dec. 2009 (12 months)	% Change
Network fees	4,337.7	2,985.5	1,352.2
Electricity transport	162.4	158.2	4.2
Non-traffic income	83.1	79.6	3.4
Other income	53.9	57.3	(3.4)
<b>Revenue</b>	<b>4,637.1</b>	<b>3,280.7</b>	<b>1,356.4</b>
Operating grants	1,020.8	2,421.6	(1,400.8)
Delegated management fees	(2,990.8)	(2,954.1)	(36.7)
Other network expenses	(165.9)	(156.6)	(9.3)
Taxes other than on income	(80.3)	(89.8)	9.6
Other operating expenses	(351.3)	(324.0)	(27.3)
Depreciation, amortisation and impairment, net	(989.4)	(989.6)	0.1
Net charges to provisions for doubtful receivables, including non-traffic income	(12.5)	5.2	(17.6)
Investment grants released to profit or loss	337.9	295.3	42.7
Other recurring income	125.5	192.9	(67.4)
Other recurring expenses	(40.5)	(95.9)	55.5
<b>Recurring operating profit (loss)</b>	<b>1,490.8</b>	<b>1,585.6</b>	<b>(94.8)</b>
Non-recurring income	0.1	1.1	(1.0)
Non-recurring expenses	(0.9)	(1.3)	0.4
<b>Operating profit (loss)</b>	<b>1,490.0</b>	<b>1,585.4</b>	<b>(95.4)</b>

### 1.1.1 Network fees

Infrastructure fees amounted to €4,337.7 million, of which:

- €4,204.8 million for basic railway services;
- €86.3 million for additional electricity fees (€89.9 million in 2009);
- €46.6 million for other service fees (€39.7 million in 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.

## Change in the breakdown of fees by type

(in millions of euros)			
	31 Dec. 2010	31 Dec. 2009	% Change
Access fees	–	97.7	–
Route reservation fees	–	1,627.8	–
Station stop reservation fees	–	439.1	–
Traffic fees	–	480.0	–
<b>Total infrastructure fees under the 2009 scale*</b>	<b>0.0</b>	<b>2,644.6</b>	<b>–</b>
Access charges	1,449.9	72.2	–
Reservation charges	1,483.3	75.3	–
Traffic charges	1,271.8	63.8	–
<b>Total infrastructure fees under the 2010 scale</b>	<b>4,205.0</b>	<b>211.3</b>	<b>–</b>
<b>Total basic railway services</b>	<b>4,205.0</b>	<b>2,855.9</b>	<b>47.2</b>

\* including €11.4 million in income from years prior to 2009.

Passenger activity fees can be divided into high-speed trains for 40% (44% of traffic), and national and regional passenger trains for 60% (56% of traffic); New rail companies, representing 16% of traffic, now pay 17% of Freight activity fees.

The increase in basic railway services attributable to the change in the pricing structure masks an overall traffic decline of 6.5%. This decrease is explained by the numerous strikes which affected rail traffic for 40 days and gave rise to an earnings shortfall estimated at €70 million and by the impact of the economic crisis.

The lower traffic volume was reflected by a fall in the traffic ratio expressed in train-km/route-km, which stood at 89% in 2010, compared to 93% in 2009.

The decline affects both the Passenger activity, with a ratio of 93% in 2010, compared to 97% in 2009, and Freight, with a ratio of 71% in 2010, compared to 74% in 2009.

**Change in traffic by activity**

(in million of train-kilometers)			
	<b>31 Dec. 2010 (12 months)</b>	31 Dec. 2009 (12 months)	<b>% Change</b>
<b>High-speed trains</b>	<b>134.2</b>	<b>135.6</b>	<b>(1.1)</b>
SNCF	132.6	135.6	(2.2)
New rail companies	1.6		
<b>Corail and Corail Intercités</b>	<b>45.8</b>	<b>51.0</b>	<b>(10.1)</b>
<b>Regional passenger trains</b>	<b>227.4</b>	<b>236.3</b>	<b>(3.8)</b>
<b>Passenger activity</b>	<b>407.4</b>	<b>422.8</b>	<b>(3.7)</b>
SNCF	63.1	72.5	(13.0)
New rail companies	12.3	10.4	19.2
<b>Freight</b>	<b>75.4</b>	<b>82.9</b>	<b>(9.0)</b>
<b>Other</b>	<b>2.0</b>	<b>12.6</b>	<b>(84.3)</b>
<b>Total</b>	<b>484.8</b>	<b>518.3</b>	<b>(6.5)</b>

NB: The scope of activities has changed between 2009 and 2010. Indeed, deadhead trains are no longer part of the Other activity but instead are allocated to each activity concerned. Eurostar has been a new rail company since the fourth quarter of 2010.

- The decline in the Passenger activity primarily affected national trains (Corail and Corail Intercités), largely due to eliminated services and the transfer of activities to the TER, as well as a structural traffic decrease for this activity, whereas regional traffic, while certainly affected by the strikes and bad weather, was more resilient. The overall 1.1% decrease in high-speed train traffic remained limited due to the continued growth of the Eastern European and Mediterranean high-speed line.
- The 9% decrease in the Freight activity is totally attributable to the main client, Fret SNCF (-13%) in a context of economic crisis and the initial retirement of most of the single wagon traffic.
- Regional passenger trains represent the activity with the greatest volume of reservations in the national rail network, ahead of national and international passenger trains (34.7%) and freight trains (19.4%), even though the volume of reservations in 2010 was down 2.1% compared to 2009.

In this context, network coordinated clockface timetabling (*cadencement*), a new way of organising train traffic and timetables, becomes particularly important since it will create traffic fluidity, clarify the offering and re-energise public transport. Ultimately this will mean more trains with more passengers.

Following the first regional pilot clockface timetabling in 2008 (Rhône-Alpes, Sud Aquitaine), the programme expanded to include 5 regions in 2009, and the Paris Nord East network in 2010.

Now open to Freight competition and, as of 2010, international passenger lines and French rail welcomes new operators that have been integrated in the train clockface timetabling.

- Additional electricity fees: fees for the availability of overhead lines for network users totalled €86.5 million, down 3.8% compared to 2009.
- 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 €165.9 million in 2010, 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 2010 was €167.3 million.
- Other service fees totalled €46.6 million, up €6.9 million, or 17.4% compared to 2009.

## 1.1.2 Property rental income

Property rental income totalled €83.1 million in 2010, of which €1.6 million in charges rebilled. Excluding the rebilling, this income amounted to €81.5 million, compared to the €81.7 million recorded in 2009. The latter amount included adjustments for previous years in the amount of €1.6 million (corresponding to the adjustment of SNCF Entreprise Ferroviaire rent, and income of €2.2 million arising from the adjustment of income invoiced by SNCF on behalf of RFF in previous years following the asset distribution).

Excluding the impact of these adjustments, 2010 rental income increased by 1.8%, despite the loss of fees related to land disposals estimated at €3 million, or 3.8% of 2010 rental income.

Property rental income is allocated to four major categories: rail (8.4%), land and property (64%), telecommunications (23%), and networks and sundry authorisations (4.6%).

(in millions of euros)				
	2009			2010
	Adjustments for previous years	2009 activity	2009 total	2010 activity
Rental income – Rail	(0.61)	6.65	6.04	6.88
Rental income – Land and property	2.20	51.03	53.23	52.17
Rental income – Telecommunications	–	19.23	19.23	18.72
Rental income – networks and sundry authorisations	–	3.23	3.23	3.74
<b>Total</b>	<b>1.59</b>	<b>80.15</b>	<b>81.74</b>	<b>81.52</b>

“Land and property” income stood at €52.2 million, up 2.2% compared to 2009, following the cancellation of income from previous years. A significant portion comprises advertising revenue (station and non-station scopes), totalling €30.4 million and representing 58.3% of income from the “Land and property” category.

“Telecommunications” income for 2010 represented €18.7 million, compared to € 19.2 million in 2009, the decrease being attributable to a drop in the adjustment index for 2010 compared to 2009, and an analytical reclassification of a certain number of contracts transferred from the “telecommunications” category to the “networks” category.

“Rail” income is divided between the fees paid to the combined transport projects and the occupancy fees of SNCF Entreprise Ferroviaire.

## 1.1.3 State operating grant

The change in the State operating grant taking into account pricing modifications in 2010 breaks down as follows:

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Regional express trains	–	1,140.8
Trains d'Équilibre du Territoire (Balancing of regional train services)	242.0	358.7
Freight	707.8	826.3
<b>Total</b>	<b>949.8</b>	<b>2,325.8</b>

## 1.1.4 Other income

### 1.1.4.1 Private sidings

In 2010, RFF recognized income of €13.6 million from the management of private sidings, compared to €14.2 million recorded for the year ended 31 December 2009.

This 4.2% decrease is primarily explained by 2009 billing adjustments for previous years (2007 and 2008).

#### 1.1.4.2 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 €30.9 million in 2010, compared to €32.3 million in 2009.

### 1.1.5 Delegated management fees

#### 1.1.5.1 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.

For 2010, delegated infrastructure management fees totalled €2,753 million. 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 €52 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 €64.8 million. Prior-year adjustments were also recorded in 2010 in the negative amount of €6.4 million.

The amount recognised in 2010 therefore totalled €2,867.4 million, compared to a total of €2,836.6 million in 2009.

The cost of platform management delegated to SNCF amounted to €45.7 million for 2010, including prior-year adjustments of €(0.7) million, compared to €44.8 million in 2009.

#### 1.1.5.2 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, as well as 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 €49 million in respect of the services contract in 2010, including tax planning fees and claim repayments. The 9.6% increase compared to 2009 (€44.7 million) is the result of a growing number of property operations (claims, responses to solicitations from neighbouring owners following tighter regulation and insurers' coverage). RFF recognised €15.3 million in respect of the financial agreement in 2010.

The total charge to SNCF as agent amounts to €64.3 million for the year ended 31 December 2010.

Property managed by the agents Adyal, Nexity and Adyal-IBM are governed by separate agreements. The services provided by Adyal, Nexity and the Adyal-IBM group amounted to €13.1 million.

### 1.1.6 Other network expenses: electricity

RFF electricity expenses for 2010 were €165.9 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 €167.3 million was recognised in 2010.

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.

## 1.1.7 Taxes other than on income

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Taxes other than on income – direct management	(44.1)	(10.0)
Taxes other than on income – delegated management	(44.2)	(33.7)
Net (charges)/reversals of provisions for tax risks	8.0	(46.1)
<b>Total</b>	<b>(80.3)</b>	<b>(89.8)</b>

The 2010 decrease is explained by 2009 tax adjustment impacts.

## 1.1.8 Other operating expenses

(in millions of euros)			
	31 Dec. 2010	31 Dec. 2009	Change
Study costs net of capitalised production	(52.7)	(59.1)	6.4
Railway work and equipment net of capitalised production	(0.2)	(24.8)	24.6
Malicious acts	(42.5)	(32.7)	(9.8)
Other external expenses net of capitalised production	(163.6)	(129.3)	(34.3)
Personnel costs net of capitalised production	(92.2)	(78.0)	(14.2)
<b>Total</b>	<b>(351.3)</b>	<b>(324.0)</b>	<b>(27.3)</b>

Malicious damage by identified and unidentified third parties, and the impact of accidents and damage caused by adverse weather conditions totalled €42.5 million for 2010 (including prior-year adjustments in the negative amount of €1.5 million), compared to €32.7 million in 2009.

### 1.1.8.1 Study costs

(in millions of euros)				
	31 Dec. 2010	31 Dec. 2009	Change	(%)
Operating studies	38.4	82.2	(43.8)	(53.3)
General studies	14.3	22.2	(7.9)	(35.6)
<b>Total</b>	<b>52.7</b>	<b>104.4</b>	<b>(51.7)</b>	<b>(49.5)</b>
Capitalised production	0.0	(45.3)	45.3	(100.0)
<b>Total net of capitalised production</b>	<b>52.7</b>	<b>59.1</b>	<b>(6.4)</b>	<b>(10.8)</b>

Study costs stood at €52.7 million in 2010, down 10.8% compared to 2009.

These costs comprise development phases for identified investment projects (73%) and general and strategic studies (27%). The 2010 decrease specifically concerns project studies.

#### Operating studies

Expenditure for project studies amounted to €38.4 million, divided into development projects for 80% and network quality improvement and upgrade projects for 15%.

The remaining 5% concerns investment projects for other activities.

The main development project studies concern major national projects before work and specifically:

- Poitiers Limoges high-speed line for €4.4 million,
- Paris Orléans Clermont high-speed line for €3.1 million,
- PACA high-speed line for €2.5 million,
- Grand Projet Sud Ouest for €2 million,
- Montpellier Perpignan new line for €1.4 million.

PPP project studies concern:

- Southern Europe Atlantic high-speed line for €0.8 million,
- Bretagne Pays de la Loire high-speed line for €3.2 million,
- Nîmes Montpellier bypass for €1.9 million.

The decrease in expenses observed in 2010 arises from the age of projects (end of the development study phase). It breaks down as follows:

- €21 million for major national projects in progress taking into account the decline for the Rhine-Rhone high-speed line and the second phase of the Eastern high-speed line;
- €6 million for PPP major projects, primarily the Southern Europe Atlantic high-speed line;
- €6.7 million for regional development projects, operations for the 2007-2013 State-Region project contracts being in the completion phase for the most part;
- €10.3 million for network quality and improvement, of which €(7) million for the ERTMS Eastern European pilot project, and €(2.8) million for the GSM-R (mainly for tranche 1 and preparation of the concession agreement);
- €(2) million for renewal covering 2007-2013 State-Region project contracts, primarily for upgrades involving the UIC line traffic indicators 7 to 9.

#### General studies

General studies amounted to €14.3 million, a decrease of €7.9 million compared to 2009. The studies primarily concern development of the sales campaign.

#### 1.1.8.2 Personal costs

Personnel costs increased 18.2% year-on-year to €92.2 million, compared to €78 million in 2009. The headcount increased from 1,166 as at 31 December 2009 to 1,299 as at 31 December 2010, representing a year-on-year rise of 11.4%.

#### 1.1.8.3 Other external expenses

Other external expenses amounted to €163.6 million in 2010, compared to €129.3 million in 2009. They mainly

included other external services, remuneration of service providers, rental expenses, maintenance and repair costs, and sundry operating expenditure.

### 1.1.9 Depreciation, amortisation and impairment, net

The net charge to depreciation and amortisation amounted to €989.4 million in 2010, compared to €989.6 million in 2009.

#### Impairment of projects in progress

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

An impairment charge of €15.8 million was recorded as at 31 December 2010, alongside an impairment reversal of €18.2 million. The provision therefore stands at €28.3 million at the year-end. It concerns 498 projects and covers only the portion of expenditure financed by RFF.

#### Impairment of commissioned projects: see section 2.1.3

### 1.1.10 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 2010 totalled €337.9 million, including €135 million in grants for upgrade and compliance work.

### 1.1.11 Other recurring income and expenses

Other recurring income totalled €125.5 million in 2010, compared to €192.9 million for the same period in 2009. Other recurring expenses totalled €40.5 million in 2010, compared to €96 million in 2009.

Other recurring income includes gains on disposal for €115.1 million in 2010, which generated a capital gain of €84.6 million, compared to €90 million in 2009.

## 1.2 Net finance costs

(in millions of euros)			
	31 Dec. 2010 (12 months)	31 Dec. 2009 (12 months)	Change
Cost of net debt	(1,197.3)	(1,138.7)	(58.6)
Other financial income	9.2	18.3	(9.1)
Other financial expenses	(5.8)	(8.1)	2.4
<b>Net finance costs</b>	<b>(1,193.8)</b>	<b>(1,128.5)</b>	<b>(65.3)</b>

Net finance costs stood at €(1,193.8) million compared to €(1,128.5) million in 2009, for an increase of €65.3 million.

### 1.2.1 Cost of net debt

The cost of net debt increased by **€58.6 million** to **€(1,197.3) million** compared to €(1,138.7) million for the same period in 2009.

The decrease is explained by the negative impact from rising inflation despite a market context of more favourable interest rates.

The average cost of the RFF debt was 4.30% in 2010, compared to 4.25% in the previous year.

For comparison purposes, the average 3-month Euribor and 10-year swap rates stood at 0.81% and 3.04% in 2010, compared to 1.22% and 3.55% in 2009, respectively.

The cost of net debt includes the inherent cost of the debt €(1,210.1 million), including gains and losses on derivative instruments and the change in fair value of debt hedged at fair value for €(6.7 million), less income from cash and cash equivalents €(12.8 million).

### 1.2.2 Other financial income and expenses

	31 Dec. 2010	31 Dec. 2009
Interest income on current accounts	3.4	7.4
Other financial income	5.8	10.9
<b>Other financial income</b>	<b>9.2</b>	<b>18.3</b>
Interest expenses on current accounts	(4.9)	(6.9)
Other financial expenses	(0.8)	(1.2)
<b>Other financial expenses</b>	<b>(5.8)</b>	<b>(8.1)</b>

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 decreased by €93 million, or 2.8%. It stood at **€3,226.7 million**, compared to €3,318.7 million for the same period in 2009.

— Projects carried out by agents on behalf of RFF amounted to €2,383.1 million for 2010, compared to €2,367 million in 2009, for an increase of 0.7%;

— RFF direct production amounted to €812.3 million in 2010 (including €391.3 million for the eastern leg of the Rhine-Rhone high-speed line, €132.2 million for Phase 2 of the Eastern high-speed line and €45.8 million for Haut-Bugey), compared to €944.5 million for the same period in 2009, down by 14%;

— Production with the GSMR PPP amounted to €26 million as at 31 December 2010;

— Advances for investment land increased by €5.2 million to stand at €23.9 million as at 31 December 2010.

Capitalised expenditure for infrastructure projects totalled €3,211.8 million as at 31 December 2010.

The portion relating to network development projects declined by -€185 million (or -12% compared to 31 December 2009) due to:

- an acceleration in the production of projects associated with or linked to PPP projects (+ €86 million) and the progress of major projects before work (+€19 million), mainly for the Grand Projet Sud Ouest (known as GPSO)
- a decrease of -€180 million for major development projects in progress (eastern leg of the Rhine-Rhone high-speed line for -€207 million and Haut-Bugey for -€69 million, partially offset by the increase for the Eastern high-speed line for +€101 million);
- a decrease of -€110 million for regional development projects due to adverse weather conditions, strikes, production means saturation.



The portion relating to upgrade, improvement and network quality projects increased by €33 million or +2% compared to 31 December 2009.

- With respect to upgrade projects, the +€53 million or +3.7% increase is mainly due to track operations

(+€72 million, or + 7%), given the ongoing network renovation plan that was reassessed and extended by the performance contract and the Rail plans.

- The decrease in expenditure for improvement and network quality operations amounted to -€20 million, and was concentrated on security, punctuality, and ERTMS.

(in millions of euros)					
	31 Dec. 2010		31 Dec. 2009		Change
<b>Major development projects</b>	–	852.9	–	927.6	(74.7)
Major national projects before work	22.5	–	3.9	–	–
Major national projects in progress	687.1	–	866.5	–	–
Major PPP projects	143.3	–	57.2	–	–
<b>Regional development projects</b>	–	534.3	–	644.4	(110.1)
Regional development projects	534.3	–	644.4	–	–
<b>Network quality improvement</b>	–	166.1	–	186.7	(20.6)
Security	31	–	42.1	–	–
Train access	66.3	–	55.3	–	–
Punctuality	25.9	–	42.3	–	–
Technological development (ERTMS, etc.)	4.7	–	12.3	–	–
GSMR	17.6	–	17.7	–	–
Performance enhancement	15.8	–	16.1	–	–
Environment (acoustics, PNB, etc.)	4.7	–	0.9	–	–
<b>Upgrade and compliance work</b>	–	1,493.30	–	1,440.10	53.2
Tracks	1,105.10	–	1,033.10	–	–
Signalling and telecoms (excluding GSMR)	176.7	–	174.6	–	–
Electric traction	62.1	–	63.9	–	–
Civil engineering structures and earthworks	132.4	–	152.1	–	–
Other programmes (GHV, EM, etc.)	17	–	16.4	–	–
<b>Sales investments and studies</b>	–	19.4	–	12.3	7.1
Sales investment and studies	19.4	–	12.3	–	–
<b>Land/property</b>	–	21.9	–	26.9	(5.0)
Land/property	21.9	–	26.9	–	–
<b>Work for third parties</b>	–	34.7	–	41.4	(6.7)
Work for third parties	34.7	–	41.4	–	–
<b>Unclassifiable operations</b>	–	63.2	–	17	46.2
Unclassifiable operations	63.2	–	17	–	–
<b>PPP projects</b>	–	26	–	–	26
GSM-R contract PPP	26	–	–	–	–
<b>Total</b>	–	3,211.80	–	3,296.40	(84.6)

## 2.1.2 Investment projects commissioned during the year

Project commissioning recorded as at 31 December 2010 amounted to €618.3 million, mainly corresponding to mandated upgrade and operations, compared to €1,286 million as at 31 December 2009.

Commissions covered the following:

(in millions of euros)					
	31 Dec. 2010		31 Dec. 2009		Change
<b>Major development projects</b>	–	<b>59.7</b>	–	<b>127.4</b>	<b>(67.7)</b>
Major national projects in progress	59.7	–	123.3	–	–
Other	–	–	4.1	–	–
<b>Regional development projects</b>	–	<b>86.5</b>	–	<b>238.2</b>	<b>(151.6)</b>
Regional development projects	86.5	–	238.2	–	–
<b>Network quality improvement</b>	–	<b>76.5</b>	–	<b>85.1</b>	<b>(8.6)</b>
Security	29.9	–	48.4	–	–
Train access	13.1	–	9.9	–	–
Punctuality	28.3	–	12.3	–	–
GSMR	0	–	(0.3)	–	–
Performance enhancement	4.1	–	11.6	–	–
Environment (acoustics, PNB, etc.)	1.1	–	3.2	–	–
<b>Upgrade and compliance work</b>	–	<b>359</b>	–	<b>759.3</b>	<b>(400.3)</b>
Tracks	190.2	–	563	–	–
Signalling and telecoms (excluding GSMR)	24.4	–	20	–	–
Electric traction	42	–	46.6	–	–
Civil engineering structures and earthworks	88.8	–	114.6	–	–
Other programmes (GHV, EM, etc.)	13.5	–	15.2	–	–
<b>Sales investments and studies</b>	–	<b>8.2</b>	–	<b>5.8</b>	<b>2.4</b>
Sales investment and studies	8.2	–	5.8	–	–
<b>Land/property</b>	–	<b>7.5</b>	–	<b>0.9</b>	<b>6.6</b>
Land/property	7.5	–	0.9	–	–
<b>Work for third parties</b>	–	<b>20.6</b>	–	<b>69.2</b>	<b>(48.6)</b>
Work for third parties	20.6	–	69.2	–	–
<b>Other</b>	–	<b>0.3</b>	–	<b>0</b>	<b>0.2</b>
Sundry	0.3	–	0	–	–
<b>Total</b>	–	<b>618.3</b>	–	<b>1,286.00</b>	<b>(667.6)</b>

## 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 Investment grants

Grants included in non-current liabilities totalled €15,596.6 million as at 31 December 2010, compared to €14,714.7 million as at 31 December 2009, representing an increase of €881.9 million (+ 6%).

### 2.2.1 Development investment grants

— **Net grants on commissioned assets totalled €6,221 million**, compared to €6,069.6 million at the end of 2009.

— Grants on newly commissioned assets totalled €359.4 million in 2010, while grants released to profit or loss in the same period amounted to €207.6 million.

— **Earned investment grants on assets under construction**, calculated on a percentage of completion basis, totalled **€5,243.6 million**, compared to €4,381.7 million at the end of 2009. The earned grant relating to the expenses for the period totalled €1,199.9 million.

### 2.2.2 Grants for upgrade and compliance work

The amount of this grant allocated to newly commissioned assets in 2010 was €435.5 million. It will be released to profit or loss over a period of 38 years.

Grants released to profit or loss amounted to €135 million in 2010.

## 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 indebtedness

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. 2010			31 Dec. 2009		
	Current	Non-current	Total	Current	Non-current	Total
Borrowings	4,410.9	27,436.7	31,847.6	3,946.4	25,337.5	29,283.9
Cash and cash equivalents	(4,101.9)		(4,101.9)	(2,002.6)		(2,002.6)
<b>Net indebtedness before impact of derivatives</b>	<b>301.9</b>	<b>27,443.8</b>	<b>27,745.7</b>	<b>1,943.8</b>	<b>25,337.5</b>	<b>27,281.4</b>
Asset derivatives allocated to debt	(230.1)	(757.3)	(987.4)	(47.9)	(250.8)	(298.6)
Liability derivatives allocated to debt	217.3	1,688.2	1,905.5	138.0	1,872.8	2,010.8
<b>Net indebtedness</b>	<b>289.0</b>	<b>28,374.7</b>	<b>28,663.8</b>	<b>2,034.0</b>	<b>26,959.5</b>	<b>28,993.5</b>

### 2.3.2 Breakdown of borrowings

(in millions of euros)						
	31 Dec. 2010			31 Dec. 2009		
	Current	Non-current	Total	Current	Non-current	Total
RFF long-term debt	2,507.8	25,642.9	28,150.7	2,601.3	23,506.1	26,107.3
SNCF long-term debt	113.6	1,793.9	1,907.5	90.4	1,831.5	1,921.9
Short-term debt	1,789.4	—	1,789.4	1,254.7	—	1,254.7
<b>Borrowings</b>	<b>4,410.9</b>	<b>27,436.7</b>	<b>31,847.6</b>	<b>3,946.4</b>	<b>25,337.5</b>	<b>29,283.9</b>

RFF raised €3.26 billion on the international capital markets in 2010 through 26 public and private issues denominated in EUR, USD, AUD, GBP, or CHF.

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

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

- An increase of €250 million for the 5.00% RFF bond maturing on 10 October 2033, bringing the total outstanding to EUR 2.25 billion;
- Two increases of €250 million and €200 million for the 4.50% RFF bond maturing on 30 January 2024, bringing the total outstanding to €2.2 billion;
- A new issue for 150 million Australian dollars at 5.375%, maturing on 7 June 2012;

— A new issue for GBP 200 million at 4.83% maturing on 25 March 2060, with two subsequent increases of GBP 100 million and GBP 75 million, bringing the total outstanding to GBP 375 million.

— A new issue for GBP 200 million at 2.375%, maturing on 23 December 2015.

— Three new Swiss franc issues with respective outstandings of CHF 300 million at 0.625% maturing on 1 June 2012, CHF 150 million at 2% maturing on 12 November 2026 and CHF 100 million maturing on 24 November 2034.

In addition, RFF partially redeemed the 4.70% CAD bond maturing on 1 June 2035 in the amount of CAD 23.4 million for an initial value of CAD 300 million and redeemed the entire FRN bond maturing on 9 January 2042 for €20 million.

Private issues represent a total amortised cost of €1,445.9 million as at 31 December 2010.

### 3. CASH-FLOW STATEMENT

(in millions of euros)

	31 Dec. 2010	31 Dec. 2009	Change
<b>Operating cash-flow before movements in working capital, cost of net debt and income taxes</b>	<b>2,135.0</b>	<b>2,247.4</b>	<b>(112.4)</b>
<b>Movements in working capital</b>	<b>(28.5)</b>	<b>220.3</b>	<b>(248.7)</b>
<b>Net cash from operating activities</b>	<b>2,106.4</b>	<b>2,467.5</b>	<b>(361.1)</b>
<b>Net cash used in investing activities</b>	<b>(961.6)</b>	<b>(939.1)</b>	<b>(22.5)</b>
<i>(including change in WCR)</i>	<i>934.5</i>	<i>952.2</i>	<i>(17.7)</i>
<b>Net cash from (used) in financing activities</b>	<b>942.5</b>	<b>(1,416.8)</b>	<b>2,359.3</b>
<i>(including change in WCR)</i>	<i>31.7</i>	<i>(24.8)</i>	<i>56.5</i>
<b>Increase in cash and cash equivalents net of bank overdrafts</b>	<b>2,087.3</b>	<b>111.7</b>	<b>1,975.6</b>

Cash generated in 2010 posted an increase of €2,087.3 million compared to an increase of €111.7 million in 2009.

Operating cash-flow before cost of net debt and income taxes amounted to €2,135.0 million as at 31 December 2010, compared to €2,247.4 million as at 31 December 2009. The slight decrease is related to higher recurring expenses and specifically delegated management fees.

Net cash used in investing activities is steady, the slight decline being attributable to the decrease in the collection of disposal gains.

The improvement in cash from financing activities is related to an increase in funds obtained from debt issues. To a lesser extent, the improvement results from an increase in collateral received.

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## II.

### Major events of 2010

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The change in toll fee structure and scales in connection with the 2010 working timetable gave rise to a significant revenue increase compared to 2009.

At the same time, the State reduced the amount of the operating grant allocated to RFF in comparison to 2009.

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## III.

### Change in accounting policy

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No changes were made to accounting policies in 2010.

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## IV.

### Subsequent events

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#### SEA concession agreement

With a view to the signature of a project agreement for the new Tours-Bordeaux line, known as Southern Europe Atlantic or SEA, RFF as concession grantor has been in negotiations with Liséa, whose major shareholders include Vinci, CDC, and Axa, since its successful bid for the concession in July 2010.

The SEA project, a key link in the European rail network, involves the construction of 340 km of new track between Tours and Bordeaux. The high-speed segment represents 302 km.

The project has a 50-year concession term and will cost an estimated €7.8 billion.

There are several financing phases, among which:

- senior debt for a maximum of €3.1 billion, including:
  1. commercial banks – project debt risk: €620 million
  2. State-guaranteed commercial bank debt: €1.06 billion
  3. EIB – project debt risk: €200 million
  4. EIB – state guaranteed debt: €400 million
  5. CDC-DFE – RFF guaranteed-debt: €760 million
- Shareholders' equity: €760 million
- State grants: €3.96 billion of which RFF for €2.01 billion.

RFF therefore serves primarily as the concession grantor and state contributor to the financing and, exceptionally, as guarantor of the CDC loan *via* the CDC Direction des Fonds d'Épargne (Savings Fund Department), for approximately €760 million.

At this stage and pending the project's financial closing date (signing date for all project financial documentation and for the concession agreement), the commitments undertaken by RFF, as the concession grantor, are limited to the signature of two letters covering the nullity of the concession agreement to be addressed to (i) Liséa, the concession holder, and (ii) the lenders (EIB and CDC-DFE commercial banks). These letters were signed respectively on 7 December 2010 and 7 February 2011 and are intended to compensate the concession holder and the lenders should the concession agreement be invalidated, in the event it was signed (scheduled for the project's financial closing date) but did not enter into force.

### **BPL PPP agreement**

In January 2011, RFF designated Eiffage as the prospective winning bidder for the Public-Private Partnership agreement covering the design, construction, maintenance and financing of the BPL high-speed line, comprising 214 km in new track, of which 182 km high-speed.

The objective is to sign the agreement with the prospective partner during the first half of 2011, based on a financing plan now being finalised by Eiffage.

The successful bidder will thus build and maintain the new line for a term of 25 years.

The project has a total investment budget of €3.4 billion. RFF will contribute to the financing for €1,432 billion. Public funding, whose amount has yet to be determined, will include the State and several local authorities, namely: the Bretagne et Pays de la Loire regions, as well as the Finistère, Morbihan, Côtes d'Armor, Île-et-Vilaine, Rennes Métropole, and Pays de Saint Malo departments.

# CONSOLIDATED FINANCIAL STATEMENTS

... AS AT 31 DECEMBER 2010

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Figures are in millions of euros unless indicated otherwise.



## BALANCE SHEET

### ASSETS

(in millions of euros)			
	Notes	31 Dec. 2010	31 Dec. 2009
Intangible assets	4,1	14.4	7.7
Investment property	4,2	425.2	461.9
Property, plant and equipment	4,3	41,923.4	39,669.7
Non-current financial assets	4,4	31.0	15.8
Derivative financial instruments	4,13	757.3	250.8
Deferred tax assets	4,5	3,719.4	3,809.3
<b>Non-current assets</b>		<b>46,870.7</b>	<b>44,215.2</b>
Trade receivables	4,6	656.3	638.9
Other receivables	4,7	744.7	454.5
Grants receivable	4,8	919.5	1,526.5
Current financial assets	4,4	41.2	61.9
Derivative financial instruments	4,13	230.1	47.9
Cash and cash equivalents	4,9	4,101.9	2,002.6
Assets held for sale	4,10	10.6	0.0
<b>Current assets</b>		<b>6,704.4</b>	<b>4,732.1</b>
<b>Total assets</b>		<b>53,575.1</b>	<b>48,947.3</b>

# BALANCE SHEET

## EQUITY AND LIABILITIES

(in millions of euros)			
	Notes	31 Dec. 2010	31 Dec. 2009
Capital injections	–	9,764.6	9,764.6
Reserves and accumulated deficit	–	(10,957.8)	(11,137.6)
<b>Equity attributable to equity holders of the parent</b>		<b>(1,193.1)</b>	<b>(1,372.9)</b>
Minority interests	–	0.0	0.0
<b>Total equity</b>		<b>(1,193.1)</b>	<b>(1,372.9)</b>
Non-current provisions	4.12	503.3	466.2
Grants	4.11.1	15,596.6	14,714.7
Non-current borrowings	4.13	27,436.7	25,337.5
Derivative financial instruments	4.13	1,688.2	1,872.8
Deferred tax liabilities	4.5	0.0	0.0
Other non-current liabilities	4.17	91.8	49.4
<b>Non-current liabilities</b>		<b>45,316.8</b>	<b>42,440.6</b>
Current provisions	4.12	12.6	18.3
Trade payables	4.18	672.4	403.3
Grants	4.11.4	1,811.2	1,427.8
Other payables	4.19	593.0	669.2
Current borrowings	4.13	4,410.9	3,946.4
Other current financial liabilities	4.20	1,696.0	1,238.6
Derivative financial instruments	4.13	217.3	138.0
Liabilities directly associated with assets held for sale	4.10	38.0	38.0
<b>Current liabilities</b>		<b>9,451.4</b>	<b>7,879.5</b>
<b>Total liabilities and equity</b>		<b>53,575.1</b>	<b>48,947.3</b>

## CONSOLIDATED INCOME STATEMENT

(in millions of euros)			
	Notes	31 Dec. 2010 (12 months)	31 Dec. 2009 (12 months)
Revenue	5.1	4,637.1	3,280.7
Operating grants	5.2	1,020.8	2,421.6
Delegated management fees	5.3	(2,990.8)	(2,954.1)
Other network expenses	5.4	(165.9)	(156.6)
Taxes other than on income	5.5	(80.3)	(89.8)
Other operating expenses	5.6	(351.3)	(324.0)
Depreciation, amortisation and impairment, net		(989.4)	(989.6)
Net charge to current asset provisions		(12.5)	5.2
Investment grants released to profit or loss	5.7	337.9	295.3
Other recurring income	5.8	125.5	192.9
Other recurring expenses	5.8	(40.5)	(96.0)
<b>Recurring operating profit (loss)</b>		<b>1,490.8</b>	<b>1,585.6</b>
Non-recurring income	5.9	0.1	1.1
Non-recurring expenses	5.9	(0.9)	(1.3)
<b>Operating profit (loss)</b>		<b>1,490.0</b>	<b>1,585.3</b>
Cost of gross debt	5.10	(1,210.1)	(1,156.0)
Income from cash and cash equivalents	5.10	12.8	17.2
Cost of net debt	5.10	(1,197.3)	(1,138.8)
Other financial income	5.11	9.2	18.3
Other financial expenses	5.11	(5.8)	(8.1)
<b>Net finance costs</b>		<b>(1,193.8)</b>	<b>(1,128.6)</b>
Income tax expense		(98.8)	(152.8)
<b>Profit for the year</b>		<b>197.4</b>	<b>304.0</b>
Minority interests		0.0	0.0
<b>Profit (loss) attributable to equity holders of the parent</b>		<b>197.4</b>	<b>304.0</b>

## OTHER COMPREHENSIVE INCOME

(in millions of euros)

	31 Dec. 2010	31 Dec. 2009
<b>Profit for the year</b>	<b>197.4</b>	<b>304.0</b>
Fair value gains and losses on cash-flow hedges	(26.4)	(215.3)
Income tax relating to components of other comprehensive income	8.8	71.2
<b>Total gains and losses recognised directly in equity</b>	<b>(17.6)</b>	<b>(144.1)</b>
<b>Comprehensive income</b>	<b>179.8</b>	<b>159.9</b>
Attributable to equity holders of the parent	179.8	159.9
Attributable to minority interests	0.0	0.0

## CONSOLIDATED CASH-FLOW STATEMENT

(in millions of euros)			
	Notes	31 Dec. 2010 (12 months)	31 Dec. 2009 (12 months)
<b>Cash-flow from operating activities</b>			
Profit (loss) for the year		197.4	304.0
Net income from assets and liabilities held for sale		–	–
Capital (gains) losses on disposal		(42.1)	(69.8)
Depreciation, amortisation, impairment and charges to provisions, net		990.2	1,034.1
Investment grants released to profit or loss		(338.1)	(296.4)
Other non-cash income and expenses		31.4	(16.0)
Cost of net debt	5.10	1,197.2	1,138.7
Debt reduction grant		–	–
Income tax expense (including deferred taxes)		98.8	152.8
<b>Operating cash-flow before movements in working capital, cost of net debt and income taxes</b>		<b>2,135.0</b>	<b>2,247.4</b>
Income taxes paid		–	–
Movements in working capital	4.21.1	(28.5)	220.3
<b>Net cash from operating activities</b>		<b>2,106.4</b>	<b>2,467.5</b>
<b>Cash-flow from investing activities</b>			
Cash outflow on acquisitions	4.21.2	(3,269.7)	(3,136.9)
Investment grants	4.21.2	2,208.2	2,075.7
Changes in other non-current financial assets		0.1	1.1
Disposals of /reductions in non-current assets		99.9	121.1
<b>Net cash used in investing activities</b>		<b>(961.6)</b>	<b>(939.1)</b>
<b>Cash-flow from financing activities</b>			
Repayment of borrowings		(7,816.0)	(8,419.8)
New borrowings raised		9,508.4	8,182.3
Net interest paid		(1,179.8)	(1,175.6)
Increase in guarantee deposits received		430.0	(3.8)
Changes in other non-current financial assets		–	–
<b>Net cash from financing activities</b>		<b>942.5</b>	<b>(1,416.8)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,087.3</b>	<b>111.6</b>
Net cash and cash equivalents at beginning of year		2,001.6	1,890.0
Net cash and cash equivalents at end of year		4,088.9	2,001.6
<b>Net increase in cash and cash equivalents</b>		<b>2,087.3</b>	<b>111.6</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of euros)

	Capital injections	Reserves and accumulated deficit	Income and expenses recognised directly in equity	Equity attributable to equity holders of the parent	Minority interests	Total equity
<b>Equity as at 1<sup>st</sup> January 2009</b>	<b>9,764.6</b>	<b>(11,137.5)</b>	<b>(159.9)</b>	<b>(1,532.7)</b>	<b>0.0</b>	<b>(1,532.7)</b>
Comprehensive income	–	304.0	(144.1)	159.9	0.0	159.9
Other changes	–	–	–	0.0	0.0	0.0
<b>Equity as at 31 December 2009</b>	<b>9,764.6</b>	<b>(10,833.5)</b>	<b>(304.0)</b>	<b>(1,372.9)</b>	<b>0.0</b>	<b>(1,372.9)</b>

(in millions of euros)

	Capital injections	Reserves and accumulated deficit	Income and expenses recognised directly in equity	Equity attributable to equity holders of the parent	Minority interests	Total equity
<b>Equity as at 1<sup>st</sup> January 2010</b>	<b>9,764.6</b>	<b>(10,833.5)</b>	<b>(304.0)</b>	<b>(1,372.9)</b>	<b>0.0</b>	<b>(1,372.9)</b>
Comprehensive income	–	197.4	(17.6)	179.8	0.0	179.8
Other changes	–	–	–	0.0	0.0	0.0
<b>Equity as at 31 December 2010</b>	<b>9,764.6</b>	<b>(10,636.1)</b>	<b>(321.7)</b>	<b>(1,193.1)</b>	<b>0.0</b>	<b>(1,193.1)</b>

# NOTES

## to the Consolidated Financial Statements

The consolidated financial statements of the group were approved by the Board of Directors on 7 April 2011.

## 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 n°. 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 n°. 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 2010.

#### 2.2 Major transactions and events

The change in toll fee structure and scales in connection with the 2010 working timetable gave rise to a significant revenue increase compared with 2009.

At the same time, the French State reduced the amount of the operating grant allocated to RFF in comparison to 2009.

#### 2.3 Other items of comparability

The financial statements approved for the year ended 31 December 2010 were not subject to any change in accounting policies.

# 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 2010 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>.

The new IFRS standards and amendments and IFRIC interpretations whose application is mandatory as of 1 January 2010 will have no material impact on the RFF financial statements for the year ended 31 December 2010.

The group will not apply any new standards in advance. 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 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 are therefore classified in operating expenses, without any change to the accounting treatment adopted for local business tax.

The GSMR public-private partnership agreement, signed on 18 February 2010, was recognised for the first time in the 31 December 2010 financial statements.

Assets under construction are recognised based on the percentage completion of the work and offset by a borrowing for the unpaid portion. The corresponding earned grant is recognised in balance sheet liabilities. The commissioning is recorded on the partial or full completion of the construction.

### 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".

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 acquisition 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	de 5 to 30 years
Level crossing	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, plus the balance of deferred tax assets, the balance of assets being upgraded net of grants and the operating WCR, to the present value of future cash-flows to be generated by these assets in addition to their residual value.

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.

RFF is able to prepare three-year cash-flow projections using a multi-year budget preparation process. Beyond this timeframe, cash-flows are based on the most recent year's data projected to 2025, the date on which the network will be considered stable owing to the completion of delayed upgrades.

The data shown in the 2008-2012 performance contract approved by the ministerial authorities is also taken into account.

The discount rate used is based on the cost of the resource and the risk exposure in relation to other regulated infrastructure managers comparable to RFF. This rate is also corroborated by a financial asset valuation model applied to a potential RRF target structure.

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 loss 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.

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 2010.

**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 neither 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 2010, 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 Recognition and measurement 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 2010 breaks down as follows:

#### ANALYSIS OF INTANGIBLE ASSETS

(in millions of euros)			
	Operating software	In house software	Total
<b>As at 31 December 2009</b>			
Cost	29.3	30.1	59.3
Accumulated depreciation	(24.1)	(27.5)	(51.6)
Accumulated impairment	–	–	–
<b>Carrying amount</b>	<b>5.1</b>	<b>2.6</b>	<b>7.7</b>
<b>Year ended 31 December 2010</b>			
Carrying amount at beginning of the year	5.1	2.6	7.7
Acquisitions	4.4	7.0	11.5
In-house production	–	–	–
Disposals	–	–	–
Translation differences	–	–	–
Reclassifications	(2.9)	3.0	0.1
Amortisation	(3.8)	(1.1)	(4.8)
Reversal of depreciation	–	–	–
Reversal of disposals	–	–	–
Reversals 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	–	–	–
Exist from the scope of consolidation	–	–	–
Other movements	(0.1)	–	(0.1)
<b>Carrying amount at end of the year</b>	<b>2.9</b>	<b>11.5</b>	<b>14.4</b>
<b>As at 31 December 2010</b>			
Cost	30.8	40.1	70.9
Accumulated depreciation	(27.9)	(28.6)	(56.4)
Accumulated impairment	–	–	–
<b>Carrying amount</b>	<b>2.9</b>	<b>11.5</b>	<b>14.4</b>

## 4.2 Investment property

Rental income from investment property totalled €83 million in 2010 compared with €79.6 million in 2009. Property management direct operating expenses totalled €77.4 million in 2010 compared with €72.7 million in 2009, 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.

### ANALYSIS OF INVESTMENT PROPERTY

(in millions of euros)	
<b>As at 1 January 2009</b>	
	Investment property
Cost	504.7
Accumulated depreciation	(13.1)
Accumulated impairment	–
<b>Carrying amount</b>	<b>491.6</b>
<b>Year ended 31 December 2009</b>	
Carrying amount at beginning of the year	491.6
Acquisitions	0.0
Disposals	(28.3)
Reclassifications and transfers to assets held for sale	0.0
Depreciation	(1.4)
Reversals of depreciation	–
Reversals of disposals	–
Other movements	0.0
<b>Carrying amount at end of the year</b>	<b>461.9</b>
<b>As at 31 December 2009</b>	
Cost	476.4
Accumulated depreciation	(14.5)
Accumulated impairment	–
<b>Carrying amount</b>	<b>461.9</b>
<b>Year ended 31 December 2010</b>	
Carrying amount at beginning of the year	461.9
Disposals	0.0
Acquisitions	0.0
Reclassifications and transfers to assets held for sale	0.0
Depreciation	0.0
Reversal of depreciation	–
Reversals of disposals	–
Other movements	(36.7)
Carrying amount at end of the year	425.2
<b>As at 31 December 2010</b>	
Cost	439.7
Accumulated depreciation	(14.5)
Accumulated impairment	–
<b>Carrying amount</b>	<b>425.2</b>

## 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 2010 breaks down as follows:

#### ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

(in millions of euros)						
	Land, buildings and improvements	Track, earthworks, civil engineering and level crossings	Technical and electrical supply equipment, telecommunications	Operating equipment	Assets under construction	Total
<b>As at 1 January 2009</b>						
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)	0.0	(8,091.3)
Catch-up depreciation	95.7	(665.5)	(353.1)	–	–	(922.8)
Accumulated impairment	–	–	–	0.0	(66.3)	(66.3)
<b>Carrying amount</b>	<b>5,905.3</b>	<b>19,531.4</b>	<b>4,268.3</b>	<b>16.2</b>	<b>7,623.8</b>	<b>37,344.8</b>
<b>Year ended 31 December 2009</b>						
Carrying amount at beginning of the year	5,905.3	19,531.4	4,268.3	16.2	7,623.8	37,344.8
Acquisitions	0.9	0.0	0.0	5.7	–	6.7
Production	–	–	–	–	3,318.7	3,318.7
Disposals	(2.6)	0.0	0.0	(0.5)	–	(3.2)
Translation differences	–	–	–	–	–	0.0
Reclassifications and transfers to assets held for sale	87.7	841.5	354.0	(0.1)	(1,300.0)	(16.9)
Catch-up depreciation	–	–	–	–	–	0.0
Depreciation	(59.5)	(615.3)	(298.6)	(4.2)	(7.6)	(985.1)
Reversal of depreciation	–	–	–	–	–	–
Other movements	–	–	–	–	3.8	3.8
<b>Carrying amount at end of year</b>	<b>5,931.9</b>	<b>19,757.6</b>	<b>4,323.8</b>	<b>17.1</b>	<b>9,638.6</b>	<b>39,669.7</b>
<b>As at 31 December 2009</b>						
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)	0.0	(9,991.7)
Catch-up depreciation	–	–	–	–	–	0.0
Accumulated impairment	–	–	–	–	(73.9)	(73.9)
<b>Carrying amount</b>	<b>5,931.9</b>	<b>19,757.6</b>	<b>4,323.8</b>	<b>17.1</b>	<b>9,638.6</b>	<b>39,669.7</b>

## ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT (continued)

(in millions of euros)						
	Land, buildings and improvements	Track, earthworks, civil engineering and level crossings	Technical and electrical supply equipment, telecommunications	Operating equipment	Assets under construction	Total
<b>Year ended 31 December 2010</b>						
Carrying amount t beginning of year	5,931.9	19,757.6	4,323.8	17.1	9,638.6	39,669.7
Acquisitions	3.8	0.0	0.0	6.0	–	9.8
Production	–	–	–	–	3,226.6	3,226.6
Disposals	(31.3)	0.0	0.0	(0.4)	(3.7)	(35.3)
Translation differences	–	–	–	–	–	0.0
Reclassifications and transfers to assets held for sale	0.4	0.1	1.7	0.1	9.6	11.8
Depreciation	(63.1)	(620.5)	(298.5)	(4.8)	–	(987.0)
Reversal of depreciation	0.7	0.0	0.0	0.2	–	0.9
Charges to provisions for impairment	–	–	–	–	(16.7)	(16.7)
Reversals of provisions for impairment	–	–	–	–	18.2	18.2
Other movements	2.6	–	–	(0.4)	23.1	25.4
<b>Carrying amount at end of year</b>	<b>5,845.0</b>	<b>19,137.2</b>	<b>4,027.0</b>	<b>17.7</b>	<b>12,895.9</b>	<b>41,923.4</b>
<b>As at 31 December 2010</b>						
Cost	6,129.6	26,059.3	7,783.4	46.8	12,968.4	52,987.5
Accumulated depreciation	(284.7)	(6,922.1)	(3,756.5)	(29.1)	–	(10,992.3)
Accumulated impairment	–	–	–	–	(72.4)	(72.4)
<b>Carrying amount</b>	<b>5,845.0</b>	<b>19,137.2</b>	<b>4,027.0</b>	<b>17.7</b>	<b>12,895.9</b>	<b>41,923.4</b>

Study costs expensed in the period (IAS 38.126) totalled €52.7 million in 2010 and €59.1 million in 2009.

### 4.3.2 Production of property, plant and equipment

Capital expenditure (excluding software and operating assets) in 2010 totalled €3,226.7 million.

- production carried out by agents on behalf of RFF for €2,383.1 million,
- direct production for €812.3 million,
- production for the GSMR PPP for €26.0 million.

This capital expenditure comprises:

- infrastructure investment projects for €3,221.5 million, including;
  - increase in down payments for investment land in the amount of €5.2 million.

Capitalised expenditure in 2010 totalled €3,211.8 million and breaks down as follows:

(in millions of euros)	
	As at 31 Dec. 2010
<b>Major development projects</b>	<b>– 852.9</b>
Major national projects before work	22.5 –
Major national projects in progress	687.1 –
Major PPP projects	143.3 –
<b>Regional development projects</b>	<b>– 534.3</b>
Regional development projects	534.3 –
<b>Network quality improvements</b>	<b>– 166.1</b>
Safety	31.0 –
Train access	66.3 –
Punctuality	25.9 –
Technological development (ERTMS)	4.7 –
GSM-R	17.6 –
Performance enhancement	15.8 –
Environment (Acoustics, PNB, etc.)	4.7 –
<b>Upgrade and compliance works</b>	<b>– 1,493.3</b>
Tracks	1,105.1 –
Signalling equipment and telecoms (excl. GSMR)	176.7 –
Electric traction	62.1 –
Civil engineering structures and earthworks	132.4 –
Other programmes (GHV, EM, etc.)	17.0 –
<b>Sales investments and studies</b>	<b>– 19.4</b>
Sales investments and studies	19.4 –
<b>Land/property</b>	<b>– 21.9</b>
Land /property	21.9 –
<b>Works for third parties</b>	<b>– 34.7</b>
Work for third parties	34.7 –
<b>Unclassifiable operations</b>	<b>– 63.2</b>
Unclassifiable operations	63.2 –
<b>Projets en PPP</b>	<b>– 26.0</b>
GSM-R PPP agreement	26.0 –
<b>Total</b>	<b>3,211.8</b>

### 4.3.3 Assets commissioned during the year

Property, plant and equipment totalling €618.3 million was commissioned in 2010 mainly corresponding to mandated upgrade and compliance operations.

(in millions of euros)	
	As at 31 Dec. 2010
<b>Major development projects</b>	<b>– 59.7</b>
Major national projects before work	– –
Major national projects in progress	59.7 –
Major PPP projects	– –
<b>Regional development projects</b>	<b>– 86.5</b>
Regional development projects	86.5
<b>Network quality improvements</b>	<b>– 76.5</b>
Safety	29.9 –
Train access	13.1 –
Punctuality	28.3 –
Technological development (ERTMS)	0.0 –
GSM-R	0.0 –
Performance enhancement	4.1 –
Environment (Acoustics, PNB, etc.)	1.1 –
<b>Upgrade and compliance works</b>	<b>– 359.0</b>
Tracks	190.2 –
Signalling equipment and telecoms (excl. GSMR)	24.4 –
Electric traction	42.0 –
Civil engineering structures and earthworks	88.8 –
Other programmes (GHV, EM, etc.)	13.5 –
<b>Sales investments and studies</b>	<b>– 8.2</b>
Sales investments and studies	8.2 –
<b>Land/property</b>	<b>– 7.5</b>
Land /property	7.5 –
<b>Works for third parties</b>	<b>– 20.6</b>
Work for third parties	20.6 –
<b>Other operations</b>	<b>– 0.3</b>
Sundry	0.3 –
<b>Total commissionings</b>	<b>– 618.3</b>

### 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.

Discount rate adopted: between 6% and 6.5%.  
Sensitivity to a change in the discount rate: an increase

or decrease of +/- 0.1% in the interest rate generates an increase or decrease of -/+ €0.9 billion in the present value of cash-flows.

Benchmark net carrying amount as at 31 December 2010: €28.5 billion.

#### Property CGU

RFF found no indication of potential impairment of Property CGU.

### 4.3.5 Breakdown of impairment of assets under construction

#### Breakdown of impairment of assets under construction

(in millions of euros)					
	Accumulated as at 31 Dec. 2010	Impairment as at 31 Dec. 2009	Charge	Reversal	Accumulated as at 31 Dec. 2010
Dormant projects	44.4	30.7	15.8	(18.2)	28.3
Port tracks under construction	43.8	43.2	0.6	0.0	43.8
Other	0.3	0.0	0.3	0.0	0.3
<b>Total</b>	<b>88.5</b>	<b>73.9</b>	<b>16.7</b>	<b>(18.2)</b>	<b>72.4</b>

### 4.4 Current and non-current financial assets

#### Breakdown between current and non-current financial assets

(in millions of euros)							
	31 Dec. 2010			31 Dec. 2009			Change
	Current	Non-current	Total	Current	Non-current	Total	Total
Available-for-sale financial assets <sup>(1)</sup>	0.0	0.5	0.5	0.0	0.5	0.5	0.0
Long-term receivables and guarantees deposits paid	0.0	3.8	3.8	0.0	3.9	3.9	(0.1)
Receivables on disposals of non-current assets	35.4	26.7	62.1	35.4	11.4	46.8	15.2
Current accounts	5.8	0.0	5.8	23.2	0.0	23.2	(17.5)
Other financial assets	0.0	0.0	0.0	3.2	0.0	3.2	(3.2)
<b>Total financial assets-gross</b>	<b>41.2</b>	<b>31.0</b>	<b>72.2</b>	<b>61.9</b>	<b>15.8</b>	<b>77.7</b>	<b>(5.5)</b>
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total financial assets</b>	<b>41.2</b>	<b>31.0</b>	<b>72.2</b>	<b>61.9</b>	<b>15.8</b>	<b>77.7</b>	<b>(5.5)</b>

(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%
GEIE NAF GCT	50%



The investment in Lyon-Turin-Ferroviale 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-Ferroviale SAS reported a net profit of nil in 2010; capitalised production in the year totalled €33.3 million. The company had total equity of €554.6 million as at 31 December 2010.

### Détail des comptes courants

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
LTF	5.1	22.8
GIE S2IF	0.0	0.0
GIE VICTORIA DAX C/C	0.7	0.4
<b>Total</b>	<b>5.8</b>	<b>23.2</b>

## 4.5 Deferred taxes

(in millions of euros)	
	Deferred tax assets
<b>Deferred taxes as at 31/12/2009</b>	<b>3,809.3</b>
Deferred taxes on 2010 net income	(98.8)
Deferred taxes on 2010 OCI change	8.8
<b>Deferred taxes as at 31/12/2010</b>	<b>3,719.4</b>

## 4.6 Trade receivables

The carrying amount of trade receivables breaks down as follows:

### Trade receivables

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Tolls	617.3	341.4
Non-traffic income	33.3	272.2
Other	37.9	45.2
Provisions	(32.1)	(20.0)
<b>Trade receivables - carrying amount</b>	<b>656.3</b>	<b>638.9</b>

## Provision for doubtful receivables

Movements in the provision for doubtful receivables were as follows:

### Provision for doubtful receivables

(in millions of euros)					
	31 Dec. 2009	Charge	Reversal		31 Dec. 2010
			Utilised	Not utilised	
Tolls	2.7	13.8	0.5	1.2	14.8
Non-traffic income	16.6	7.7	1.1	6.1	17.1
Other	0.7	0.0	0.0	0.5	0.2
<b>Provision for doubtful receivables</b>	<b>20.0</b>	<b>21.5</b>	<b>1.6</b>	<b>7.8</b>	<b>32.1</b>

## 4.7 Other receivables

Other receivables break down as follows::

### Other receivables

(in millions of euros)				
	Tax and employee-related receivables	Prepaid expenses	Other receivables	Total other receivables
Gross amount as at 31.12.2009	365.1	1.1	88.2	454.5
Provisions	–	–	–	–
<b>Net amount as at 31.12.2009</b>	<b>365.1</b>	<b>1.1</b>	<b>88.2</b>	<b>454.5</b>
Gross amount as at 31.12.2010	376.4	244.0	124.4	744.7
Provisions	–	–	–	–
<b>Net amount as at 31.12.2010</b>	<b>376.4</b>	<b>244.0</b>	<b>124.4</b>	<b>744.7</b>

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

The "Prepaid expenses" item includes advance billing by SNCF for the infrastructure management agreement for January 2011.

### 4.7.1 Tax and employee-related receivables

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
VAT credit repayment request	44.6	106.8
VAT to be adjusted	163.5	142.5
Input VAT	168.1	115.6
Other tax receivables	0.2	0.2
<b>Total</b>	<b>376.4</b>	<b>365.1</b>

## 4.7.2 Prepaid expenses

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Infrastructure management agreements	240.4	0.0
Other including rent and expenses	3.6	1.1
<b>Total</b>	<b>244.0</b>	<b>1.1</b>

## 4.7.3 Other receivables

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Credit notes receivable from suppliers and advances	89.9	85.8
Other miscellaneous receivables	34.5	2.4
<b>Total</b>	<b>124.4</b>	<b>88.2</b>

## 4.8 Grants receivable

Grants receivable break down as follows:

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Grants to be collected	453.3	1,087.2
Grants not yet claimed	487.2	460.0
Provisions for impairment	(21)	(21)
<b>Total</b>	<b>919.5</b>	<b>1,526.5</b>

## 4.9 Cash and cash equivalents

(in millions of euros)			
	31 Dec. 2010	31 Dec. 2009	Change
Bank accounts (euro-denominated) and cash	208.1	1.3	206.8
Bank accounts (foreign currency) and cash	0.0	0.0	0.0
<b>Cash and demand deposits</b>	<b>208.1</b>	<b>1.3</b>	<b>206.8</b>
Monetary mutual funds	889.4	437.6	451.7
Negotiable debt instruments and related accrued interest receivable (maximum maturity of 3 months on purchase)	3,004.4	1,563.6	1,440.8
<b>Cash equivalents</b>	<b>3,893.8</b>	<b>2,001.3</b>	<b>1,892.5</b>
<b>Cash and cash equivalents in the balance sheet</b>	<b>4,101.9</b>	<b>2,002.6</b>	<b>2,099.3</b>
Bank overdrafts in euros	12.6	0.7	11.9
Bank overdrafts in foreign currencies	0.4	0.3	0.1
<b>Bank overdrafts repayable on demand</b>	<b>13.0</b>	<b>0.9</b>	<b>12.0</b>
<b>Net change in cash and cash equivalents (*)</b>	<b>4,088.9</b>	<b>2,001.7</b>	<b>2,087.2</b>

(\*) 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 2010, assets declared not to be necessary for railway activities and held for sale had a value of €10.6 million. Directly associated liabilities in the amount of €38 million are unchanged compared to 31 December 2009.

## 4.11 Grants

### 4.11.1 Summary of non-current grants

(in millions of euros)			
	Grants on commissioned assets	Grants for assets under construction	Total grants
Subventions sur immobilisations en cours	–	5,281.5	–
Subventions nettes mises en service	6,222.6	–	–
Subventions sur prêts à taux bonifié	19.5	–	–
Reprise voies de port	(1.6)	(37.9)	–
Reprise subvention sur terrains mis en service	16.7	–	–
Subventions de renouvellement	3,745.8	350.1	–
<b>Total</b>	<b>10,002.9</b>	<b>5,593.7</b>	<b>15,596.6</b>

### 4.11.2 Grants on commissioned assets

(in millions of euros)					
	Net amount as at 31 Dec. 2009	Grants on assets commissioned in the year	Inter-account transfers	Share of grants released to profit or loss	Net amount as at 31 Dec. 2010
Land, buildings and improvements	627.1	48.3	–	(29.5)	645.9
Tracks, earthworks, civil engineering structures and level crossings	4,216.3	226.2	(0.4)	(108.9)	4,333.1
Technical and electrical supply equipment, telecommunications	1,225.7	84.9	–	(68.4)	1,242.2
Operating equipment	2.0	0.1	–	(0.8)	1.3
<b>Total</b>	<b>6,071.2</b>	<b>359.4</b>	<b>(0.4)</b>	<b>(207.6)</b>	<b>6,222.6</b>

Grants on commissioned assets total €6,222.6 million. The €0.4 million reclassification reflects the irrecoverable nature of the grant. The amount was netted against the corresponding receivable.

### 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. 2010	31 Dec. 2009
Total investment grants claimed since 1 January 1997	13,782.9	12,203.5
Total investments grants transferred to commissioned assets since 1 January 1997	(7,099.9)	(6,713.0)
Investment grants claimed in advance	(1,691.3)	(1,343.9)
Investment grants not yet claimed	289.8	272.9
<b>Total</b>	<b>5,281.5</b>	<b>4,419.5</b>

Earned grants total €5,281.5 million as at 31 December 2010.

**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)							
	Grants 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
<b>Gross amount</b>	<b>4,560.4</b>	<b>675.0</b>	<b>900.0</b>	<b>1,195.0</b>	<b>985.2</b>	<b>805.2</b>	<b>4,560.4</b>

**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. 2010	
2004	01/07/2004	38	675.0	(115.5)	559.5	
2005	25/03/2005	42	573.9	(78.9)	495.0	
2006	09/05/2006	42	878.4	(97.2)	781.2	
2007	21/03/2007	35	734.2	(79.4)	654.9	
2008	17/04/2008	33	68.8	(5.8)	62.9	
2009	17/01/2009	42	844.4	(57.3)	787.1	
2010	22/01/2010	38	435.5	(30.4)	405.2	
<b>Total</b>			<b>4,210.3</b>	<b>(464.5)</b>	<b>3,745.8</b>	

**Grants for upgrade and compliance work**

(in millions of euros)			
	Gross amount	Accumulated release	Net amount as at 31 Dec. 2010
Grants on commissioned assets	4,210.3	(464.5)	3,745.8
Grants for assets under construction	350.1	0.0	350.1
<b>Total</b>	<b>4,560.4</b>	<b>(464.5)</b>	<b>4,095.9</b>

#### 4.11.4 Current grants

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

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Operating grants claimed in advance	119.9	83.9
Investment grants claimed in advance	1,691.3	1,343.9
<b>Total</b>	<b>1,811.2</b>	<b>1,427.8</b>

## 4.12 Provisions

### 4.12.1 Breakdown between current and non-current provisions

(in millions of euros)						
	31 Dec. 2010			31 Dec. 2009		
	Current	Non-current	Total	Current	Non-current	Total
Disputes and litigation	1.4	403.9	405.3	1.9	398.3	400.2
Tax and employee-related expenses	0.0	38.2	38.2	16.4	29.8	46.1
Decontamination and environmental risks	11.2	54.6	65.8	0.0	33.5	33.5
Provisions for employee benefits	0.0	6.7	6.7	0.0	4.6	4.6
<b>Provisions</b>	<b>12.6</b>	<b>503.3</b>	<b>515.9</b>	<b>18.3</b>	<b>466.2</b>	<b>484.5</b>

### 4.12.2 Movements in provisions

(in millions of euros)					
	31 Dec. 2009	Dotations	Reversals		31 Dec. 2010
			Utilised	Not utilised	
<b>Provisions for contingencies and losses</b>	—	—	—	—	—
Disputes and litigation	400.2	12.5	3.3	4.1	405.3
Tax and employee-related expenses	46.1	8.4	16.4	0.0	38.2
Decontamination and environmental risks	33.5	43.7	9.3	2.1	65.8
Provisions for contingencies and losses	4.6	2.1	0.0	0.0	6.7
<b>Provisions for contingencies and losses</b>	<b>484.5</b>	<b>66.6</b>	<b>28.9</b>	<b>6.3</b>	<b>515.9</b>

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 2010 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:** studies 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 programmes to be implemented and quantifies the corresponding decontamination costs.

**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)	
<b>Obligation as at 31 Dec. 2009</b>	<b>4.6</b>
Service cost for the period	1.2
Interest expense on the obligation	0.3
Actuarial gains and losses	0.9
Benefits paid	(0.4)
Plan curtailments and settlements	–
Other	–
<b>Obligation as 31 Dec. 2010</b>	<b>6.7</b>
Unrecognised actuarial gains and losses	–
Provisions recognised	6.7

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

	31 Dec. 2010	31 Dec. 2009
Rate of increase in salaries	3.00%	2.00%
Rate of payroll taxes	48.00%	47.00%
Discount rate	4.00%	4.06%
Turnover	3.35%	8.80%

#### b/ Long-term employee benefit expense

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Wages and salaries	(59.8)	(51.9)
Payroll taxes	(25.9)	(21.8)
Pension expense - defined contribution plans	(6.5)	(4.3)
Pension expense - defined benefit plans	–	–
Other post-employment benefits	–	–
<b>Long-term employee benefit expense</b>	<b>(92.2)</b>	<b>(78.0)</b>

### 4.13 Net debt

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

(in millions of euros)							
	Note	31 Dec. 2010			31 Dec. 2009		
		Current	Non-current	Total	Current	Non-current	Total
Borrowings	4.14	4,410.9	27,436.7	31,847.6	3,946.4	25,337.5	29,283.9
Cash and cash equivalents	4.9	(4,101.9)	0.0	(4,101.9)	(2,002.6)	0.0	(2,002.6)
<b>Net debt before impact of derivatives</b>		<b>309.0</b>	<b>27,436.7</b>	<b>27,745.7</b>	<b>1,943.8</b>	<b>25,337.5</b>	<b>27,281.4</b>
Asset derivatives allocated to debt	4.15.3	(230.1)	(757.3)	(987.4)	(47.9)	(250.8)	(298.6)
Liability derivatives allocated to debt	4.15.3	217.3	1,688.2	1,905.5	138.0	1,872.8	2,010.8
<b>Net debt</b>		<b>296.1</b>	<b>28,367.7</b>	<b>28,663.8</b>	<b>2,034.0</b>	<b>26,959.5</b>	<b>28,993.5</b>

### 4.14 Borrowings

Borrowings break down as follows:

(in millions of euros)							
	Note	31 Dec. 2010			31 Dec. 2009		
		Current	Non-current	Total	Current	Non-current	Total
RFF long-term debt		2,507.8	25,642.9	28,150.7	2,601.3	23,506.1	26,107.3
Long-term debt transferred from SNCF		113.6	1,793.9	1,907.5	90.4	1,831.5	1,921.9
Short-term debt		1,789.4	–	1,789.4	1,254.7	–	1,254.7
<b>Borrowings</b>		<b>4,410.9</b>	<b>27,436.7</b>	<b>31,847.6</b>	<b>3,946.4</b>	<b>25,337.5</b>	<b>29,283.9</b>

#### 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 €3.26 billion in 2010 through 26 operations on the euro, US dollar, Australian dollar, pound sterling and Swiss franc bond markets.



The total amount of new issues in 2010 includes the carrying amount of private placements (€1,445.9 million) and public issues, as presented below:

**Caractéristiques des principaux emprunts**

(in millions of euros)					
Type of loan	31 Dec. 2010				
	Nominal amount	Currency	Maturity date	Interest rate	Balance sheet total
<b>Bonds:</b>					
EMTN RFF 5,375% – 07/06/2012	150	AUD	07/06/2012	5.375	117.5
EMTN RFF 0,625% – 01/06/2012	300	CHF	01/06/2012	0.625	240.6
EMTN RFF 2% – 12/11/2026	150	CHF	12/11/2026	2	120.3
EMTN RFF 2% – 24/11/2034	100	CHF	24/11/2034	2	79.8
EMTN RFF 4,50% – 30/01/2024	450	EUR	30/01/2024	4.5	511
EMTN RFF 5% – 10/10/2033	250	EUR	10/10/2033	5	277.5
EMTN RFF 2,375% – 23/12/2015	200	GBP	23/12/2015	2.375	232.3
EMTN RFF 4,83% – 25/03/2060	375	GBP	25/03/2060	4.83	461.8

Characteristics of RFF borrowings at 31 December 2010:

(in millions of euros)	
	Amount
Bonds	22,808.8
Other borrowings	5,341.8
<b>Total</b>	<b>28,150.6</b>

## Bonds:

(in millions of euros)					
Type of loan	Nominal amount	Currency	Maturity date	Interest rate	Balance sheet total
Total EMTN RFF 6% – 12/10/2020	2,000.0	EUR	12/10/2020	6	2,050.8
Total EMTN RFF 4,625% – 17/03/2014	1,900.0	EUR	17/03/2014	4.625	1,970.1
Total EMTN RFF 5,25% – 31/01/2035	475.0	GBP	31/01/2035	5.25	594.9
Total EMTN RFF 5,5% – 01/12/2021	800.0	GBP	01/12/2021	5.5	929.5
Total EMTN RFF 5,25% – 07/12/2028	650.0	GBP	07/12/2028	5.25	741.2
Total EMTN RFF 0,625% – 01/06/2012	300.0	CHF	01/06/2012	0.625	240.6
Total EMTN RFF 5,375% – 07/06/2012	150.0	AUD	07/06/2012	5.375	117.5
Total EMTN RFF 2% – 12/11/2026	150.0	CHF	12/11/2026	2	120.3
Total EMTN RFF 2,375% – 23/12/2015	200.0	GBP	23/12/2015	2.375	232.3
Total EMTN RFF 4,375% – 02/06/2022	2,200.0	EUR	02/06/2022	4.375	2,235.1
Total EMTN RFF 4,45% – 27/11/2017	1,000.0	EUR	27/11/2017	4.45	997.5
Total EMTN RFF 4,50% – 30/01/2024	2,200.0	EUR	30/01/2024	4.5	2,322.9
Total EMTN RFF 4,75% – 25/01/2011	700.0	GBP	25/01/2011	4.75	850.4
Total EMTN RFF 4,83% – 25/03/2060	375.0	GBP	25/03/2060	4.83	461.8
Total EMTN RFF 5% – 10/10/2033	2,250.0	EUR	10/10/2033	5	2,364.5
Total EMTN RFF 5% – 11/03/2052	550.0	GBP	11/03/2052	5	657.5
Total EMTN RFF 1,25% – 23/03/2012	200.0	CHF	23/03/2012	1.25	162.8
Total EMTN RFF 2% – 24/11/2034	100.0	CHF	24/11/2034	2	79.8
Total EMTN RFF 2,875% – 26/02/2021	300.0	CHF	26/02/2021	2.875	255.6
Total EMTN RFF 3% – 24/04/2019	450.0	CHF	24/04/2019	3	369.5
Total OBLIG 4,70% – 01/06/2035	276.6	CAD	01/06/2035	4.7	243.3
Total RFF 1,625% – 20/12/2011	500.0	CHF	20/12/2011	1.625	399.2
Total RFF 3,25% – 01/06/2011	600.0	CHF	01/06/2011	3.25	491.7
Total RFF 3,25% – 30/06/2032	250.0	CHF	30/06/2032	3.25	208.6
Total RFF 5,40% – 26/02/2013	1,200.0	EUR	26/02/2013	5.4	1,297.8
Total RFF OAT Inflat Euro Hors Tabac	2,000.0	EUR	28/02/2023	Inflation (2.45)	2,413.6
<b>Total</b>					<b>22,808.8</b>

### Other borrowings

(in millions of euros)					
Type of loan	Nominal amount	Currency	Average maturity	Interest rate	Solde bilan
	550.0	CHF	2020	–	441.9
	2456.5	EUR	2024	–	2545.3
	193.6	GBP	2036	–	260.4
	300.0	HKD	2016	–	29.1
	44000	JPY	2021	–	413.4
	1370	USD	2013	–	1050
<b>Private placements</b>	–	–	–	–	<b>4,740.2</b>
<b>EIB loans</b>	<b>550.1</b>	<b>EUR</b>	<b>2016</b>	–	<b>550.7</b>
<b>Loans from Greater Paris Region</b>	<b>57.3</b>	<b>EUR</b>	<b>2027</b>	–	<b>50.9</b>
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,341.8</b>

#### 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
	Floating	389.3	2015	387.0
	Fixed	1,025.5	2019	1,055.0
	Inflation	–	–	–
GBP	Fixed	–	–	–
	Floating	211.3	2014	245.5
CHF	Fixed	271.0	2016	220.0
	Floating	–	–	–
<b>Total debt transferred from SNCF</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,907.5</b>

The total amortised cost of debt transferred from SNCF was €1,907.5 million as at 31 December 2010. The current portion of the debt transferred from SNCF is €113.6 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.

The 2010 table is as follows:

Currency	Total amount in millions of euros	Maturing in 0 to 6 months	Maturing in 6 to 12 months	Maturing in more than 1 year
USD	1,527.1	1,393.0	134.0	–
GBP	44.2	44.2	0.0	–
CHF	125.6	125.6	0.0	–
<b>Total</b>	<b>1,789.4</b>	<b>1,655.4</b>	<b>134.0</b>	<b>–</b>

Short-term debt raised by RFF in 2010 represented average outstandings of €1,862 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 reports 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. 2010	AUD	USD	GBP	YEN	HKD	CHF	CAD
Debt denominated in foreign currency	150.0	1,370.0	4,091.2	44,000.0	300.0	3,671.0	276.6
Foreign currency derivatives	150.0	1,370.0	4,091.2	44,000.0	300.0	3,671.0	276.6
Net foreign currency exposure	0.0	0.0	0.0	0.0	0.0	0.0	0.0

  

31 Dec. 2009	AUD	USD	GBP	YEN	HKD	CHF	CAD
Debt denominated in foreign currency	0.0	1,110.0	3,516.3	44,000.0	300.0	2,781.0	300.0
Foreign currency derivatives	0.0	1,110.0	3,516.3	44,000.0	300.0	2,781.0	300.0
Net foreign currency exposure	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

ECB rates	31 Dec. 2010	31 Dec. 2009
AUD	1.3136	—
CAD	1.3322	1.5128
CHF	1.2504	1.4836
GBP	0.86075	0.8881
HKD	10.3856	11.1709
YEN	108.65	133.16
USD	1.3362	1.4406

As at 31 December 2010, 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. 2010	31 Dec. 2009
Euro fixed-rate debt	22,616.1	19,878.1
Euro inflation-linked debt	2,782.2	2,920.0
Euro floating-rate debt (net of cash equivalents)	2,347.4	4,480.4
<b>TOTAL</b>	<b>27,745.7</b>	<b>27,278.4</b>

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 2010, RFF decided to conduct its sensitivity analyses based on a 50 basis point increase or decrease in the interest rate.

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 2009.

## Synthèse des Impacts taux

(in millions of euros)

Type d'instrument	31 Dec. 2010				31 Dec. 2009			
	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 + 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
Derivatives designated as fair value hedges	(16.9)	17.5	0.0	0.0	(21.4)	22.3	0.0	0.0
Debt designated as fair value hedges	20.3	(21.0)	0.0	0.0	24.9	(25.8)	0.0	0.0
<b>Total ineffective portion of cash-flow hedges (A)</b>	<b>3.4</b>	<b>(3.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>3.4</b>	<b>(3.5)</b>	<b>0.0</b>	<b>0.0</b>
Ineffective portion of cash-flow hedges	6.1	(6.6)			4.9	(5.2)	0.0	0.0
Derivatives designated as cash-flow hedges	0.0	0.0	485.5	(539.2)	0.0	0.0	377.2	(415.6)
<b>Total impact of cash-flow hedges (B)</b>	<b>6.1</b>	<b>(6.6)</b>	<b>485.5</b>	<b>(539.2)</b>	<b>4.9</b>	<b>(5.2)</b>	<b>377.2</b>	<b>(415.6)</b>
Trading derivatives (C)	1.4	(1.7)	0.0	0.0	0.9	(0.8)	0.0	0.0
Floating-rate debt (including short-term debt) (D)	(29.6)	29.6	0.0	0.0	(30.7)	30.7	0.0	0.0
Cash equivalents (E)	15.0	(15.0)	0.0	0.0	7.8	(7.8)	0.0	0.0

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 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) Cash-flow impact (expense or income) on floating-rate borrowings or fixed-rate borrowings converted to floating rates after hedging
- (E) Cash-flow impact (income or expense) on 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)								
	2010				2009			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
<b>Derivatives designated as hedges</b>								
<b>Fair value hedges</b>								
Interest rate	–	145.2	–	–	–	148.2	–	77.0
Foreign currency and interest rate	60.5	202.4	46.5	8.1	–	53.3	43.0	–
<b>Cash-flow hedges</b>								
Interest rate	–	27.8	–	266.3	–	6.7	–	183.5
Foreign currency and interest rate	75.2	382.0	66.3	1,413.8	–	42.5	–	1,612.3
<b>Total derivatives designated as hedges</b>	<b>135.7</b>	<b>757.3</b>	<b>112.8</b>	<b>1,688.2</b>	<b>–</b>	<b>250.8</b>	<b>43.0</b>	<b>1,872.8</b>
<b>Derivatives and forward currency transactions not designated as hedges</b>								
Interest rate	30.4	–	24.1	–	33.2	–	20.9	–
Foreign currency and interest rate	62.9	–	43.0	–	14.7	–	35.2	–
Embedded derivatives	1.1	–	37.3	–	–	–	39.0	–
<b>Total derivatives and forward currency transactions not designated as hedges</b>	<b>94.4</b>	<b>–</b>	<b>104.5</b>	<b>–</b>	<b>47.9</b>	<b>–</b>	<b>95.0</b>	<b>–</b>
<b>Total derivatives</b>	<b>230.1</b>	<b>757.3</b>	<b>217.3</b>	<b>1,688.2</b>	<b>47.9</b>	<b>250.8</b>	<b>138.0</b>	<b>1,872.8</b>

#### 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:

	2010			
	Carrying amount in mil- lions of euros		Notional amount in mil- lions of foreign currency	
	Assets	Liabilities	Assets	Liabilities
<b>Derivatives designated as fair value hedges</b>				
<b>Fixed-rate/floating rate cross currency swaps</b>				
Euro/Euro	145.2	–	1,114.0	–
<b>Fixed-rate/floating-rate cross currency swaps</b>				
JPY/Euro	39.3	–	19,000.0	–
GBP/Euro	15.2	43.2	100.0	363.9
USD/Euro	14.4	8.5	200.0	150.0
CHF/Euro	174.7	1.1	1,040.0	100.0
CAD/Euro	19.2	–	132.6	–
HKD/EUR	–	1.8	–	300.0
<b>Total</b>	<b>408.1</b>	<b>54.6</b>	<b>–</b>	<b>–</b>

	2009			
	Carrying amount in millions of euros		Notional amount in millions of foreign currency	
	Assets	Liabilities	Assets	Liabilities
<b>Derivatives designated as fair value hedges</b>				
<b>Fixed-rate/floating rate cross currency swaps</b>				
Euro/Euro	148.2	–	1,114.0	–
<b>Fixed-rate/floating-rate cross currency swaps</b>				
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/EUR	–	5.2	–	300.0
<b>Total</b>	<b>201.5</b>	<b>119.9</b>	<b>–</b>	<b>–</b>

### 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:

2010											
	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							
<b>Derivatives designated as cash-flow hedges</b>											
<b>Swaps lending floating-rate/borrowing fixed-rate in euros</b>	18.4	39.5	275.0	455.8	(12.3)	(0.1)	(0.9)	(3.9)	(4.0)	(3.1)	(0.4)
<b>Floating-rate/Fixed rate cross currency swaps</b>											
GBP	–	116.9	–	197.4	(28.3)	(1.0)	(1.5)	(16.0)	(4.3)	(5.4)	0.0
USD	15.6	0.1	620.0	50.0	3.2	(0.7)	(1.8)	5.7	0.0	0.0	0.0
<b>Fixed-rate/fixed-rate cross currency swaps</b>											
AUD	18.7	–	150.0	–	0.7	0.1	0.0	0.6	0.0	0.0	0.0
CHF	222.1	–	1,631.0	–	17.6	(0.2)	5.1	5.0	2.7	1.9	3.0
GBP	12.3	1,229.5	75.0	2,500.0	(473.6)	(5.9)	(7.6)	(39.5)	(48.8)	(179.6)	(192.1)
JPY	53.3	–	25,000.0	–	7.8	0.0	(1.1)	(4.4)	5.9	7.4	0.0
USD	2.4	6.4	100.0	250.0	13.7	(1.6)	(0.8)	(2.6)	18.7	0.0	0.0
<b>Fixed-rate/floating-rate cross currency swaps</b>											
CAD	23.9	2.8	144.0	–	(14.0)	(0.7)	0.1	(2.2)	(2.8)	(5.5)	(2.9)
GBP	–	338.5	–	920.6	(11.8)	(0.1)	(1.8)	(7.3)	(8.8)	6.5	(0.4)
USD	–	–	–	–	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CHF	118.3	12.6	600.0	–	11.9	0.8	(0.3)	2.2	7.5	1.7	0.0
<b>Advance hedges of future issues</b>	–	–	–	–	3.5	(0.3)	(0.3)	1.0	1.6	0.6	0.8
<b>Total</b>	<b>485.0</b>	<b>1,746.4</b>	<b>–</b>	<b>–</b>	<b>(481.6)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

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								
<b>Derivatives designated as cash-flow hedges</b>											
<b>Swaps lending floating-rate/borrowing fixed-rate in euros</b>											
	–	31.8	–	491.2	(26.1)	(0.9)	(1.1)	(7.9)	(8.8)	(4.7)	(2.8)
<b>Floating-rate/Fixed rate cross currency swaps</b>											
GBP											
	–	126.4	–	197.4	(28.7)	(0.9)	(3.1)	(13.9)	(6.3)	(4.0)	(0.4)
<b>Fixed-rate/fixed-rate cross currency swaps</b>											
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)	–	–
<b>Fixed-rate/floating-rate cross currency swaps</b>											
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											
	0.0	–	0.0	–	0.0	–	–	–	–	–	–
CHF											
	8.3	–	300.0	–	1.0	0.1	(0.0)	0.4	0.5	–	–
<b>Advance hedges of future issues</b>											
	–	–	–	–	16.0	0.2	0.2	4.7	5.8	3.9	1.3
<b>Total</b>											
	<b>49.2</b>	<b>1,795.8</b>	<b>–</b>	<b>–</b>	<b>(455.1)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

### Derivatives not designated as hedges As at 31 December 2010

31 Dec. 2010				
	Fair value in millions of euros		Notional amount in millions of foreign currency	
	Assets	Liabilities	Assets	Liabilities
<b>Derivatives not designated as hedges</b>	<b>94.4</b>	<b>104.5</b>	<b>–</b>	<b>–</b>
Interest rate swaps	30.4	24.1	1,231.5	1,701.5
<b>Currency instruments</b>				
GBP	0.6	–	38.0	–
CHF	52.3	–	457.0	–
USD	9.9	43.0	817.0	1,226.0
Embedded derivatives	1.1	37.3	105.5	326.0

As at 31 December 2009

	31 Dec. 2010			
	Fair value in millions of euros		Notional amount in millions of foreign currency	
	Assets	Liabilities	Assets	Liabilities
<b>Derivatives not designated as hedges</b>	<b>47.9</b>	<b>95.0</b>		
Interest rate swaps	33.2	20.9	1,206.5	1,215.6
<b>Currency instruments</b>				
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

**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 2010 is:

(€37.2 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 without taking into account a credit spread) and bearing fixed-rate interest of 5.35%. Sensitivity to a credit spread of +/-50 basis points would amount to € 11.7 million as at 31 December 2010.

**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 2010.

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 2010) for financial liabilities as at 31 December 2010 and 31 December 2009. 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 (continued)

(in millions of euros)

	2010							
	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
<b>Non-derivative financial liabilities</b>								
RFF long-term borrowings – euros	(18,799.3)	(27,453.9)	(638.9)	(320.4)	(7,153.4)	(6,204.6)	(9,489.3)	(3,647.2)
RFF long-term borrowings – foreign currencies	(9,351.3)	(14,831.3)	(1,530.3)	(533.4)	(2,653.1)	(2,171.8)	(4,082.2)	(3,860.5)
<b>Total RFF long-term borrowings</b>	<b>(28,150.7)</b>	<b>(42,285.2)</b>	<b>(2,169.3)</b>	<b>(853.8)</b>	<b>(9,806.5)</b>	<b>(8,376.4)</b>	<b>(13,571.5)</b>	<b>(7,507.7)</b>
Long-term borrowings transferred from SNCF – euros	(1,441.9)	(2,225.5)	(1.8)	(90.4)	(1,012.8)	(298.6)	(821.9)	0.0
Long-term borrowings transferred from SNCF – foreign currencies	(465.5)	(518.7)	(4.0)	(81.5)	(297.1)	(136.1)	0.0	0.0
<b>Total long-term borrowings transferred from SNCF</b>	<b>(1,907.5)</b>	<b>(2,744.2)</b>	<b>(5.7)</b>	<b>(171.9)</b>	<b>(1,309.9)</b>	<b>(434.7)</b>	<b>(821.9)</b>	<b>0.0</b>
Short-term debt – euros	(92.5)	(92.5)	(92.5)	0.0	0.0	0.0	0.0	0.0
Short-term debt – foreign currencies	(1,696.9)	(1,719.4)	(1,581.7)	(137.7)	0.0	0.0	0.0	0.0
<b>Total short-term debt</b>	<b>(1,789.4)</b>	<b>(1,811.9)</b>	<b>(1,674.2)</b>	<b>(137.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Trade payables (*)</b>	<b>(672.4)</b>	<b>(672.4)</b>	<b>(672.4)</b>					
<b>Other current financial liabilities</b>	<b>(1,696.0)</b>	<b>(1,696.0)</b>	<b>(1,696.0)</b>					
<b>Total non-derivative financial liabilities</b>	<b>(A) (34,216.0)</b>	<b>(49,209.7)</b>	<b>(6,217.6)</b>	<b>(1,163.5)</b>	<b>(11,116.4)</b>	<b>(8,811.1)</b>	<b>(14,393.4)</b>	<b>(7,507.7)</b>
<b>Derivatives associated with financial liabilities</b>								
<b>Interest rate swaps designated as hedges</b>								
Cash inflows		2,416.3	64.3	29.8	308.0	477.6	1,214.3	322.3
Cash outflows		(3,561.2)	(45.8)	(72.5)	(453.5)	(805.6)	(1,637.7)	(546.2)
		<b>(59.4)</b>	<b>(1,144.9)</b>	<b>18.5</b>	<b>(42.6)</b>	<b>(145.5)</b>	<b>(328.0)</b>	<b>(423.4)</b>
<b>Interest rate swaps not designated as hedges (**)</b>								
Cash inflows		109.7	17.1	13.9	62.3	15.0	1.4	0.0
Cash outflows		(115.3)	(20.9)	(11.1)	(58.5)	(20.0)	(4.8)	0.0
		<b>6.3</b>	<b>(5.6)</b>	<b>(3.8)</b>	<b>2.7</b>	<b>3.8</b>	<b>(4.9)</b>	<b>(3.4)</b>
<b>Cross currency swaps designated as hedges</b>								
Cash inflows in foreign currencies		15,004.7	1,286.8	515.6	2,950.7	2,308.4	4,082.6	3,860.6
Cash outflows in euros		(15,040.6)	(1,303.5)	(472.6)	(2,786.2)	(2,026.2)	(4,311.3)	(4,140.8)
		<b>(884.8)</b>	<b>(36.0)</b>	<b>(16.7)</b>	<b>43.0</b>	<b>164.6</b>	<b>282.1</b>	<b>(228.7)</b>
<b>Cross currency swaps not designated as hedges (**)</b>								
Cash inflows in foreign currencies		347.1	247.7	99.3	0.0	0.0	0.0	0.0
Cash outflows in euros		(307.3)	(207.9)	(99.3)	0.0	0.0	0.0	0.0
		<b>40.6</b>	<b>39.8</b>	<b>39.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## 4.15.4 Liquidity risk (continued)

		2010							
		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
<b>Forward currency contracts</b>									
	Cash inflows in foreign currencies		1,719.4	1,581.7	137.7	0.0	0.0	0.0	0.0
	Cash outflows in euros		(1,720.3)	(1,582.3)	(138.0)	0.0	0.0	0.0	0.0
			<b>(20.7)</b>	<b>(0.9)</b>	<b>(0.6)</b>	<b>(0.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
	<b>Total derivatives associated with financial liabilities</b>	<b>(B)</b>	<b>(918.1)</b>	<b>(1,147.5)</b>	<b>37.3</b>	<b>2.8</b>	<b>22.8</b>	<b>(50.8)</b>	<b>(655.5)</b>
	<b>Total</b>	<b>(A+B)</b>	<b>(35,134.1)</b>	<b>(50,357.2)</b>	<b>(6,180.3)</b>	<b>(1,160.6)</b>	<b>(11,093.6)</b>	<b>(8,861.9)</b>	<b>(15,048.9)</b>
	<b>Sub-total of net flows in euros</b>		<b>(50,357.2)</b>	<b>(6,180.3)</b>	<b>(1,160.6)</b>	<b>(11,093.6)</b>	<b>(8,861.9)</b>	<b>(15,048.9)</b>	<b>(8,011.9)</b>
	<b>Sub-total of net flows in foreign currencies</b>		<b>0.00</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Current assets</b>									
	<b>Trade receivables</b>		<b>656.34</b>	<b>656.34</b>	<b>656.34</b>	–	–	–	–
	<b>Grants</b>		<b>919.49</b>	<b>919.49</b>	<b>919.49</b>	–	–	–	–
	<b>Cash and cash equivalents</b>		<b>4,101.89</b>	<b>4,101.89</b>	<b>4,101.89</b>	–	–	–	–
	<b>Total current assets</b>		<b>5,670.1</b>						

(\*) Excluding credit notes to be issued

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

		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
<b>Non-derivative financial liabilities</b>									
	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)
	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)
	<b>Total RFF long-term borrowings</b>		<b>(26,107.2)</b>	<b>(39,914.4)</b>	<b>(2,094.9)</b>	<b>(1,037.5)</b>	<b>(9,869.0)</b>	<b>(5,855.6)</b>	<b>(14,819.7)</b>
	Long-term borrowings transferred from SNCF – euros		(1,498.5)	(2,360.4)	(53.3)	(89.2)	(879.8)	(454.8)	(883.2)
	Long-term borrowings transferred from SNCF – foreign currencies		(423.4)	(576.6)	(3.2)	(6.1)	(206.8)	(360.5)	0.0
	<b>Total long-term borrowings transferred from SNCF</b>		<b>(1,921.9)</b>	<b>(2,936.9)</b>	<b>(56.5)</b>	<b>(95.4)</b>	<b>(1,086.6)</b>	<b>(815.2)</b>	<b>(883.2)</b>
	Short-term debt – euros		(115.6)	(115.0)	(115.0)	0.0	0.0	0.0	0.0
	Short-term debt – foreign currencies		(1,139.1)	(1,160.6)	(981.4)	(179.2)	0.0	0.0	0.0
	<b>Total short-term debt</b>		<b>(1,254.7)</b>	<b>(1,275.6)</b>	<b>(1,096.4)</b>	<b>(179.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
	<b>Trade payables (*)</b>		<b>(403.3)</b>	<b>(403.3)</b>	<b>(403.3)</b>	–	–	–	–
	<b>Other current financial liabilities</b>		<b>(1,238.6)</b>	<b>(1,238.6)</b>	<b>(1,238.6)</b>	–	–	–	–
	<b>Total non-derivative financial liabilities</b>	<b>(A)</b>	<b>(30,925.7)</b>	<b>(45,768.8)</b>	<b>(4,889.7)</b>	<b>(1,312.1)</b>	<b>(10,955.5)</b>	<b>(6,670.8)</b>	<b>(15,702.9)</b>

(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	
<b>Derivatives associated with financial liabilities</b>									
<b>Interest rate swaps designated as hedges</b>									
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)	
	<b>(105.5)</b>	<b>1,920.1</b>	<b>50.9</b>	<b>331.2</b>	<b>218.6</b>	<b>280.6</b>	<b>903.2</b>	<b>135.6</b>	
<b>Interest rate swaps not designated as hedges (**)</b>									
Cash inflows		169.7	61.0	15.6	60.5	27.2	5.4	0.0	
Cash outflows		(117.1)	(12.2)	(9.9)	(56.3)	(29.8)	(8.8)	0.0	
	<b>12.3</b>	<b>52.6</b>	<b>48.8</b>	<b>5.7</b>	<b>4.1</b>	<b>(2.6)</b>	<b>(3.4)</b>	<b>0.0</b>	
<b>Cross currency swaps designated as hedges</b>									
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)	
	<b>(1,596.9)</b>	<b>(2,483.5)</b>	<b>(0.5)</b>	<b>(59.0)</b>	<b>(238.8)</b>	<b>(499.3)</b>	<b>(1,178.1)</b>	<b>(507.8)</b>	
<b>Cross currency swaps not designated as hedges (**)</b>									
Cash inflows in foreign currencies		210.7	6.6	0.0	204.1	0.0	0.0	0.0	
Cash outflows in euros		(218.5)	(10.4)	0.0	(208.0)	0.0	0.0	0.0	
	<b>(0.1)</b>	<b>(7.8)</b>	<b>(3.8)</b>	<b>0.0</b>	<b>(3.9)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Forward currency contracts</b>									
Cash inflows in foreign currencies		1,160.6	981.4	179.2	0.0	0.0	0.0	0.0	
Cash outflows in euros		(1,161.8)	(981.9)	(179.9)	0.0	0.0	0.0	0.0	
	<b>(20.4)</b>	<b>(1.1)</b>	<b>(0.5)</b>	<b>(0.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Total derivatives associated with financial liabilities</b>	<b>(B)</b>	<b>(1,710.6)</b>	<b>(519.6)</b>	<b>95.0</b>	<b>277.2</b>	<b>(20.0)</b>	<b>(221.3)</b>	<b>(278.3)</b>	<b>(372.2)</b>
<b>Total</b>	<b>(A+B)</b>	<b>(32,636.2)</b>	<b>(46,288.4)</b>	<b>(4,794.7)</b>	<b>(1,034.9)</b>	<b>(10,975.5)</b>	<b>(6,892.2)</b>	<b>(15,981.2)</b>	<b>(6,610.0)</b>
<b>Sub-total of net flows in euros</b>		<b>(46,288.4)</b>	<b>(4,794.7)</b>	<b>(1,034.9)</b>	<b>(10,975.5)</b>	<b>(6,892.2)</b>	<b>(15,981.2)</b>	<b>(6,610.0)</b>	
<b>Sub-total of net flows in foreign currencies</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Current assets</b>									
<b>Trade receivables</b>	<b>638.9</b>	<b>638.9</b>	<b>638.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Grants</b>	<b>1,526.5</b>	<b>1,526.5</b>	<b>1,526.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Cash and cash equivalents</b>	<b>2,002.6</b>	<b>2,002.6</b>	<b>2,002.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total current assets</b>	<b>4,167.9</b>								

(\*) Excluding credit notes to be issued

(\*\*) 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 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)			
	Notes	Carrying amount	
		31 Dec. 2010	31 Dec. 2009
Long-term receivables and guarantee deposits paid	4.4	4.3	7.6
Fair value of derivatives not designated as hedges	4.15.3	94.4	47.9
Fair value of derivatives designated as hedges	4.15.3	893.0	250.8
Trade receivables	4.6	656.3	638.9
Grants receivable	4.8	919.5	1,526.5
Current accounts	4.4	5.8	23.2
Other receivables (excluding prepaid expenses)	4.7	495.0	453.3
Cash and cash equivalents	4.9	4,101.9	2,002.6
<b>Total</b>		<b>7,170.2</b>	<b>4,950.7</b>

#### Management of customer risk

The aged listing of trade receivables past due as at 31 December 2010 is as follows:

(in millions of euros)				
Outstanding amount		Current		Non-current
		< 6 months	> 6 months	
Past due trade receivables not provided	236.0	236.0	–	–
Past due trade receivables provided	38.1	38.1	–	–
Provision for doubtful receivables	24.7	24.7	–	–
<b>Total</b>	<b>298.8</b>	<b>298.8</b>	–	–

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 2010 is as follows:

(in millions of euros)				
Outstanding amount		Current		Non-current
		< 6 months	> 6 months	
Past due grants receivable not provided	219.2	219.2	–	–
Past due grants receivable provided	29.9	29.9	–	–
Provision for doubtful receivables	20.5	20.5	–	–
<b>Total</b>	<b>269.6</b>	<b>269.6</b>	–	–

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 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. 2010		IAS 39 accounting categories											
Notes	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	Niveau 3 Juste valeur non liquide	
<b>Assets</b>													
Asset derivatives allocated to debt	4.15.3	94.4	—	893.0	—	—	—	987.4	987.4	—	987.4	—	—
Trade receivables	4.6	—	—	—	—	648.7	—	648.7	648.7	—	648.7	—	—
Other financial assets	4.4	—	—	—	—	72.2	—	72.2	72.2	—	72.2	—	—
Cash and cash equivalents	4.9	—	4,101.9	—	—	—	—	4,101.9	4,101.9	4,101.9	—	—	—
<b>Total</b>		<b>94.4</b>	<b>4,101.9</b>	<b>893.0</b>	<b>0.0</b>	<b>0.0</b>	<b>720.9</b>	<b>0.0</b>	<b>5,810.2</b>	<b>5,810.2</b>	<b>4,101.9</b>	<b>1,708.3</b>	<b>0.0</b>
<b>Liabilities</b>													
RFF long-term debt	4.14	—	—	—	—	—	28,150.7	28,150.7	29,730.2	—	29,730.2	—	—
Long-term debt transferred from SNCF	4.14	—	—	—	—	—	1,907.5	1,907.5	2,300.4	—	2,300.4	—	—
Short-term debt	4.14	—	—	—	—	—	1,789.4	1,789.4	1,789.4	—	1,789.4	—	—
Liability derivatives allocated to debt	4.15.3	104.5	—	1,801.0	—	—	—	1,905.5	1,905.5	—	1,868.2	37.3	—
Trade payables	4.15.4	—	—	—	—	—	672.4	672.4	672.4	—	672.4	—	—
Other financial liabilities	4.17 and 4.20	—	—	—	—	—	1,787.9	1,787.9	1,787.9	—	1,787.9	—	—
<b>Total</b>		<b>104.5</b>	<b>0.0</b>	<b>1,801.0</b>	<b>0.0</b>	<b>0.0</b>	<b>34,307.9</b>	<b>36,213.3</b>	<b>38,185.7</b>	<b>0.0</b>	<b>38,148.4</b>	<b>37.3</b>	<b>—</b>



## 4.16 Fair value of financial instruments (continued)

(in millions of euros)													
31 Dec. 2009													
IAS 39 accounting categories													
Notes	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	Niveau 3 Juste valeur éléments non liquide	
<b>Assets</b>													
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	–	–	–
<b>Total</b>		<b>47.9</b>	<b>2,002.6</b>	<b>250.8</b>	<b>0.0</b>	<b>0.0</b>	<b>716.6</b>	<b>0.0</b>	<b>3,017.8</b>	<b>3,017.8</b>	<b>2,002.6</b>	<b>1,015.2</b>	<b>–</b>
<b>Liabilities</b>													
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	–	–
<b>Total</b>		<b>95.0</b>	<b>0.0</b>	<b>1,915.7</b>	<b>0.0</b>	<b>0.0</b>	<b>30,975.1</b>	<b>32,985.9</b>	<b>34,366.6</b>	<b>0.0</b>	<b>34,366.6</b>	<b>–</b>	<b>–</b>

Fair value of financial instruments measured through profit or loss

(in millions of euros)	
	<b>2010</b>
New level 3 classification	36.0
Gains and losses transferred to profit or loss	(1.3)
Closing balance	37.3
<b>Total gains or losses over the period transferred to profit or loss</b>	<b>(1.3)</b>

This new classification solely concerns the embedded derivative presented in Note 4.15.3.

## 4.17 Other non-current liabilities

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Guarantee deposits received	74.8	32.4
Other	17.0	17.0
<b>Total other non-current liabilities</b>	<b>91.8</b>	<b>49.4</b>

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. 2010	31 Dec. 2009
Trade payables	316.8	154.9
Accrued liabilities	355.7	248.4
Credit notes to be issued	0.0	0.0
<b>Total</b>	<b>672.4</b>	<b>403.3</b>

As at 31 December 2010, trade payables also include 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. 2010	31 Dec. 2009
Tax and employee-related liabilities	213.9	241.7
Deferred income	214.8	215.3
Advances received on fixed assets disposals	23.6	21.8
Customer toll advances	144.2	180.0
Other payables	(3.5)	10.4
<b>Total</b>	<b>593.0</b>	<b>669.2</b>

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

## 4.20 Other current financial liabilities

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Liabilities relating to property, plant and equipment	1,250.7	1,204.8
Guarantee deposits	441.9	12.6
Current accounts	3.4	21.2
<b>Total</b>	<b>1,696.0</b>	<b>1,238.6</b>

Guarantee deposits received relate to financial contracts.

## 4.21 Other disclosures

### 4.21.1 Analysis of the movement in operating working capital requirement

(in millions of euros)						
	-	31 Dec. 2009	Reclassifications	Impact on cash-flows	Changes in fair value	31 Dec. 2010
Other payables		366.6	(75.2)	79.7		365.4
Other receivables		(9.7)	(34.2)	(262.4)		(300.6)
Trade receivables		(494.7)	26.1	(163.2)		(631.8)
Tax and employee-related receivables		(246.6)	0.6	47.7		(198.3)
Tax and employee-related liabilities		124.6	(0.7)	3.5		127.4
Trade payables		485.8	(83.7)	268.3		670.4
Operating grants – assets		(140.6)	0.0	(38.1)		(178.7)
Operating grants – liabilities		0.0	83.9	36.0		119.9
<b>Working capital requirements</b>		<b>85.4</b>	<b>(83.2)</b>	<b>(28.5)</b>	<b>0.0</b>	<b>(26.4)</b>

The operating working capital requirement for the year ended 31 December 2010 was adjusted for a net amount of €83.2 million representing a transfer from investing activities.

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

(in millions of euros)				
	31 Dec. 2010	<i>o/w movements in WCR</i>	31 Dec. 2009	<i>o/w movements in WCR</i>
Gross amount of property, plant and equipment and intangible assets purchased in the year	(3,232.4)		(3,333.6)	
Change in liabilities relating to property, plant and equipment and intangible assets	(37.3)	(37.3)	196.6	196.6
<b>Cash outflows on purchases</b>	<b>(3,269.7)</b>	<b>(37.3)</b>	<b>(3,136.9)</b>	<b>196.6</b>
Grants allocated in the year	1,221.1		1,320.0	
Change in grants receivable	987.1	987.1	755.6	755.6
<b>Grants collected</b>	<b>2,208.2</b>	<b>987.1</b>	<b>2,075.7</b>	<b>755.6</b>
<b>Net cash-flows</b>	<b>(1,061.6)</b>	<b>949.8</b>	<b>(1,061.4)</b>	<b>952.2</b>

# NOTE 5.

## Notes to the Income Statement

### 5.1 Revenue breakdown by type

Revenue breaks down as follows:

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Infrastructure fees	4,204.6	2,855.9
Additional electricity fees	86.5	89.9
Other service fees	46.6	39.7
Income from private sidings	13.6	14.3
<b>Sub-total infrastructure commercial revenue</b>	<b>4,351.3</b>	<b>2,999.8</b>
Electricity transmission	167.3	158.2
Non traffic income (direct management or outsourced)	83.1	81.8
Sales of materials	30.9	32.3
Other income from ancillary activities	4.5	8.6
<b>Total revenue</b>	<b>4,637.1</b>	<b>3,280.7</b>

### Infrastructure fees

Infrastructure fees amounted to €4,338 million, of which:

- €4,204.6 million for basic railway services;
- €86.5 million for additional electricity fees (€89.9 million in 2009);
- €46.6 million for other service fees (€39.7 million in 2009).

The change in the pricing structure<sup>(1)</sup> for the 2010 timetable, intended to take greater consideration of infrastructure costs, the market situation and the decrease in grants paid by the State, generated a 47.2% increase in fees from basic railway services despite a drop in traffic.

### Change in breakdown of fees collected by type

(in millions of euros)			
	31 Dec. 2010	31 Dec. 2009	Change (%)
Access rights	–	97.7	–
Route reservation fees	–	1,627.8	–
Station stop reservation fees	–	439.1	–
Traffic fees	–	480.0	–
<b>Total infrastructure fees under 2009 price scale</b>	<b>0.0</b>	<b>2,644.6</b>	<b>–</b>
Access charges	1,449.9	72.2	–
Reservation charges	1,483.3	75.3	–
Traffic charges	1,271.8	63.8	–
<b>Total infrastructure fees under 2010 price scale</b>	<b>4,205.0</b>	<b>211.3</b>	<b>–</b>
<b>Total minimum services</b>	<b>4,205.0</b>	<b>2,855.9</b>	<b>47</b>

Under this new pricing structure, 34% of fees payable involve access fees paid exclusively by the transport organising authorities, while reservation fees and traffic fees account for 35% and 30%, respectively.

Of the fees collected, the passenger activity accounts for 96.5%, representing 84% of traffic, while the Freight activity accounted for 3.5%, representing 16% of traffic.

- Passenger activity fees can be divided into high-speed trains for 40% (44% of traffic), and national and regional passenger trains for 60% (56% of traffic);
- New rail companies, representing 16% of traffic, now pay 17% of Freight activity fees.

The increase in basic railway services attributable to the change in the pricing structure masks an overall traffic decline of 6.5%. This decrease is explained by the numerous strikes which affected rail traffic for 40 days and gave rise to an earnings shortfall estimated at €70 million and by the impact of the economic crisis.

### Private sidings

RFF recognised income of €13.6 million in 2010 from the management of private sidings (€14.3 million in 2009).

This 5.6% decrease is primarily explained by 2009 billing adjustment for previous years (2007 and 2008).

<sup>(1)</sup> 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).

## 5.2 Operating grants

Operating grants break down as follows:

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
State operating grants	949,7	2,325,8
Other operating grants	71,1	95,8
<b>Total</b>	<b>1,020,8</b>	<b>2,421,6</b>

## 5.3 Delegated management fees

Delegated management fees break down as follow:

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Delegated management fees for infrastructure management	(2,867.6)	(2,836.6)
Delegated management fees for platform management	(45.7)	(44.8)
<b>Total delegated infrastructure management fees</b>	<b>(2,913.4)</b>	<b>(2,881.4)</b>
Property management fees	(77.4)	(72.7)
<b>Total delegated management fees</b>	<b>(2,990.8)</b>	<b>(2,954.1)</b>

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.

For 2010, delegated infrastructure management fees totalled €2,867.4 million. This amount includes an adjustment for the indexation impact, a performance bonus, remuneration relating to other research services, as well as additional maintenance operations in the Greater Paris Region.

The amount also includes the financial impact of the reform of special pension plans for SNCF employees in the amount of €52 million as at 31 December 2010.

### 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 €49 million in 2010. 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 2010.

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 €13.1 million in 2010.

Fees of €45.7 million were incurred for 2010 under the platform management agreement signed with SNCF, including an adjustment of -€0.7 million for previous years.

## 5.4 Other network expenses

Other network expenses concern the "Electricity Transport" heading.

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Electricity transport	(165.9)	(156.6)
<b>Total</b>	<b>(165.9)</b>	<b>(156.6)</b>

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.

Together these services represented an expense of €165.9 million in 2010, taking account of an annual CSPE public service electricity levy capped at €0.5 million.

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

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 €167.3 million in 2010.

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

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. 2010	31 Dec. 2009
Taxes other than on income - direct management	(44.1)	(10.0)
Taxes other than on income - delegated management	(44.2)	(33.7)
Net (charges)/reversals of provisions for tax risks	8.0	(46.1)
<b>Total</b>	<b>(80.3)</b>	<b>(89.8)</b>

The decrease is explained by a tax adjustment impact in 2009.

## 5.6 Other operating expenses

Other operating expenses break down as follows:

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Study costs net of capitalised production	(52.7)	(59.1)
Railway works and equipment net of capitalised production	(0.2)	(24.8)
Malicious acts	(42.5)	(32.7)
Other external expenses net of capitalised production	(163.6)	(129.3)
Personnel costs net of capitalised production	(92.2)	(78.0)
<b>Total</b>	<b>(351.3)</b>	<b>(324.0)</b>

The statutory auditor fees totalled €250,000 in 2009, i.e. €120,000 for Mazars and €140,000 for PriceWaterhouseCoopers.

## 5.6.1 Personnel costs

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Salaries	(64.8)	(55.5)
Payroll taxes	(27.4)	(22.5)
<b>Total</b>	<b>(92.2)</b>	<b>(78.0)</b>

## 5.6.2 Workforce

As at 31 December 2010, RFF had a workforce of 1,299 including 46 specifically-assigned civil servants and 65 seconded staff (62 from SNCF, 2 from RATP, 1 from GDF, 1 from UIC and 1 from SCET). As at 31 December 2009, RFF had a workforce of 1,166.

## 5.6.3 Remuneration of key management personnel

Total remuneration of the members of the RFF Executive Committee in 2010 was €1,318,951. The Committee had an average of 7.02 members during the year.

## 5.7 Investment grants released to profit or loss

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Investment grants released to profit or loss	207.6	196.3
Grants for upgrade and compliance work released to profit or loss	130.3	99.0
<b>Total</b>	<b>337.9</b>	<b>295.3</b>

## 5.8 Other recurring income and expenses

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Bank charges	(0.1)	(0.1)
<b>Other expenses</b>	<b>(40.3)</b>	<b>(95.9)</b>
Other recurring expenses	(40.5)	(96.0)
Net gains on disposals of investment property	115.1	120.5
Other income	10.4	72.4
<b>Other recurring income</b>	<b>125.5</b>	<b>192.9</b>

Other expenses mainly include net carrying amounts of asset disposals and certain charges to provisions. Other expenses primarily include provision reversal with no offsetting entry.

These items are not, in principle, comparable from one period to another.



## 5.9 Other non-recurring income and expenses

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Impairment	(0.9)	(1.3)
<b>Other non-recurring expenses</b>	<b>(0.9)</b>	<b>(1.3)</b>
Grants reversals	0.1	1.1
<b>Other non-recurring income</b>	<b>0.1</b>	<b>1.1</b>

## 5.10 Cost of net debt

The cost of net debt breaks down as follows:

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Expenses on liabilities recognised at amortised cost	(1,203.5)	(1,154.8)
Fair value gains (losses) on debt hedged by FVH	(7.0)	51.8
Income (expense) on derivatives designated as FVH	9.5	(66.7)
Income (expense) on derivatives not designated as FVH	(1.2)	22.2
Premium/discount on foreign currency derivatives	(8.0)	(8.6)
<b>Total cost of gross debt</b>	<b>(1,210.1)</b>	<b>(1,156.0)</b>
Income (expense) on assets measured at fair value	12.8	17.2
<b>Cost of net debt</b>	<b>(1,197.3)</b>	<b>(1,138.8)</b>

\* 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. 2010	31 Dec. 2009
Interest for the period on FVH swaps	95.4	64.8
Fair value gains and losses on derivatives designated as FVH	12.0	(47.7)
<b>Income (expense) on derivatives designated as FVH</b>	<b>107.3</b>	<b>17.1</b>

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

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Net interest received/paid on CFH swaps	(96.1)	(88.1)
Release to profit or loss of amounts deferred in equity	4.6	5.7
Ineffective portion of cash-flow hedges	(6.3)	(1.3)
<b>Income (expense) on derivatives designated as CFH</b>	<b>(97.8)</b>	<b>(83.8)</b>

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

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Net interest received/paid on swaps not designated as hedges	(0.6)	(1.6)
Fair value gains (losses) on derivatives not designated as hedges	(0.6)	23.8
<b>Income (expense) on derivatives not designated as hedges</b>	<b>(1.2)</b>	<b>22.2</b>

## 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 2010, amounts deferred in equity break down as follows (in millions of euros):

<b>As at 31 December 2008</b>	<b>(239.7)</b>
Amounts released to 2009 profit or loss (*)	227.6
Change in equity	(443.0)
<b>As at 31 December 2009</b>	<b>(455.1)</b>
Amounts released to 2010 profit or loss (*)	452.9
Change in equity	(479.4)
<b>As at 31 December 2010</b>	<b>(481.6)</b>

(\*) Including the impact of currency derivatives designated as cash-flow hedges immediately transferred to profit or loss in the amount of €145.1 million in 2009 and €423.9 million in 2010.

## 5.11 Other financial income and expenses

Other financial income and expenses break down as follows:

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Interest income on current accounts	3.4	7.4
Other financial income	5.8	10.9
<b>Other financial income</b>	<b>9.2</b>	<b>18.3</b>
Interest expense on current accounts	(4.9)	(6.9)
Other financial expenses	(0.8)	(1.2)
<b>Other financial expenses</b>	<b>(5.8)</b>	<b>(8.1)</b>

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

### Impacts of State grants on net income

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Operating grant	949.7	2,325.8
Grant for upgrade and compliance work	135.0	103.5
<b>Total</b>	<b>1,084.7</b>	<b>2,429.4</b>

### Balance sheet impact

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Grant for upgrade and compliance work	4,095.9	4,230.8
Operating grant receivable	8.9	8.1
<b>Total</b>	<b>4,104.8</b>	<b>4,238.9</b>

### 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 n°. 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.

(in millions of euros)

	31 Dec. 2010	31 Dec. 2009
Income: tolls	2,997.3	3,059.7
Expenses: management agreements	2,977.5	2,941.5
Production of property, plant and equipment delegated to SNCF	2,335.9	2,356.1

## NOTE 7.

### Off-balance sheet commitments

#### Financial guarantees

RFF has received bank guarantees from Calyon in a total amount of €0.5 million in favour of:

- various local authorities (*préfectures*), to cover the cost of restoration work on sites operated under investment programmes (three guarantees for a total amount of €0.3 million);
- Crédit Suisse Asset Management to cover a commercial lease (one guarantee for €0.2 million).

#### Commitments relating to the GSMR PPP agreement

On 18 February 2010, RFF signed its first public-private partnership agreement with SYNERAIL, comprising Vinci (30%), SFR (30%), AXA Priva 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.

As at 31 December 2010, investment fees payable by RFF with respect to the agreement amount to €950.4 million while maintenance operation fees amount to €450 million. Financing receivable amounted to €854.8 million.

In addition, RFF also benefits from a demand guarantee issued by a banking institution in the event of a breach on the part of SYNERAIL. The guarantee is granted progressively based on the network roll-out phases. As at 31 December 2010, RFF benefited from demand guarantees for € 9.9 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 €112.2 million as at 31 December 2010, compared with €117.5 million as at 31 December 2009 and mainly included an agreement to sell relating to the Batignolles site in Paris for €103 million.

# NOTE 8.

## Subsequent events

### SEA concession agreement

With a view to the signature of a project agreement for the new Tours-Bordeaux line, known as Southern Europe Atlantic or SEA, RFF as concession grantor has been in negotiations with Liséa, whose major shareholders include Vinci, CDC, and Axa, since its successful bid for the concession in July 2010.

The SEA project, a key link in the European rail network, involves the construction of 340 km of new track between Tours and Bordeaux. The high-speed segment represents 302 km.

The project has a 50- year concession term and will cost an estimated €7.8 billion.

There are several financing phases, among which:

- senior debt for a maximum of €3.1 billion, including:
  - commercial banks – project debt risk: €620 million
  - State-guaranteed commercial bank debt: €1.06 billion
  - EIB – project debt risk: €200 million
  - EIB – State guaranteed debt: €400 million
  - CDC-DFE – RFF guaranteed-debt: €760 million
- Shareholders' equity: €760 million
- State grants: €3.96 billion of which RFF for €2.01 billion

RFF therefore serves primarily as the concession grantor and state contributor to the financing and, exceptionally, as guarantor of the CDC loan via the CDC Direction des Fonds d'Épargne (Savings Fund Department) , for approximately €760 million.

At this stage and pending the project's financial closing date (signing date for all project financial documentation and for the concession agreement), the commitments undertaken by RFF, as the concession grantor, are limited to the signature of two letters covering the nullity of the concession agreement to be addressed to (i) Liséa, the concession holder, and (ii) the lenders (EIB and CDC-DFE commercial banks).

These letters were signed respectively on 7 December 2010 and 7 February 2011 and are intended to compensate the concession holder and the lenders should the concession agreement be invalidated, in the event it was signed (scheduled for the project's financial closing date) but did not enter into force.

### BPL PPP agreement

In January 2011, RFF designated Eiffage as the prospective winning bidder for the Public-Private Partnership agreement covering the design, construction, maintenance and financing of the BPL high-speed line, comprising 214 km in new track, of which 182 km high-speed. The objective is to sign the agreement with the prospective partner during the first half of 2011, based on a financing plan now being finalised by Eiffage.

The successful bidder will thus build and maintain the new line for a term of 25 years.

The project has a total investment budget of €3.4 billion. RFF will contribute to the financing for €1,432 billion. Public funding, whose amount has yet to be determined, will include the State and several local authorities, namely: the Bretagne and Pays de la Loire regions, as well as the Finistère, Morbihan, Côtes d'Armor, Île-et-Vilaine, Rennes Métropole, and Pays de Saint Malo departments.

# STATUTORY AUDITOR'S REPORT

... ON THE CONSOLIDATED FINANCIAL STATEMENTS

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# Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2010

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the 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.

Ladies and Gentlemen,

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 2010, 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.

## I – Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 2010 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 matters set out in 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 2010;

- 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.

## II – 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 3.11.1 describes the methods used by the Group to test the value of Infrastructure CGU assets and, where applicable, to recognise the impairment of these assets. Our work consisted in reviewing the data and assumptions used by Réseau Ferré de France as well as the criteria for their approval and verifying the calculations made by the Group;

Notes 3.19 and 4.12 "Provisions" present the nature of provisions recorded by the Group. 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.

## III – 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, 7 April 2011*

## The Statutory Auditors

### Mazars

Xavier CHARTON

### PricewaterhouseCoopers Audit

Florence PESTIE

# DIRECTOR'S REPORT

... ON THE FINANCIAL STATEMENTS

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Fiscal year 2010 was marked by a **net profit of +€294.0 million, including net non-recurring income of €83.3 million.**

**Expenditure incurred in rail network infrastructure projects** amounted to **€3,226.7 million** for 2010, compared to €3,318.7 million for 2009.

The **recurring operating profit before tax** stood at **+€210.7 million** for the year ended 31 December 2010, compared to €393.8 million for 2009.

Equity, including investment grants, amounted to **€11.17 billion** as at 31 December 2010.

# I.

## Financial performance over the year and comments on key figures

### 1. INCOME STATEMENT

#### Net profit for the year

Net profit for 2010 amounted to €294.0 million, taking into account net non-recurring income of €83.3 million, compared to €418.3 million for the year ended 31 December 2009, taking into account net non-recurring income of €24.5 million.

#### Income statement

(in millions of euros)			
	2010	2009	Change
<b>EBITDA</b>	<b>2,092.4</b>	<b>2,225.1</b>	<b>(132.7)</b>
Operating profit (loss)	1,411.4	1,565.4	(154.0)
Net finance costs	(1,200.7)	(1,171.6)	(29.1)
Net non-recurring income (loss)	83.3	24.5	58.8
<b>Net profit (loss) for the year</b>	<b>294.0</b>	<b>418.3</b>	<b>124.3</b>

**Operating profit** totalled +€1,411.4 million for the year ended 31 December 2010, a decrease compared to the €1,565.4 million recorded in 2009.

**Net finance costs** increased by €29.10 million to stand at €(1,200.7) million compared to 31 December 2009.

The table below shows the main changes in operating profit.

**Net non-recurring income** in 2010 includes the gain or loss arising from the disposal of land and property assets.

## Changes in operating income and expenses

(in millions of euros)			
	2010	2009	Change
Infrastructure fees	4,338.0	2,985.5	1,352.5
Property rental income	83.1	81.8	1.3
Operating grant – State	949.7	2,325.8	(1,376.1)
Other operating income	220.1	213.3	6.8
Capitalised production	19.6	890.0	(870.4)
Delegated management fees	(2,990.5)	(2,954.1)	(36.4)
Studies and construction costs (net of grants)	(26.7)	(857.7)	831.0
Other external expenses	(318.7)	(150.4)	(168.3)
Other operating expenses	(182.2)	(309.2)	127.0
<b>Change in EBITDA</b>	<b>2,092.4</b>	<b>2,225.1</b>	<b>(132.7)</b>
Depreciation and amortisation expense	(991.9)	(983.3)	(8.6)
Charges to provisions for impairment of projects in progress (net of reversals)	2.3	(6.3)	8.6
Charges to provisions for operating liabilities and charges (net of reversals)	(31.4)	15.9	(47.3)
Charges to provisions for impairment of current assets (net of reversals)	(12.4)	5.2	(17.6)
Investment grants released to profit	342.6	299.8	42.8
Other	9.8	9.0	0.8
<b>Change in operating profit</b>	<b>1,411.4</b>	<b>1,565.4</b>	<b>(154.0)</b>

### Change in presentation of the income statement

The recording of expenditure for infrastructure projects directly managed by RFF has been harmonised with that of these same expenses for projects whose management is delegated.

Accordingly, costs that can be capitalised are recorded directly in assets under construction whereas, previously they were expensed and capitalised as an offset in the capitalised production account. As of 1 January 2010, only project costs that have not yet entered the capitalisation phase will be included in the income statement.

Operating costs will continue to be expensed and reallocated to projects as an offsetting entry to the capitalised production account.

Therefore, comparability of the “study costs” and “railway work and equipment” line items of the income statement should be assessed with respect to this change in presentation:

— As at 31 December 2010, amounts for studies and work standing respectively at €97.5 million and €646.4 million were recorded directly in assets under construction,

— As at 31 December 2009, the corresponding amounts stood respectively at €44.8 million and €820.5 million.

## 1.1 Changes in operating income

### 1.1.1 Infrastructure fees

Infrastructure fees amounted to €4,338 million, of which:

- €4,204.6 million for basic railway services;
- €86.5 million for additional electricity fees (€89.9 million in 2009);
- €46.6 million for other service fees (€39.7 million in 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.

(in millions of euros)			
	2010	2009	Variation (%)
Access fees	–	97.7	–
Route reservation fees	–	1,627.8	–
Station stop reservation fees	–	439.1	–
Traffic fees	–	480.0	–
<b>Total infrastructure fees under the 2009 scale *</b>	<b>–</b>	<b>2,644.6</b>	<b>–</b>
Access charges	1,449.9	72.2	–
Reservation charges	1,482.9	75.3	–
Traffic charges	1,271.8	63.8	–
<b>Total infrastructure fees under the 2010 scale</b>	<b>4,204.6</b>	<b>211.3</b>	<b>–</b>
<b>Total basic railway services</b>	<b>4,204.6</b>	<b>2,855.9</b>	<b>47.2</b>

\* including €11.4 million in income from years prior to 2009.

Under this new pricing structure, 34% of fees payable involve access fees paid exclusively by the transport organising authorities, while reservation fees and traffic fees account for 35% and 30%, respectively.

- Of the fees collected, the passenger activity accounts for 96.5%, representing 84% of traffic, while the Freight activity accounted for 3.5%, representing 16% of traffic.
- Passenger activity fees can be divided into high-speed trains for 40% (44% of traffic), and national and regional passenger trains for 60% (56% of traffic).

New rail companies, representing 16% of traffic, now pay 17% of Freight activity fees.

The increase in basic railway services attributable to the change in the pricing structure masks an overall traffic decline of 6.5%. This decrease is explained by the numerous strikes which affected rail traffic for 40 days and gave rise to an earnings shortfall estimated at €70 million and by the impact of the economic crisis.

The lower traffic volume was reflected by a fall in the traffic ratio expressed in train-km / route-km, which stood at 89% in 2010, compared to 93% in 2009. The decline affects both the Passenger activity, with a ratio of 93% in 2010, compared to 97% in 2009, and Freight, with a ratio of 71% in 2010, compared to 74% in 2009.

The table below shows changes in traffic during the year:

### Change in traffic by activity

(en million de train/km)			
	31 Dec. 2010 (12 months)	31 Dec. 2009 (12 months)	Change (%)
High-speed trains	134.2	135.6	(1.1)
SNCF	132.6	135.6	–
New rail companies	1.6	–	–
Corail and Corail Intercités	45.8	51.0	(10.1)
Regional passenger trains	227.4	236.3	(3.8)
Passenger activity	407.4	422.8	(3.7)
SNCF	63.1	75.5	(13.0)
New rail companies	12.3	10.4	19.2
Freight	75.4	82.9	(9.0)
Other	2	12.6	(81.3)
<b>Total</b>	<b>484.8</b>	<b>518.3</b>	<b>(6.5)</b>

NB: The scope of activities has changed between 2009 and 2010. Indeed, deadhead trains are no longer part of the Other activity but instead are allocated to each activity concerned. Eurostar has been a new rail company since the fourth quarter of 2010.

- The decline in the Passenger activity primarily affected national trains (Corail and Corail Intercités), largely due to eliminated services and the transfer of activities to the TER, as well as a structural traffic decrease for this activity, whereas regional traffic, while certainly affected by the strikes and bad weather, was more resilient. The overall 1.1% decrease in high-speed train traffic remained limited due to the continued growth of the Eastern European and Mediterranean high-speed line.
- The 9% decrease in the Freight activity is totally attributable to the main client, Fret SNCF (-13%) in a context of economic crisis and the initial retirement of most of the single wagon traffic.
- Regional passenger trains represent the activity with the greatest volume of reservations in the national rail network, ahead of national and international passenger trains (34.7%) and freight trains (19.4%), even though the volume of reservations in 2010 was down 2.1% compared to 2009.

In this context, network coordinated clockface timetabling (cadencement), a new way of organising train traffic and timetables, becomes particularly important since it will create traffic fluidity, clarify the offering and re-energise public transport. Ultimately this will mean more trains with more passengers. Following the first regional pilot clockface timetabling in 2008 (Rhône-Alpes, Sud Aquitaine), the programme expanded to include 5 regions in 2009, and the Paris Nord East network in 2010. Now open to Freight competition and, as of 2010, international passenger lines, French rail will also welcome new operators that have been integrated in the clockface timetabling.

**Additional electricity fees**, standing at €86.5 million, have declined compared to 2009 (-3.78%).

**Other service fees** stood at €46.6 million, an increase of €6.9 million, or +17.38%, compared to 2009.

### 1.1.2 Property rental income

Property rental income totalled €83.1 million in 2010, of which €1.6 million in charges rebilled. Excluding the rebilling, this income amounted to €81.5 million, compared to the €81.7 million recorded in 2009. The latter amount included adjustments for previous years in the amount of €1.6 million (corresponding to the adjustment of SNCF Entreprise Ferroviaire rent, and income of €2.2 million arising from the adjustment of income invoiced by SNCF on behalf of RFF in previous years following the asset distribution).

Excluding the impact of these adjustments, 2010 rental income increased by 1.75%, despite the loss of fees related to land disposals estimated at €3 million, or 4% of 2010 rental income.

Property rental income is allocated to four major categories: rail (8.4%), land and property (64%), telecommunications (23%), and networks and sundry authorisations (4.6%).

(in millions of euros)				
	2010	2009		
	2010 activity	Adjustments for previous years	2009 activity	2009 total
Rental income – Rail	6.88	(0.61)	6.65	6.04
Rental income – Land and property	52.17	2.20	51.03	53.23
Rental income – Telecommunications	18.72		19.23	19.23
Rental income – Networks and sundry authorisations	3.74		3.23	3.23
<b>Total</b>	<b>81.52</b>	<b>1.59</b>	<b>80.15</b>	<b>81.74</b>

“Land and property” income stood at €52.17 million, up 2.2% compared to 2009, following the cancellation of income from previous years. A significant portion comprises advertising revenue (station and non-station scopes), totalling €30.4 million and representing 58.3% of income from the “Land and property” category.

“Telecommunications” income for 2010 represented €18.7 million, compared to € 19.2 million in 2009, the decrease attributable to a drop in the adjustment index for 2010 compared to 2009, and an analytical reclassification of a certain number of contracts transferred from the “telecommunications” category to the “networks” category.

“Rail” income is divided between the fees paid to the combined transport projects and the occupancy fees of SNCF Entreprise Ferroviaire.

### 1.1.3 State operating grant

The change in the State operating grant taking into account pricing modifications in 2010 breaks down as follows:

(in millions of euros)		
	2010	2009
Regional express trains		1,140.8
Trains d'équilibre du territoire (Balancing of regional train service)	242.0	358.7
Freight	707.7	826.3
<b>Total</b>	<b>949.7</b>	<b>2,325.8</b>

## 1.1.4 Other operating income

### a) Private sidings

In 2010, RFF recognized income of €13.6 million from the management of private sidings, compared to €14.2 million recorded for the year ended 31 December 2009. This 4.2% decrease is primarily explained by the 2009 billing adjustments for previous years (2007 and 2008).

### b) Sales of supplies

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 €30.9 million in 2010, compared to €32.3 million in 2009, a decrease of €1.4 million.

## 1.1.5 Capitalised production

Given the change in presentation of the income statement, capitalised production in 2010 solely concerned operating costs and amounted to €19.6 million.

(in millions of euros)			
	2010	2009	Variation
Construction and maintenance		820.5	(820.5)
Studies		44.8	(44.8)
Other expenditure	19.6	24.7	(5.1)
<b>Capitalised production</b>	<b>19.6</b>	<b>890.0</b>	<b>(870.4)</b>

Other expenditure covers personnel and other operating costs that can be capitalised.

## 1.2 Change in operating expenses

### 1.2.1 Delegated management fees

#### a) 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.

For 2010, delegated infrastructure management fees totalled €2,753 million. In addition, various adjustments should be taken into account, primarily the financial impact of the reform of special pension plans for SNCF employees in the amount of €52 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 €64.8 million. Prior-year adjustments were also recorded in 2010 in the negative amount of €6.4 million.

The amount recognised in 2010 therefore totalled €2,867.4 million, compared to a total of €2,836.6 million in 2009.

The cost of platform management delegated to SNCF amounted to €45.7 million for 2010, including prior-year adjustments of €(0.7) million, compared to €44.8 million in 2009.

#### b) Property management

Property management is divided between SNCF and Adyal and Nexity.

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 €49 million for the year ended 31 December 2010, including tax planning fees and claim repayments. The 9.6% increase compared to 2009 (€44.7million) is the result of a growing number of property operations (claims, responses to solicitations from neighbouring owners following tighter regulation and insurers' coverage).
- 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 2010.

The total charge to SNCF as agent amounts to €64.3 million for the year ended 31 December 2010.

Management fees for the other service providers, ADYAL and NEXITY, amounted to €13.1 million for the year ended 31 December 2010.

## 1.2.2 Studies and construction costs (net of grants)

### a) Study costs

(in millions of euros)				
Study costs	2010	2009	Change	(%)
Operating studies	38.4	82.2	(43.8)	(53.3)
General studies	14.3	22.2	(7.9)	(35.6)
<b>Total</b>	<b>52.7</b>	<b>104.4</b>	<b>(51.7)</b>	<b>(49.5)</b>

Study costs stood at €52.7 million in 2010, down 49.5% compared to 2009. These costs comprise development phases for identified investment projects (73%) and general and strategic studies (27%). The 2010 decrease specifically concerns project studies.

#### Operating studies

Expenditure for project studies amounted to €38.4 million, divided into development projects for 80% and network quality improvement and upgrade projects for 15%. The remaining 5% concerns investment projects for other activities.

The main development project studies concern major national projects before work and specifically:

- Poitiers Limoges high-speed line for €4.4 million,
- Paris Orléans Clermont high-speed line for €3.1 million,
- PACA high-speed line for €2.5 million,
- Grand Projet Sud Ouest for €2 million,
- Montpellier Perpignan new line for €1.4 million.

PPP project studies concern:

- Southern Europe Atlantic high-speed line for €0.8 million,
- Bretagne Pays de la Loire high-speed line for €3.2 million,
- Nîmes Montpellier bypass for €1.9 million.

The decrease in expenses observed in 2010 arises from the age of projects (end of the development study phase). It breaks down as follows:

- €21 million for major national projects in progress taking into account the decline for the Rhine-Rhone high-speed line and the second phase of the Eastern high-speed line;
- €6 million for PPP major projects, primarily the Southern Europe Atlantic high-speed line;
- €6.7 million for regional development projects, operations for the 2007-2013 State-Region project

contracts being in the completion phase for the most part;

- €10.3 million for network quality and improvement, of which €(7) million for the ERTMS Eastern European pilot project, and €(2.8) million for the GSM-R (mainly for tranche 1 and preparation of the concession agreement); €(2) million for renewal covering 2007-2013 State-Region project contracts, primarily for upgrades involving the UIC line traffic indicators 7 to 9.

#### General studies

General studies amounted to €14.3 million, a decrease of €7.9 million compared to 2009.

The studies primarily concern the following areas:

- development of the sales campaign.
- network performance improvement

### b) Construction and maintenance work, and railway equipment

The heading mainly comprises repair costs covering malicious acts, adverse weather and rail accidents.

Malicious damage by identified and unidentified third parties, and the impact of accidents and damage caused by adverse weather conditions totalled €42.5 million for 2010 (including prior-year adjustments in the negative amount of €1.5 million), compared to €32.7 million in 2009.

The heading also concerns expenditure for projects that have not yet entered the capitalisation phase, in the amount of €2.6 million in 2010. In 2009, this expenditure amounted to €849.1 million, including €820.5 million capitalised in project costs and offset against capitalised production..

### c) Other operating grants

Other operating grants amounted to €71.1 million, compared to €95.8 million in 2009.

### 1.2.3 Other external purchases

“Other external purchases and expenses” amounted to €318.7 million for the year ended 31 December 2010, compared to €305.8 million in 2009, for an increase of €12.9 million.

#### a) Electricity supply expenses

This heading mainly includes the supply of electricity used at RFF installations for €165.9 million compared to €159 million in 2009.

#### b) Other external services

Other external services, remuneration of service providers, rental expenses, maintenance and repair costs and sundry operating costs amounted to €143.2 million for the year ended 31 December 2010 compared to €139.2 million for the year ended 31 December 2009. The cost of personnel made available to RFF amounted to €7.8 million for the year ended 31 December 2010, compared to €8.6 million for the year ended 31 December 2009.

### 1.2.4 Other operating expenses

#### a) Personnel costs

The headcount increased from 1,166 as at 31 December 2009 to 1,299 as at 31 December 2010, representing a year-on-year rise of 11.4%.

Personnel costs amounted to €94 million for the year ended 31 December 2010, compared to €77.5 million in 2009, for an increase of 21.3%.

#### b) 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 €88.2 million, compared to €43.7 million in 2009.

The increase is explained by the coming into force of the Territorial Economic Contribution and the settlement of an additional tax in 2009 in the amount of €17.3 million, for which a provision recognised in 2009 was reversed in 2010.

### 1.2.5 Depreciation and amortisation expenses

The total expense for the year amounted to €991.8 million compared to €983.3 million for 2009.

### 1.2.6 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 €15.8 million for the year ended 31 December 2010, in tandem to a reversal of €18.2 million.

The provision thus amounted to €28.3 million, covering 498 projects and the portion of expenditure financed by RFF.

### 1.2.7 Charges to provisions for operating liabilities and charges

#### a) 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.

The balance of the provision for the removal of asbestos in property assets was €24.9 million for the year ended 31 December 2010, taking into account an additional charge of €20 million and a total reversal of €5.8 million including that of the Gobelins site, all the work having been completed.

The upgrades of the Gobelins site installations are continuing. The provision recognised for the year ended 31 December 2010 amounted to €11.2 million.

The balance of the provision for the removal of asbestos in machines and the decontamination or removal of rail sector machines or installations containing PCBs amounted to €6 million for the year ended 31 December 2010, following a 2010 reversal of €4.8 million corresponding to the 2010 expenditure.

Additional risk provisions for soil pollution and the obligation to reprocess creosote ties were also recognised in 2010, amounting to €6.7 million and €17 million, respectively.

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

#### b) 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.



### 1.2.8 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 2010 totalled €342.6 million, including €135 million in grants for upgrade and compliance work.

### 1.3 Net finance costs

Net finance costs stood at €(1,200.7) million compared to €(1,171.7) million in 2009, for an increase of €29 million.

(in millions of euros)			
	2010	2009	Change
Short-term debt	(4.9)	(5.6)	10.5
Long-term debt	(1,214.1)	(1,175.8)	(38.3)
<i>Of which change in inflation indexation provision</i>	<i>(48)</i>	<i>7</i>	<i>(54.9)</i>
<b>Net finance costs from ordinary financing activities</b>	<b>(1,209.2)</b>	<b>(1,181.4)</b>	<b>(27.8)</b>
Other financial items	8.5	9.8	(1.3)
<b>Net finance costs</b>	<b>(1,200.7)</b>	<b>(1,171.6)</b>	<b>(29.0)</b>

The increase is essentially due to rising inflation.

The average cost of RFF debt was 4.30% in 2010 compared to 4.25% in 2009.

For comparison purposes, the average 3-month Euribor and 10-year swap rates were 0.81% and 3.04% in 2010 compared to 1.22% and 3.55% in 2009, respectively.

Total debt for the year ended 31 December 2010 broke down as follows: 83% fixed rate, 7% floating rate and 10% indexed to inflation.

### 1.4 Net non-recurring income

The line item largely comprises the gain or loss on property asset disposals for the year ended 31 December 2010. The capital gain arising on these asset disposals totalled €84.6 million, compared to €90.0 million in 2009.

- Projects carried out by agents on behalf of RFF amounted to €2,383.1 million for 2010, compared to €2,367 million in 2009, for an increase of 0.68%;
- RFF direct production amounted to €812.3 million in 2010 (including €391.3 million for the eastern leg of the Rhine-Rhone high-speed line, €132.2 million for Phase 2 of the Eastern high-speed line and €45.8 million for Haut-Bugey), compared to €944.5 million for the same period in 2009, down by 14%;
- Production with the GSMR PPP amounted to €26 million as at 31 December 2010;
- Advances for investment land increased by €5.2 million to stand at €23.9 million as at 31 December 2010.

Capitalised expenditure for infrastructure projects totalled €3,211.8 million as at 31 December 2010.

The portion relating to network development projects declined by -€185 million (or - 12% compared to 31 December 2009) due to:

- an acceleration in the production of projects associated with or linked to PPP projects (+ €86 million) and the progress of major projects before work (+ €19 million), mainly for the Grand Projet Sud Ouest (known as GPSO);
- a decrease of €180 million for major development projects in progress (eastern leg of the Rhine-Rhone high-speed line for -€207 million and Haut-Bugey for -€69 million, partially offset by the increase for the Eastern high-speed line for +€101 million);
- a decrease of €110 million for regional development projects due to adverse weather conditions, strikes, production means saturation.

## 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 stood at €3,226.7 million, compared to €3,318.7 million for the same period in 2009, a decrease of €93 million

The portion relating to upgrade, improvement and network quality projects increased by €33 million or +2% compared to 31 December 2009.

- With respect to upgrade projects, the +€53 million or +3.7% increase is mainly due to track operations (+€72 million, or + 7%), given the ongoing network

renovation plan that was reassessed and extended by the performance contract and the Rail plans.

- The decrease in expenditure for improvement and network quality operations amounted to -€20 million, and was concentrated on security, punctuality, and ERTMS.

## Breakdown of capitalised expenditure

(in millions of euros)					
	31 Dec. 2010		31 Dec. 2009		Change
<b>Major development projects</b>	–	<b>852.9</b>	–	<b>927.6</b>	<b>(74.7)</b>
Major national projects before work	22.5	–	3.9	–	–
Major national projects in progress	687.1	–	866.5	–	–
Major PPP projects	143.3	–	57.2	–	–
<b>Regional development projects</b>		<b>534.3</b>	–	<b>644.4</b>	<b>(110.1)</b>
Regional development projects	534.3	–	644.4	–	–
<b>Network quality improvement</b>		<b>166.1</b>	–	<b>186.7</b>	<b>(20.6)</b>
Safety	31.0	–	42.1	–	–
Train access	66.3	–	55.3	–	–
Punctuality	25.9	–	42.3	–	–
Technological development (ERTMS, etc.)	4.7	–	12.3	–	–
GSMR	17.6	–	17.7	–	–
Performance enhancement	15.8	–	16.1	–	–
Environment (acoustics, PNB, etc.)	4.7	–	0.9	–	–
<b>Upgrade and compliance work</b>		<b>1,493.3</b>	–	<b>1,440.1</b>	<b>53.2</b>
Tracks	1,105.10	–	1,033.10	–	–
Signalling and telecoms (excluding GSMR)	176.7	–	174.6	–	–
Electric traction	62.1	–	63.9	–	–
Civil engineering structures and earthworks	132.4	–	152.1	–	–
Other programmes (GHV, EM, etc.)	17	–	16.4	–	–
<b>Sales investments and studies</b>		<b>19.4</b>	–	<b>12.3</b>	<b>7.1</b>
Sales investments and studies	19.4	–	12.3	–	–
<b>Land/property</b>		<b>21.9</b>	–	<b>26.9</b>	<b>(5.0)</b>
Land/property	21.9	–	26.9	–	–
<b>Work for third parties</b>	–	<b>34.7</b>	–	<b>41.4</b>	<b>(6.7)</b>
Work for third parties	34.7	–	41.4	–	–
<b>Unclassifiable operations</b>	–	<b>63.2</b>	–	<b>17</b>	<b>46.2</b>
Unclassifiable operations	63.2	–	17	–	–
<b>PPP projects</b>		<b>26.0</b>	–	–	<b>26.0</b>
GSM-R contract PPP	26.0	–	–	–	–
<b>Total</b>	–	<b>3,211.8</b>	–	<b>3,296.4</b>	<b>(84.6)</b>

## 2.1.2 Assets commissioned during the year

Assets commissioned during the year amounted to €618.3 million, compared to €1,286 million as at 31 December 2009.

Commissioned assets concern the following programmes:

(in millions of euros)					
	31 Dec. 010		31 Dec. 2009	Change	
<b>Major development projects</b>	<b>59.7</b>	–	<b>127.4</b>	<b>(67.7)</b>	
Major national projects in progress	59.7	–	123.3	–	–
Other	–	–	4.1	–	–
<b>Regional development projects</b>	<b>–</b>	<b>86.5</b>	<b>–</b>	<b>238.2</b>	<b>(151.6)</b>
Regional development projects	86.5	–	238.2	–	–
<b>Network quality improvement</b>	<b>76.5</b>	–	<b>85.1</b>	<b>(8.6)</b>	
Safety	29.9	–	48.4	–	–
Train access	13.1	–	9.9	–	–
Punctuality	28.3	–	12.3	–	–
GSMR	0.0	–	(0.3)	–	–
Performance enhancement	4.1	–	11.6	–	–
Environment (acoustics, PNB, etc.)	1.1	–	3.2	–	–
<b>Upgrade and compliance work</b>	<b>359.0</b>	–	<b>759.3</b>	<b>(400.3)</b>	
Tracks	190.2	–	563.0	–	–
Signalling and telecoms (excluding GSMR)	24.4	–	20.0	–	–
Electric traction	42.0	–	46.6	–	–
Civil engineering structures and earthworks	88.8	–	114.6	–	–
Other programmes (GHV, EM, etc.)	13.5	–	15.2	–	–
<b>Sales investments and studies</b>	<b>–</b>	<b>8.2</b>	<b>–</b>	<b>5.8</b>	<b>2.4</b>
Sales investments and studies	8.2	–	5.8	–	–
<b>Land/property</b>	<b>–</b>	<b>7.5</b>	<b>–</b>	<b>0.9</b>	<b>6.6</b>
Land/property	7.5	–	0.9	–	–
<b>Work for third parties</b>	<b>–</b>	<b>20.6</b>	<b>–</b>	<b>69.2</b>	<b>(48.6)</b>
Work for third parties	20.6	–	69.2	–	–
<b>Other</b>	<b>–</b>	<b>0.3</b>	<b>–</b>	<b>0.0</b>	<b>0.2</b>
Sundry	0.3	–	0.0	–	–
<b>Total</b>	<b>–</b>	<b>618.3</b>	<b>–</b>	<b>1,286.0</b>	<b>(667.6)</b>

## 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 Investment grants

### 2.2.1 Grants for upgrade and compliance work

The amount of this grant allocated to newly commissioned assets in 2010 was €435.5 million. It will be released to profit or loss over a period of 38 years.

Grants released to profit or loss amounted to €134.9 million in 2010.

The net grant presented in equity amounted to €3,745.8 million as at 31 December 2010.

### 2.2.2 Other investment grants

Other grants included in equity amounted to €11,814.7 million as at 31 December 2010, compared to €10,451.2 million as at 31 December 2009, for an increase of €1,363.5 million (13.04%).

Net grants on commissioned assets amounted to €6,221.0 million as at 31 December 2010, compared to €6,069.6 million at the end of 2009.

Transfers to in-service investment grants amounted to €359.4 million as at 31 December 2010. Reversals to income over this same period amounted to €207.6 million.

Earned investment grants on assets under construction, calculated on a percentage of completion basis, totalled €5,243.6 million as at 31 December 2010, compared to €4,381.7 million at the end of 2009. Earned investment grants relating to expenditure over the period amounts to €1,199.9 million.

## 2.3 Breakdown of net debt

(in millions of euros)

Total outstanding	2010	2009	Change
<b>Long-term debt</b>			
Debt transferred from SNCF	1,935.1	1,992.3	(57.2)
Debt contracted by RFF	27,778.8	26,580.5	1,198.3
<b>Long-term debt (A)</b>	<b>29,714.0</b>	<b>28,572.8</b>	<b>1,141.2</b>
<b>Short-term debt (B)</b>	<b>2,403.9</b>	<b>1,868.1</b>	<b>535.7</b>
<b>Cash and cash equivalents net of bank overdrafts (C)</b>	<b>4,089.8</b>	<b>2,002.5</b>	<b>2,087.3</b>
<b>Net debt (A + B - C)</b>	<b>28,028.1</b>	<b>28,438.4</b>	<b>(410.4)</b>
<b>Net debt excluding accrued interest</b>	<b>27,423.6</b>	<b>27,845.9</b>	<b>(422.3)</b>

RFF raised an amount of €3.26 billion in 2010 on the international capital markets in 26 public and private operations denominated in euros, US dollars, Australian dollars, pound sterling or Swiss francs.

### 3. STATEMENT OF CASH-FLOWS

#### Change in presentation in the statement of cash-flows:

The presentation of the statement of cash-flows has been modified to improve readability and to more closely resemble the IFRS presentation used for the Group consolidated financial statements.

The change in presentation has no impact on the methods used to calculate the individual items of the statement or the change in net cash position for the period.

Cash generated in 2010 posted an increase of €2,087.3 million, compared to an increase of €114.3 million in 2009.

Cash comprises cash and cash equivalents net of bank overdrafts and marketable securities.

(in millions of euros)			
	2010	2009	Change
<b>Operating cash-flow</b>	<b>2,147.4</b>	<b>2,222.2</b>	<b>(74.8)</b>
Change in working capital requirements	(41.0)	247.9	(288.9)
<b>Net cash from operating activities</b>	<b>2,106.3</b>	<b>2,470.1</b>	<b>(363.8)</b>
<b>Net cash used in investing activities</b>	<b>(3,169.8)</b>	<b>(3,014.7)</b>	<b>(155.1)</b>
<b>Net cash from financing activities</b>	<b>3,150.7</b>	<b>658.9</b>	<b>2,491.8</b>
<b>Change in net cash position</b>	<b>2,087.3</b>	<b>114.3</b>	<b>1,973.0</b>
<b>Net cash at beginning of the year</b>	<b>2,002.5</b>	<b>1,888.2</b>	
<b>Net cash at end of the year</b>	<b>4,089.8</b>	<b>2,002.5</b>	

Operating cash-flow before cost of net debt amounted to €2,147.4 million as at 31 December 2010, compared to €2,222.2 million as at 31 December 2009. The slight decrease is related to higher operating expenses and specifically delegated management fees.

Net cash used in investing activities comprises expenditure for rail infrastructure projects and receipts on asset disposal gains.

The decline in the cash position is primarily due to higher costs for infrastructure project costs.

Net cash from financing activities concerns the following flows:

- debt issues and repayments,
- collection of investment grants,
- net financial interest paid,
- collateral received/paid in connection with hedging transactions.

The improvement in the cash position is mainly related to an increase in funds obtained from debt issues and an increase in investment grants collected. To a lesser extent, the increase arises from an increase in collateral received.

## 4. TRADE PAYABLE SETTLEMENT PERIOD

As at 31 December 2010, trade payables represented €901 million (reconciled with the amounts appearing in the financial statements) and break down as follows:

(in millions of euros)			
	2010	2009	Change
Trade payables and related accounts in balance sheet liabilities	1,932.2	1,619.7	312.5
Of which accrued expenses and credit notes	(1,014.0)	(877.7)	(136.3)
Of which warranties and contract penalties	(17.2)	(14.3)	(2.9)
<b>Total trade payables</b>	<b>901.0</b>	<b>727.7</b>	<b>173.3</b>

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

(in millions of euros)			
	2010	2009	Change
<b>Maturity</b>	<b>Amount</b>	Amount	
Outstanding invoices	840.3	698.4	141.9
Outstanding by less than 30 days	8.7	4.9	3.8
Outstanding by more than 30 days	52	24.4	27.6
<b>Total</b>	<b>901.0</b>	<b>727.7</b>	<b>173.3</b>

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

## II.

### Major events of 2010

The change in toll fee structure and scales in connection with the 2010 working timetable gave rise to a significant revenue increase compared to 2009.

At the same time, the State reduced the amount of the operating grant allocated to RFF in comparison to 2009.

## III.

### Change in accounting policy

No changes were made to accounting policies in 2010.

## IV.

### Subsequent events

#### SEA concession agreement

With a view to the signature of a project agreement for the new Tours-Bordeaux line, known as Southern Europe Atlantic or SEA, RFF as concession grantor has been in negotiations with Liséa, whose major shareholders include Vinci, CDC, and Axa, since its successful bid for the concession in July 2010.

The SEA project, a key link in the European rail network, involves the construction of 340 km of new track between Tours and Bordeaux. The high-speed segment represents 302 km.

The project has a 50-year concession term and will cost an estimated €7.8 billion.

There are several financing phases, among which:

- senior debt for a maximum of €3.1 billion, including:
  - commercial banks – project debt risk: €620 million
  - State-guaranteed commercial bank debt: €1.06 billion
  - EIB – project debt risk: €200 million
  - EIB – State guaranteed debt: €400 million
  - CDC-DFE – RFF guaranteed-debt: €760 million
- Shareholders' equity: €760 million
- State grants: €3.96 billion of which RFF for €2.01 billion

RFF therefore serves primarily as the concession grantor and state contributor to the financing and, exceptionally, as guarantor of the CDC loan via the CDC Direction des Fonds d'Épargne (Savings Fund Department), for approximately €760 million.

At this stage and pending the project's financial closing date (signing date for all project financial documentation and for the concession agreement), the commitments undertaken by RFF, as the concession grantor, are limited to the signature of two letters covering the nullity of the concession agreement to be addressed to (i) Liséa, the concession holder, and (ii) the lenders (EIB and CDC-DFE commercial banks). These letters were signed respectively on 7 December 2010 and 7 February 2011 and are intended to compensate the concession holder and the lenders should the concession agreement be invalidated, in the event it was signed (scheduled for the project's financial closing date) but did not enter into force.

### **BPL PPP agreement**

In January 2011, RFF designated Eiffage as the prospective winning bidder for the Public-Private Partnership agreement covering the design, construction, maintenance and financing of the BPL high-speed line, comprising 214 km in new track, of which 182 km high-speed.

The objective is to sign the agreement with the prospective partner during the first half of 2011, based on a financing plan now being finalised by Eiffage.

The successful bidder will thus build and maintain the new line for a term of 25 years.

The project has a total investment budget of €3.4 billion. RFF will contribute to the financing for €1,432 billion. Public funding, whose amount has yet to be determined, will include the State and several local authorities, namely: the Bretagne and Pays de la Loire regions, as well as the Finistère, Morbihan, Côtes d'Armor, Île-et-Vilaine, Rennes Métropole, and Pays de Saint Malo departments.



# STATUTORY FINANCIAL STATEMENTS

... AS AT 31 DECEMBER 2010

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## BALANCE SHEET

### ASSETS

(in millions of euros)					
	Note 7.	31 Dec. 2010			31 Dec. 2009
		Gross	Depreciation, amortisation and provisions	Net	Net
Intangible assets	1.1 / 1.2	70.9	56.4	14.4	7.7
Property, plant and equipment	1.1 / 1.2	41,097.3	10,992.4	30,104.9	30,496.0
Assets under construction	1.1 / 1.4	12,299.8	72.4	12,227.4	9,631.8
Long-term investments	1.5	4.3	–	4.3	4.4
<b>Non-current assets</b>		<b>53,472.2</b>	<b>11,121.2</b>	<b>42,351.0</b>	<b>40,139.9</b>
Advances and down payments on orders in progress		67.6	–	67.6	67.1
Trade receivables and related accounts	1.7 / 1.8	688.1	32.1	656.0	652.3
Other receivables	1.6 / 1.8	1,669.2	21.0	1,648.2	2,158.8
Short-term investments, cash and cash equivalents	1.9	4,102.7	–	4,102.7	2,003.4
Prepaid expenses	1.10	326.2	–	326.2	64.4
<b>Current assets</b>		<b>6,853.8</b>	<b>53.1</b>	<b>6,800.8</b>	<b>4,945.9</b>
Deferred charges	1.11	573.0	399.0	174.0	192.0
Bond redemption premiums	1.11	12.6	9.0	3.6	4.4
Unrealised foreign exchange losses	1.12	287.9	–	287.9	239.9
<b>Total assets</b>		<b>61,199.6</b>	<b>11,582.3</b>	<b>49,617.3</b>	<b>45,522.0</b>

# BALANCE SHEET

## EQUITY AND LIABILITIES

(in millions of euros)			
	Note 7.	31 Dec. 2010	31 Dec. 2009
Capital injections	1.13	9,764.6	9,764.6
Accumulated deficit	1.13	(14,445.4)	(14,863.7)
Net income /(loss)	1.13	294.0	418.3
Investment grants	1.14	15,560.5	14,682.0
<b>Equity</b>		<b>11,173.7</b>	<b>10,001.3</b>
<b>Provisions</b>	<b>1.15</b>	<b>804.2</b>	<b>724.4</b>
Borrowings	1.16	32,133.4	30,443.9
Advances and down payments received on orders in progress	1.17	166.0	201.8
Trade payables and related accounts	1.19	1,932.2	1,640.9
Tax and employee-related liabilities	1.19	213.9	241.8
Other payables	1.18	2,562.1	1,685.7
Deferred income	1.20	631.8	582.3
<b>Total liabilities</b>		<b>37,639.4</b>	<b>34,796.3</b>
Unrealised foreign exchange gains			
<b>Total equity and liabilities</b>		<b>49,617.3</b>	<b>45,522.0</b>

## INCOME STATEMENT

(in millions of euros)			
	Note 7.	31 Dec. 2010	31 Dec. 2009
Sales of materials	2.1	30.9	32.3
Sales of own services	2.1	4,606.2	3,248.4
<b>Net revenue</b>		<b>4,637.1</b>	<b>3,280.7</b>
Capitalised production		19.6	890.0
Operating grants	2.2	1,020.8	2,421.6
Release of grants for investments, upgrade and compliance work	1.13	342.6	299.8
Release of provisions, impairment losses (and depreciation and amortisation), expense reclassifications		72.9	114.3
Other income		4.1	0.1
<b>Operating income</b>		<b>6,097.1</b>	<b>7,006.6</b>
Delegated management fees	2.3	2,990.5	2,954.1
Studies		52.7	104.4
Work		45.1	881.8
Other purchases and external expenses	2.4	318.7	305.8
Taxes other than on income	2.5	88.2	43.7
Wages and salaries	2.6	65.5	54.3
Social security contributions	2.6	28.5	23.2
Charges to depreciation and amortisation and impairment	1.2 / 1.4	1,007.7	995.9
Charges to provisions for current assets	1.8	22.1	14.3
Charges to provisions for operating contingencies and losses	1.15	66.6	63.7
<b>Operating expenses</b>		<b>4,685.7</b>	<b>5,441.2</b>
<b>Net operating profit/(loss)</b>		<b>1,411.4</b>	<b>1,565.4</b>

(in millions of euros)			
	Note 7.	31 Dec. 2010	31 Dec. 2009
Other interest and similar income		470.8	424.1
Releases of provisions			6.8
Foreign exchange gains		2.4	0.6
Income from short-term investment (disposals and interest)		19.4	30.9
<b>Financial income</b>		<b>492.6</b>	<b>462.3</b>
Interest and similar charges on debt		1,174.6	1,166.9
Other financial expenses		445.5	439.7
Charges to provisions	1.12/1.15	48.5	–
Foreign exchange losses		1.8	4.6
Amortisation of deferred charges	1.10	22.9	22.8
<b>Financial expenses</b>		<b>1,693.3</b>	<b>1,634.0</b>
<b>Net financial income/(loss)</b>		<b>(1,200.7)</b>	<b>(1,171.7)</b>
<b>Net profit/(loss) from ordinary activities before tax</b>		<b>210.7</b>	<b>393.8</b>
Capital transactions		115.1	120.5
Non-capital transactions		(0.0)	–
Release of provisions, impairment, expense reclassifications		0.1	22.1
<b>Non-recurring income</b>		<b>115.2</b>	<b>142.6</b>
Capital transactions		31.0	31.0
Non-capital transactions		0.0	21.0
Charges to depreciation and amortisation, provisions and impairment		0.9	66.1
<b>Non-recurring expenses</b>		<b>31.9</b>	<b>118.1</b>
<b>Net non-recurring items</b>	<b>2.8</b>	<b>83.3</b>	<b>24.5</b>
Employee profit-sharing		0.0	0.0
Income tax expense		0.0	0.0
<b>Net profit/(loss) for the year</b>		<b>294.0</b>	<b>418.3</b>

## STATEMENT OF CASH-FLOWS

(in millions of euros)			
	Note 7.	31 Dec. 2010	31 Dec. 2009
<b>Cash-flows from operating activities</b>			
<b>Net profit/(loss) for the year</b>		<b>294.0</b>	<b>418.3</b>
Elimination of non-cash income and expenses		649.2	622.6
Cost of debt		1,204.2	1,181.3
<b>Operating cash-flow before changes in working capital requirements</b>		<b>2,147.4</b>	<b>2,222.2</b>
Changes in working capital requirements	3.1	(41.0)	247.9
<b>Net cash from operating activities</b>	<b>3.1</b>	<b>2,106.3</b>	<b>2,470.1</b>
<b>Cash-flows from investing activities</b>			
Acquisitions of PP&E and intangible assets		(3,269.8)	(3,136.9)
Disposals of PP&E and intangible assets		99.9	121.1
Change in guarantee deposits		0.1	1.1
<b>Net cash used in investing activities</b>	<b>3.2</b>	<b>(3,169.8)</b>	<b>(3,014.7)</b>
<b>Cash-flows from financing activities</b>			
Debt issues		9,508.4	8,182.3
Loan repayments		(7,816.0)	(8,419.8)
Investment grants		2,208.1	2,075.6
Change in collateral		429.4	(4.2)
Other deposits and guarantees received		0.6	0.5
Net interest paid		(1,179.7)	(1,175.5)
<b>Net cash from financing activities</b>	<b>3.3</b>	<b>3,150.7</b>	<b>658.9</b>
<b>Net change in cash position</b>		<b>2,087.3</b>	<b>114.3</b>
<b>Net cash position at the beginning of the year</b>		<b>2,002.5</b>	<b>1,888.2</b>
<b>Net cash position at the end of the year</b>		<b>4,089.8</b>	<b>2,002.5</b>
<b>Change in net cash position</b>		<b>2,087.3</b>	<b>114.3</b>

# NOTES TO THE STATUTORY FINANCIAL STATEMENTS

The statutory financial statements for the year ended 31 December 2010 were approved by the Board of Directors on 7 April 2011.

## 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 n°. 97-135 of 13 February 1997 (“the 1997 Act”), with retrospective effect from 1 January 1997.

This Act and the related enabling legislation (Decree n°. 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 purpose of this reform 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 n°. 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 carrying amount 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*) and comply with the following basic assumptions:

- accruals,
- going concern,
- consistency.

#### 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 n°. 97-444).

The net carrying amount 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.

Expenditure relating to partnership agreements (excluding concession agreements) is recorded in assets under construction based on the percentage completion of the construction work at the partner's site and offset against trade payables.

### 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 to 50 years
Improvements to buildings	10 years
Track	20 to 100 years
Electrical supply equipment	10 to 75 years
Signalling	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:

	Useful life
Fixtures and fittings	10 years
Office furniture and equipment	5 to 7 years
Computer and telecommunications equipment	3 to 5 years
Vehicles	5 years
Software	1 to 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 less costs to sell.

### 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 track bed 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,
- State operating grants 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,
- personnel costs allocated to the operational management of the current network.

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

#### **c) Cash-flows projections**

RFF is able to prepare three-year cash-flow projections using a multi-year budget preparation process. Beyond this timeframe, cash-flows are based on the most recent year's data projected to 2025, the date on which the network will be considered stable owing to the completion of delayed upgrades. The terminal value at the end of this useful life is also taken into account.

The data 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 resource and the risk exposure in relation to other regulated infrastructure managers comparable to RFF. This rate is also corroborated by a financial asset valuation model applied to a potential RRF target structure.

### **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 meter, 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 the value of its assets.

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 plus the balance of deferred tax assets, the balance of assets being upgraded net of grants and the operating WCR, to the present value of future cash-flows to be generated by these assets, to which the residual value of the assets at the end of their useful lives is added

#### **Calculation of impairment losses**

If the net carrying amount of the Infrastructure CGU is greater than the recoverable amount, an impairment loss is recognised for the difference. The impairment loss is allocated to each of the assets in the CGU in proportion to their carrying amounts. The future depreciation schedule of each asset is adjusted to reflect the impairment loss allocated to it.

If the test results in a carrying amount of the CGU that is below the recoverable amount 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 carrying amount 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).

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. Impairment provisions are recognised for any capital 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 and offset against profit or loss, except for assets and liabilities effectively hedged by currency swaps, which are translated at the hedging rate.

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

## 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 civil liability 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

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No changes were made to accounting policies in 2010.



# 4.

## Significant events

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The change in toll fee structures and scales as part of the 2010 timetable generated a significant increase in revenue compared to 2009.

At the same time, the State operating grant allocated to RFF was reduced in relation to 2009.

# 5.

## Comparability of the financial statements

### Change in presentation of the income statement

Change in general presentation:

— The income statement presentation has been simplified compared to previous years so as to provide greater clarity for the Company's results. Detailed information is now presented solely in the tables of the notes to the financial statements.

— Change in presentation for infrastructure project expenditure

The recording of expenditure for infrastructure projects directly managed by RFF has been harmonized with that of these same expenses for projects whose management is delegated.

Accordingly, costs that can be capitalised are recorded directly in assets under construction, whereas previously they were expensed and capitalised as an offset in the capitalised production account.

Therefore, comparability of the "study costs," "railway work and equipment" and "capitalised production" line items of the income statement should be assessed with respect to this change in presentation:

— in 2010, amounts for studies and work standing respectively at €97.5 million and €646.4 million were recorded directly in assets under construction,

— in 2009, the corresponding amounts stood respectively at €44.8 million and €820.5 million and were capitalised via the capitalised production account.

### Change in presentation of the Statement of cash-flows

The presentation of the Statement of cash-flows has been simplified in relation to previous years and now more closely resembles the economic presentation adopted under IFRS for consolidated financial statements. This change in presentation will provide greater clarity for the Company main's cash-flows for the period.

# 6.

## Subsequent events

### SEA concession agreement

With a view to the signature of a project agreement for the new Tours-Bordeaux line, known as Southern Europe Atlantic or SEA, RFF as concession grantor has been in negotiations with Liséa, whose major shareholders include Vinci, CDC, and Axa, since its successful bid for the concession in July 2010.

The SEA project, a key link in the European rail network, involves the construction of 340 km of new track between Tours and Bordeaux. The high-speed segment represents 302 km.

The project has a 50-year concession term and will cost an estimated €7.8 billion.

There are several financing phases, among which:

- senior debt for a maximum of €3.1 billion, including:
  - commercial banks – project debt risk: €620 million
  - State-guaranteed commercial bank debt: €1.06 billion
  - EIB – project debt risk: €200 million
  - EIB – State guaranteed debt: €400 million
  - CDC-DFE – RFF guaranteed-debt: €760 million
- Shareholders' equity: €760 million
- State grants: €3.96 billion of which RFF for €2.01 billion

RFF therefore serves primarily as the concession grantor and state contributor to the financing and, exceptionally, as guarantor of the CDC loan via the CDC Direction des Fonds d'Épargne (Savings Fund Department), for approximately €760 million.

At this stage and pending the project's financial closing date (signing date for all project financial documentation and for the concession agreement), the commitments undertaken by RFF, as the concession grantor, are limited to the signature of two letters covering the nullity of the concession agreement to be addressed to (i) Liséa, the concession holder, and (ii) the lenders (EIB and CDC-DFE commercial banks). These letters were signed respectively on 7 December 2010 and 7 February 2011 and are intended to compensate the concession holder and the lenders should the concession agreement be invalidated, in the event it was signed (scheduled for the project's financial closing date) but did not enter into force.

#### BPL PPP agreement

In January 2011, RFF designated Eiffage as the prospective winning bidder for the Public-Private Partnership agreement covering the design, construction, maintenance and financing of the BPL

high-speed line, comprising 214 km in new track, of which 182 km high-speed. The objective is to sign the agreement with the prospective partner during the first half of 2011, based on a financing plan now being finalised by Eiffage.

The successful bidder will thus build and maintain the new line for a term of 25 years.

The project has a total investment budget of €3.4 billion. RFF will contribute to the financing for €1.432 billion. Public funding, whose amount has yet to be determined, will include the State and several local authorities, namely: the Bretagne and Pays de la Loire regions, as well as the Finistère, Morbihan, Côtes d'Armor, Ile et Vilaine, Rennes Métropole, and Pays de Saint Malo departments.

# 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)						
Asset category	Gross value as at 31 Dec. 2010	Increases	Transfers	Expense reclassifications	Decreases	Gross value as at 31 Dec. 2010
<b>Intangible assets</b>						
Software	56.4	4.5	5.3	(0.1)	–	66.1
Software in progress	2.9	7.1	(5.2)	–	–	4.8
<b>Total intangible assets: gross value</b>	<b>59.3</b>	<b>11.6</b>	<b>0.1</b>	<b>(0.1)</b>	<b>0.0</b>	<b>70.9</b>

## 7.1.1 Property, plant and equipment and intangible assets (continued)

(in millions of euros)						
Asset category	Gross value as at 31 Dec. 2010	Increases	Transfers	Expense reclassifications	Decreases	Gross value as at 31 Dec. 2010
<b>Rail assets</b>						
Land	4,938.7	1.2	3.9	–	(27.2)	4,916.6
Improvement to land	731.0	0.0	33.8	–	–	764.8
Housing fixtures & fittings: Med. High-speed line	1.3	0.0	–	–	–	1.3
Line earthworks	4,807.2	–	16.4	–	–	4,823.6
Buildings	864.3	2.6	33.4	(0.4)	(4.0)	895.9
Improvements to buildings	84.9	–	2.5	–	–	87.4
Tracks	12,008.9	–	226.1	–	–	12,235.0
Level crossings	514.0	–	6.1	–	–	520.1
Civil engineering structures	8,729.1	–	134.7	(0.1)	–	8,863.7
Electrification	2,966.4	–	67.7	(0.6)	–	3,033.5
Signalling	3,907.2	–	69.4	(0.8)	–	3,975.8
Telecommunications	903.1	–	21.1	(0.2)	–	924.0
Computer equipment	5.0	–	4.0	–	–	9.1
Billboards	3.8	–	–	–	–	3.8
<b>Operating assets</b>						
Office fixtures and fittings	21.8	3.3	(0.0)	(0.0)	(0.3)	24.7
Vehicles	0.0	–	–	–	–	0.0
Office equipment	0.6	0.1	(0.0)	–	–	0.6
Computer equipment	8.1	1.9	0.1	(0.0)	(0.0)	10.0
Telecommunications equipment	2.4	0.5	(0.0)	(0.0)	–	2.8
Furniture	4.4	0.3	0.0	(0.0)	–	4.7
<b>Total gross value of PP&amp;E</b>	<b>40,502.2</b>	<b>9.8</b>	<b>619.2</b>	<b>(2.2)</b>	<b>(31.6)</b>	<b>41,097.3</b>
PP&E under construction	9,683.4	3,221.5	(619.3)	(9.6)	–	12,275.9
Advances on PP&E under construction	22.3	5.2	–	–	(3.7)	23.9
<b>Total gross value of PP&amp;E under construction</b>	<b>9,705.7</b>	<b>3,226.7</b>	<b>(619.3)</b>	<b>(9.6)</b>	<b>(3.7)</b>	<b>12,299.8</b>

### Capital expenditure

Capital expenditure (excluding software and operating assets) in 2010 totalled €3,226.7 million.

This capital expenditure comprises:

— infrastructure investment projects for €3,221.5 million including:

- production carried out by agents on behalf of RFF for €2,383.1 million.
- direct production for €812.3 million.
- €26.0 million for the GSMR PPP.
- increase in down payments for investment land in the amount of €5.2 million.



Capitalised expenditure in 2010 totalled €3,211.8 million and breaks down as follows:

(in millions of euros)	
	31 Dec. 2010
<b>Major development projects</b>	<b>852.9</b>
Major national projects before work	22.5
Major national projects in progress	687.1
Major PPP projects	143.3
<b>Regional development projects</b>	<b>534.3</b>
Regional development projects	534.3
<b>Network quality improvements</b>	<b>166.1</b>
Safety	31.0
Train access	66.3
Punctuality	25.9
Technological development (ERTMS, etc.)	4.7
GSM-R	17.6
Performance enhancement	15.8
Environment (acoustics, PNB, etc.)	4.7
<b>Upgrade and compliance works</b>	<b>1,493.3</b>
Tracks	1,105.1
Signalling and telecoms (excluding GSMR)	176.7
Electric traction	62.1
Civil engineering structures and earthworks	132.4
Other programmes (GHV, EM, etc.)	17.0
<b>Sales investments and studies</b>	<b>19.4</b>
Sales investments and studies	19.4
<b>Land/property</b>	<b>21.9</b>
Land/property	21.9
<b>Works for third parties</b>	<b>34.7</b>
Works for third parties	34.7
<b>Unclassifiable operations</b>	<b>63.2</b>
Unclassifiable operations	63.2
<b>Total excluding PPP</b>	<b>3,185.8</b>
<b>PPP projects</b>	<b>26.0</b>
GSM-R contract PPP	26.0
<b>Total</b>	<b>3,211.8</b>

## Assets commissioned during the year

Assets commissioned in 2010 totalled €618.3 million and break down as follows:

	31 Dec. 2010	
<b>Major development projects</b>		<b>59.7</b>
Major development projects before work	–	–
Major development projects in progress	59.7	–
<b>Regional development projects</b>		<b>86.6</b>
Regional development projects	86.6	
<b>Network quality improvements</b>		<b>76.5</b>
Safety	29.9	–
Train access	13.1	–
Punctuality	28.3	–
Performance enhancement	4.1	–
Environment (Acoustics PNB. etc.)	1.1	–
<b>Upgrade and compliance works</b>		<b>359.0</b>
Tracks	190.2	–
Signalling and telecoms (excluding GSMR)	24.4	–
Electric traction	42.0	–
Civil engineering structures and earthworks	88.9	–
Other programmes (GHV, EM, etc.)	13.5	–
<b>Sales investments and studies</b>		<b>8.2</b>
Sales investments and studies	8.2	–
<b>Land/property</b>		<b>7.5</b>
Land/property	7.5	–
<b>Works for third parties</b>		<b>20.6</b>
Works for third parties	20.6	–
<b>Other</b>		<b>0.3</b>
Sundry	0.3	–
<b>Total</b>		<b>618.3</b>

## 7.1.2 Depreciation and amortisation schedule

(in millions of euros)					
Type	Accumulated depreciation and amortisation as at 31 Dec. 2009	Charges	Transfers	Decreases	Accumulated depreciation and amortisation as at 31 Dec. 2010
<b>Intangible assets</b>					
Software	51.6	4.8	–	–	56.4
<b>Total amortisation of intangible assets</b>	<b>51.6</b>	<b>4.8</b>	<b>0.0</b>	<b>0.0</b>	<b>56.4</b>
<b>Rail assets</b>					
Line earthworks	940.5	101.1	–	–	1,041.6
Improvement to land	70.3	25.9	–	–	96.2
Buildings	94.1	30.6	–	(0.7)	124.0
Housing fixtures & fittings: Med. high-speed line	0.8	0.1	–	–	0.9
Improvements to building	57.0	6.5	–	–	63.5
Tracks	3,513.7	376.9	–	–	3,890.6
Level crossings	463.9	8.4	–	–	472.3
Civil engineering structures	1,383.4	134.1	–	–	1,517.5
Electrification	964.5	108.3	–	–	1,072.9
Signalling	1,789.7	145.5	–	–	1,935.2
Telecommunications	699.8	40.4	–	–	740.2
Computer equipment	3.9	4.2	–	–	8.1
Billboards	2.4	0.8	–	–	3.2
<b>Total depreciation for rail PP&amp;E</b>	<b>9,984.1</b>	<b>982.9</b>	<b>0.0</b>	<b>(0.7)</b>	<b>10,966.4</b>
<b>Operating assets</b>					
Office fixtures and fittings	11.5	2.3	–	(0.2)	13.6
Vehicles	0.0	–	–	–	0.0
Office equipment	0.5	0.0	–	–	0.5
Computer equipment	6.0	1.1	–	(0.0)	7.1
Telecommunications equipment	1.1	0.3	–	–	1.3
Furniture	3.0	0.3	–	–	3.3
<b>Total depreciation of operating assets</b>	<b>22.1</b>	<b>4.0</b>	<b>0.0</b>	<b>(0.2)</b>	<b>25.9</b>
<b>Grand total</b>	<b>10,006.2</b>	<b>986.9</b>	<b>0.0</b>	<b>(0.9)</b>	<b>10,992.3</b>

### 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.

Discount rate adopted: between 6% and 6.5%.

Sensitivity to a change in the discount rate: an increase or decrease of +/- 0.1% in the interest rate generates an increase or decrease of +/- €0.9 billion in the present value of cash-flows.

Benchmark net carrying amount as at 31 December 2010: €28.5 billion.

#### Property CGU

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

### 7.1.4 Tableau des dépréciations des immobilisations en cours

(in millions of euros)

	Accumulated costs as at 31 Dec. 2010	Impairment as at	Charges	Reversals	Impairment as at 31 Dec. 2010
Dormant projects	44.4	30.7	15.8	(18.2)	28.3
Port tracks under construction	43.8	43.2	0.6	0.0	43.8
Other	0.3	0.0	0.3	0.0	0.3
<b>Total</b>	<b>88.5</b>	<b>73.9</b>	<b>16.7</b>	<b>(18.2)</b>	<b>72.4</b>

### 7.1.5 Impairment of intangible assets and property, plant and equipment under construction

(in millions of euros)

	31 Dec. 2010	31 Dec. 2009
Guarantee deposits	3.8	3.9
Equity investments	0.5	0.5
<b>Total long-term investments</b>	<b>4.3</b>	<b>4.4</b>

#### 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 Lyons-Turin railway line.

Lyon-Turin-Ferroviaire SAS broke even in 2010; capitalised production in the period amounted to €33.3 million. The company's equity amounted to €554.6 million as at 31 December 2010. No impairment loss had been recognised as at 31 December 2010.

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
- GEIE NAF GCT: 50% interest

## 7.1.6 Other receivables

(in millions of euros)		
Other receivables	31 Dec. 2010	31 Dec. 2009
VAT credit repayment request	44.6	106.8
VAT to be adjusted on purchase invoice accruals	161.7	140.5
Input VAT	168.0	115.6
VAT on accrued credit notes	1.7	2.0
Other tax receivables	0.3	0.3
Amounts receivables on sales of fixed assets	62.1	46.8
State grants not yet claimed	8.9	8.1
Other grants to be collected	453.3	1,087.2
Grants not yet claimed <sup>(1)</sup>	478.3	452.0
Accrued income on debt instruments	227.5	189.3
Employee receivables	0.0	0.0
Credit notes receivable from suppliers and advances	21.7	73.4
Other miscellaneous receivables	41.1	24.2
<i>Of which: LTF</i>	<i>16.5</i>	<i>22.8</i>
<i>Other</i>	<i>24.6</i>	<i>1.4</i>
<b>Total</b>	<b>1,669.2</b>	<b>2,246.1</b>

(1) Including operating receivables of €117.9 million as at 31 December 2010 (€109.7 million as at 31 December 2009).

## 7.1.7 Receivables by maturity

(in millions of euros)			
Receivables	Gross amount as at 31 Dec. 2010	Due with less than 1 year	Due in over 1 year
<b>Trade receivables and related accounts</b>	<b>688.1</b>	<b>688.1</b>	<b>0.0</b>
<b>Other receivables</b>	<b>1,669.2</b>	<b>1,634.9</b>	<b>34.3</b>
Other operating receivables:	1,441.7	1,407.4	34.3
<i>Tax and employee-related receivables</i>	<i>376.3</i>	<i>376.3</i>	<i>–</i>
<i>Amounts receivable on sales of fixed assets</i>	<i>62.1</i>	<i>27.8</i>	<i>34.3</i>
<i>Grants to be collected</i>	<i>453.3</i>	<i>453.3</i>	<i>–</i>
<i>State grants not yet claimed</i>	<i>8.9</i>	<i>8.9</i>	<i>–</i>
<i>Grants not yet claimed</i>	<i>478.3</i>	<i>478.3</i>	<i>–</i>
<i>Other operating receivables</i>	<i>62.8</i>	<i>62.8</i>	<i>–</i>
Other financial receivables:	227.5	227.5	0.0
<i>Accrued income on debt instruments</i>	<i>227.5</i>	<i>227.5</i>	<i>–</i>
<b>Total</b>	<b>2,357.3</b>	<b>2,323.0</b>	<b>34.3</b>

## 7.1.8 Dépréciation des créances

(in millions of euros)					
Provisions for doubtful receivables	Amounts to 31 Dec. 2009	2010 Additions	2010 Reversals		Amounts as at 31 Dec. 2010
			Utilised	Not utilised	
Provisions for impairment of trade receivables	20.0	21.5	1.6	7.8	32.1
Provisions for impairment of other receivables	20.7	0.6	0.1	0.2	21.0
<b>Total</b>	<b>40.7</b>	<b>22.1</b>	<b>1.7</b>	<b>8.0</b>	<b>53.1</b>

Write-downs mainly concern grant receivables and other receivables relating to the Property activity.

## 7.1.9 Short-term investments and cash and cash equivalents

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
<b>Short-term investments</b>	<b>3,894.6</b>	<b>2,002.1</b>
Money market securities	3,005.0	1,564.5
Mutual funds	889.3	437.6
Accrued interest receivable on euro-denominated money market securities	0.3	0.0
<b>Cash at bank</b>	<b>208.1</b>	<b>1.3</b>
Euro-denominated accounts	208.1	1.3
Foreign currency-denominated accounts	0.0	0.0
<b>Total</b>	<b>4,102.7</b>	<b>2,003.4</b>

All mutual funds comprise money market funds with low risk profiles.

## 7.1.10 Prepaid expenses

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Interest on euro and foreign currency commercial paper	2.2	1.7
Interest on French commercial paper	0.0	0.0
Balancing cash payments on interest rate swaps	79.0	60.7
Premiums and discounts	0.9	0.8
Infrastructure management fees <sup>(1)</sup>	240.4	–
Other, including rent and associated charges	3.6	1.1
<b>Total</b>	<b>326.2</b>	<b>64.4</b>

(1) As at 31 December 2010, this balance comprised the infrastructure management fees for January 2011 billed in advance by SNCF.

### 7.1.11 Deferred charges

(in millions of euros)					
	Gross amount as at 31 Dec. 2010	Amortisation charge	Amortisation of the premium	Accumulated amortisation	Net amount as at 31 Dec. 2010
Premiums and costs on RFF debt issues	353.6	22.0	0.0	179.6	174.0
Unamortised issuance costs on debt transferred from SNCF	21.4	0.0	0.0	21.4	0.0
Discount/premium on bond portfolio	198.0	0.0	0.0	198.0	0.0
<b>Sub-total</b>	<b>573.0</b>	<b>22.0</b>	<b>0.0</b>	<b>399.0</b>	<b>174.0</b>
Redemption premiums on RFF bond issues	12.6	0.8	0.0	9.0	3.6
<b>Total</b>	<b>585.6</b>	<b>22.8</b>	<b>0.0</b>	<b>408.0</b>	<b>177.6</b>

### 7.1.12 Unrealised foreign exchange losses

(in millions of euros)					
Type	Amounts as at 31 Dec. 2009	Additions	Reversals		Amounts as at 31 Dec. 2010
			Utilised	Not utilised	
Provisions for inflation-indexed borrowings	239.9	48.0	0.0	0.0	287.9
<b>Total</b>	<b>239.9</b>	<b>48.0</b>	<b>0.0</b>	<b>0.0</b>	<b>287.9</b>

### 7.1.13 Statement of changes in equity

(in millions of euros)						
	Capital endowment	Accumulated deficit	Net profit/(loss) for the year	Grants <sup>(1)</sup>	Grants released to profit or loss	Total
<b>Equity as at 31 December 2009</b>	<b>9,764.6</b>	<b>(14,863.7)</b>	<b>418.3</b>	<b>14,682.1</b>	<b>–</b>	<b>10,001.3</b>
Accumulated deficit	–	418.3	(418.3)	–	–	0.0
Net profit for the year	–	–	294.0	–	–	294.0
Net investment grants on commissioned assets	–	–	–	359.3	(207.6)	151.7
Net investment grants for assets under construction	–	–	–	861.8	–	861.8
Net grants for upgrade and compliance works on commissioned assets	–	–	–	435.6	(135.0)	300.6
Net grants for upgrade and compliance works on assets under construction	–	–	–	(435.6)	–	(435.6)
<b>31 December 2010</b>	<b>9,764.6</b>	<b>(14,445.4)</b>	<b>294.0</b>	<b>15,903.1</b>	<b>(342.6)</b>	<b>11,173.7</b>

(1) See breakdown in section 7.1.14.

## 7.1.14 Investment grants

### 1) Investment grants for commissioned assets

(in millions of euros)					
	Net amount as at 31 Dec. 2009	Grants on assets commissioned in year	Transfers	Released to profit or loss	Net amount as at 31 Dec. 2010
Land and improvement to land	418.2	13.9	–	(21.9)	410.2
Line earthworks	1,002.0	8.3	–	(21.8)	988.5
Buildings		34.2	–	(5.8)	227.2
Improvements to buildings	10.1	0.2	–	(1.8)	8.5
Civil engineering structures		113.3	(0.4)	(33.5)	2,019.3
Tracks		102.4	–	(51.4)	1,308.2
Level crossings	17.2	2.1	–	(2.2)	17.1
Electrification		36.4	–	(22.2)	575.8
Signalling		34.2	–	(33.3)	586.4
Telecommunications	78.6	14.3	–	(12.9)	80.0
Intangible assets	2.0	0.1	–	(0.8)	1.3
<b>Total</b>	<b>6,071.2</b>	<b>359.4</b>	<b>(0.4)*</b>	<b>(207.6)</b>	<b>6,222.6</b>

\* The €0.4 million reclassification reflects the irrecoverable nature of the grant. The amount was netted against the corresponding receivable.

### 2) Investment grants for assets under construction

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

(in millions of euros)		31 Dec. 2010
Total investment grants claimed since 1 January 1997		13,782.9
Total investment grants for commissioned assets since 1 January 1997		(7,099.9)
Investment grants claimed in advance		
Investment grants not yet claimed		
<b>Investment grants for assets under construction</b>		<b>5,281.5</b>

(in millions of euros)			
	31 Dec. 2009	Increase	31 Dec. 2010
Reversal of investment grants for port track under construction	(37.8)	(0.1)	(37.9)
Reversal of investment grants for commissioned port track	(1.6)	–	(1.6)
<b>Reversal of investment grants for port track under construction</b>	<b>(39.4)</b>	<b>(0.1)</b>	<b>(39.5)</b>



**3) Grants for upgrade and compliance works: (See note 2.2.b).**
**Gross amount of grants for upgrade and compliance works**

(in millions of euros)							
Year	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
<b>Total</b>	<b>4,560.4</b>	<b>675.0</b>	<b>900.0</b>	<b>1,195.0</b>	<b>985.2</b>	<b>805.2</b>	<b>4,560.4</b>

**Grants for upgrade and compliance works – commissioned assets**

(in millions of euros)					
Year of commissioning	Date of commissioning	Period of release (year)	Gross amount	Accumulated release	Net amount in equity
2004	01/07/2004	38	675.0	(115.5)	559.5
2005	25/03/2005	42	573.9	(78.9)	495.0
2006	09/05/2006	42	878.4	(97.2)	781.2
2007	21/03/2007	35	734.2	(79.4)	654.9
2008	17/04/2008	33	68.8	(5.8)	62.9
2009	17/01/2009	42	844.4	(57.3)	787.1
2010	22/01/2010	38	435.5	(30.4)	405.2
<b>Total</b>		<b>–</b>	<b>4,210.3</b>	<b>(464.5)</b>	<b>3,745.8</b>

Grants released to profit or loss during 2010 totalled €134.9 million.

**Net grants for upgrade and compliance works**

(in millions of euros)			
	Gross amount	Accumulated release	Net amount in equity
Grants for commissioned assets	4,210.3	(464.5)	3,745.8
Grants for assets under construction	350.1	–	350.1
<b>Total</b>	<b>4,560.4</b>	<b>(464.5)</b>	<b>4,095.9</b>

#### 4) Summary of investment grants as of 31 December 2010

(in millions of euros)					
	Grants for assets under construction	Grants for commissioned assets	Grants released to profit or loss	Accumulated release	Net amount in equity
Grants for assets under construction	5,281.5	–	–	(37.9)	5,243.6
Grants for the upgrade of assets under construction	350.1	–	–	–	350.1
Grants for commissioned assets	–	6,430.1	(207.6)	(1.6)	6,221.0
Grants for the upgrade of commissioned assets	–	4,210.3	–	(464.5)	3,745.8
<b>Total</b>	<b>5,631.6</b>	<b>10,640.4</b>	<b>(207.6)</b>	<b>(504.0)</b>	<b>15,560.5</b>

#### 7.1.15 Provisions for contingencies and losses

(in millions of euros)					
Type	Amounts as at 31 Dec. 2009	Charges	Reversals		Amounts as at 31 Dec. 2010
			Utilised	Not utilised	
Provisions for contingencies and losses:	479.8	64.6	28.9	6.3	509.2
Disputes and litigation	400.2	12.5	3.3	4.1	405.2
Tax and employee-related expenses	46.1	8.4	16.4	–	38.2
Decontamination and environmental risks	33.5	43.7	9.3	2.1	65.8
Provisions for retirement benefit obligations	4.6	2.1	–	–	6.7
Provisions for financial contingencies	239.9	48.5	–	–	288.3
<b>Total</b>	<b>724.4</b>	<b>115.1</b>	<b>28.9</b>	<b>6.3</b>	<b>804.2</b>

Provisions for contingencies and losses comprise:

- environmental risks,
- disputes and litigation concerning infrastructure-related activity and asset management activity,
- tax risks currently the subject of litigation proceedings.

Despite the provision updates in 2010, it should be noted that there remains uncertainty as to the valuation of the three provisions, in particular:

- Paris Left-Bank development project: studies 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 programmes to be implemented and quantifies the corresponding decontamination costs.

The provision for retirement benefit obligations showed a balance of €6.7 million as at 31 December 2010 compared to €4.6 million as at 31 December 2009.

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

(in millions of euros)		
Main assumptions underlying the calculation of the present value of the obligation	31 Dec. 2010	31 Dec. 2009
Rate of increase in salaries	3.00%	2.00%
Rate of payroll taxes	48.00%	47.00%
Discount rate	4.00%	4.06%
Turnover	3.35%	8.80%

### 7.1.16 Borrowings

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

Funds raised in 2010 totalled €3.26 billion, based on 26 transactions on the euro, US dollar, Australian 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 (4% and 96% of outstanding short-term debt, respectively).

(in millions of euros)			
	31 Dec. 2010 Y	31 Dec. 2009 Y - 1	Change Y-(Y - 1)
<b>Debt transferred from SNCF:</b>	<b>1,968.9</b>	<b>2,025.5</b>	<b>(56.7)</b>
Principal outstanding:	1,935.1	1,992.3	(57.2)
<i>Debt transferred (historical debt)</i>	1,654.6	1,711.3	(56.7)
<i>Impact of foreign exchange rate on Swiss-franc debt</i>	–	–	–
<i>Greater Paris Region loans</i>	7.0	7.5	(0.4)
<i>Rollover of EIB line</i>	273.5	273.5	–
Accrued interest	33.7	33.2	0.5
<b>RFF debt issue:</b>	<b>30,164.6</b>	<b>28,418.4</b>	<b>1,746.2</b>
Principal outstanding:	29,578.2	27,856.1	1,722.1
<i>Short-term</i>	1,799.4	1,275.6	523.7
<i>Long-term</i>			
<i>at hedged rate</i>	27,216.4	26,073.4	1,143.1
<i>inflation indexed portion</i>	287.9	239.8	48.1
<i>Greater Paris Region loans</i>	57.3	60.6	(3.4)
<i>Zero coupon bonds</i>	217.2	206.6	10.6
Accrued interest:	570.8	559.3	11.5
Bank overdrafts:	12.9	0.9	12.0
Guarantee deposits received	2.6	2.0	0.6
<b>Total Borrowings (A)</b>	<b>32,133.4</b>	<b>30,443.9</b>	<b>1,689.5</b>
<b>Cash-Short-term investments (B)</b>	<b>4,102.7</b>	<b>2,003.4</b>	<b>2,099.3</b>
<i>Of which accrued interest</i>	0.3	–	(0.2)
<b>Net borrowings (A) - (B)</b>	<b>28,030.7</b>	<b>28,440.5</b>	<b>(409.8)</b>
<b>Net borrowings excluding accrued interest</b>	<b>27,426.2</b>	<b>27,847.9</b>	<b>(421.7)</b>

### 7.1.16.1 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)				
Debt before swaps	Gross	Due within 1 year	Due after more than 1 year but less than 5 years	Due after more than 5 years
<b>A – RFF debt issues</b>	<b>29,578.2</b>	<b>3,666.8</b>	<b>5,920.1</b>	<b>19,991.3</b>
<b>1 - Bond issues</b>	<b>27,778.8</b>	<b>1,867.4</b>	<b>5,920.1</b>	<b>19,991.3</b>
<b>Total fixed rate:</b>	<b>23,461.3</b>	<b>1,864.0</b>	<b>5,151.4</b>	<b>16,445.9</b>
<b>Total inflation-indexed:</b>	<b>2,675.9</b>	–	–	<b>2,675.9</b>
<b>Total floating rate</b>	<b>1,641.5</b>	<b>3.4</b>	<b>768.7</b>	<b>869.4</b>
EUR fixed rate	13,905.0	200.0	3,600.0	10,105.0
EUR inflation-indexed	2,675.9	–	–	2,675.9
EUR floating rate	1,558.9	3.4	768.7	786.8
<b>Total EUR</b>	<b>18,139.9</b>	<b>203.4</b>	<b>4,368.7</b>	<b>13,567.8</b>
AUD fixed rate	99.0	–	99.0	–
AUD floating rate	–	–	–	–
<b>Total AUD</b>	<b>99.0</b>	–	<b>99.0</b>	–
CAD fixed rate	192.1	–	–	192.1
CAD floating rate	–	–	–	–
<b>Total CAD</b>	<b>192.1</b>	–	–	<b>192.1</b>
CHF fixed rate	2,270.3	708.6	376.9	1,184.8
CHF floating rate	–	–	–	–
<b>Total CHF</b>	<b>2,270.3</b>	<b>708.6</b>	<b>376.9</b>	<b>1,184.8</b>
GBP fixed rate	5,594.7	914.0	234.4	4,446.2
GBP floating rate	82.6	–	–	82.6
<b>Total GBP</b>	<b>5,677.3</b>	<b>914.0</b>	<b>234.4</b>	<b>4,528.8</b>
HKD fixed rate	30.7	–	–	30.7
HKD floating rate	–	–	–	–
<b>Total HKD</b>	<b>30.7</b>	–	–	<b>30.7</b>
JPY fixed rate	326.0	–	40.0	286.0
JPY floating rate	–	–	–	–
<b>Total JPY</b>	<b>326.0</b>	–	<b>40.0</b>	<b>286.0</b>
USD fixed rate	1,043.5	41.4	801.1	201.1
USD floating rate	–	–	–	–
<b>Total USD</b>	<b>1,043.5</b>	<b>41.4</b>	<b>801.1</b>	<b>201.1</b>
<b>2 - Money market securities</b>	<b>1,799.4</b>	<b>1,799.4</b>	<b>0.0</b>	<b>0.0</b>
French commercial paper	80.0	80.0	–	–
Euro commercial paper	1,719.4	1,719.4	–	–
EUR	–	–	–	–
CHF	114.4	114.4	–	–
GBP	43.5	43.5	–	–
USD	1,561.5	1,561.5	–	–

## 7.1.16.1 RFF debt (continued)

(in millions of euros)				
Debt before swaps	Gross	Due within 1 year	Due after more than 1 year but less than 5 years	Due after more than 5 years
<b>B – Accrued interest</b>	<b>570.8</b>	<b>570.8</b>	<b>0.0</b>	<b>0.0</b>
<b>1 - Bond issues</b>	<b>570.8</b>	<b>570.8</b>	<b>0.0</b>	<b>0.0</b>
<b>Total fixed rate</b>	<b>509.3</b>	<b>509.3</b>	–	–
<b>Total inflation-indexed</b>	<b>54.5</b>	<b>54.5</b>	–	–
<b>Total floating rate</b>	<b>6.9</b>	<b>6.9</b>	–	–
EUR fixed rate	351.6	351.6	–	–
EUR inflation-indexed	54.5	54.5	–	–
EUR floating rate	5.7	5.7	–	–
<b>Total EUR</b>	<b>411.9</b>	<b>411.9</b>	–	–
AUD fixed rate	3.5	3.5	–	–
AUD floating rate			–	–
<b>Total AUD</b>	<b>3.5</b>	<b>3.5</b>	–	–
CAD fixed rate	0.8	0.8	–	–
CAD floating rate			–	–
<b>Total CAD</b>	<b>0.8</b>	<b>0.8</b>	–	–
CHF fixed rate	34.1	34.1	–	–
CHF floating rate			–	–
<b>Total CHF</b>	<b>34.1</b>	<b>34.1</b>	–	–
GBP fixed rate	112.3	112.3	–	–
GBP floating rate	0.9	0.9	–	–
<b>Total GBP</b>	<b>113.1</b>	<b>113.1</b>	–	–
HKD fixed rate	0.0	0.0	–	–
HKD floating rate			–	–
<b>Total HKD</b>	<b>0.0</b>	<b>0.0</b>	–	–
JPY fixed rate	2.9	2.9	–	–
JPY floating rate			–	–
<b>Total JPY</b>	<b>2.9</b>	<b>2.9</b>	–	–
USD fixed rate	4.1	4.1	–	–
USD floating rate	0.3	0.3	–	–
<b>Total USD</b>	<b>4.5</b>	<b>4.5</b>	–	–
<b>2 - Money market securities</b>	<b>(2.6)</b>	<b>(2.6)</b>	<b>0.0</b>	<b>0.0</b>
French commercial paper	(0.5)	(0.5)	–	–
Euro commercial paper	(2.1)	(2.1)	–	–
<i>EUR</i>	0.0	0.0	–	–
<i>CHF</i>	0.0	0.0	–	–
<i>GBP</i>	(0.1)	(0.1)	–	–
<i>USD</i>	(2.0)	(2.0)	–	–

### 7.1.16.1 RFF debt (continued)

(in millions of euros)				
Debt before swaps	Gross	Due within 1 year	Due after more than 1 year but less than 5 years	Due after more than 5 years
<b>C – Prepaid interest</b>	<b>4.4</b>	<b>4.4</b>		
French commercial paper	0.4	0.4	–	–
Euro commercial paper	4.0	4.0	–	–
<i>EUR</i>	–	–	–	–
<i>CHF</i>	–	0.1	–	–
<i>GBP</i>	0.1	0.1	–	–
<i>USD</i>	3.9	3.9	–	–

### 7.1.16.2 SNCF debt

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

(in millions of euros)				
SNCF Debt	Gross	Due within 1 year	Due after more than 1 year but less than 5 years	Due after more than 5 years
<b>A – Debt transferred from SNCF</b>		<b>105.0</b>	<b>1,013.5</b>	<b>816.7</b>
<b>Total fixed rate</b>	<b>1,200.4</b>	<b>0.0</b>	<b>521.8</b>	<b>678.5</b>
<b>Total floating rate</b>	<b>734.8</b>	<b>105.0</b>	<b>491.6</b>	<b>138.2</b>
EUR fixed rate	1,025.5	0.0	412.3	613.2
EUR floating rate	389.3	5.7	315.7	68.0
<i>Including Greater Paris Region loans</i>	<i>7.0</i>	<i>0.5</i>	<i>1.9</i>	<i>4.7</i>
<b>Total EUR</b>	<b>1,414.8</b>	<b>5.7</b>	<b>727.9</b>	<b>681.2</b>
CHF fixed rate	174.9	–	109.6	65.3
CHF floating rate	–	–	–	–
<b>Total CHF</b>	<b>174.9</b>	<b>–</b>	<b>109.6</b>	<b>65.3</b>
GBP fixed rate	–	–	–	–
GBP floating rate	345.5	99.3	175.9	70.2
<i>Including EIB rollover</i>	<i>345.5</i>	<i>99.3</i>	<i>175.9</i>	<i>70.2</i>
<b>Total GBP</b>	<b>345.5</b>	<b>99.3</b>	<b>175.9</b>	<b>70.2</b>
<b>B – Accrued interest</b>		<b>33.7</b>	<b>0.0</b>	<b>0.0</b>
<b>Total fixed rate</b>	<b>32.7</b>	<b>32.7</b>	–	–
<b>Total floating rate</b>	<b>1.0</b>	<b>1.0</b>	–	–
EUR fixed rate	29.5	29.5	–	–
EUR floating rate	1.0	1.0	–	–
<b>Total EUR</b>	<b>30.5</b>	<b>30.5</b>	–	–
CHF fixed rate	3.2	3.2	–	–
CHF floating rate	–	–	–	–
<b>Total CHF</b>	<b>3.2</b>	<b>3.2</b>	–	–
GBP fixed rate	–	–	–	–
GBP floating rate	0.1	0.1	–	–
<b>Total GBP</b>	<b>0.1</b>	<b>0.1</b>	–	–
<b>Total (A) + (B)</b>	<b>1,968.9</b>	<b>138.7</b>	<b>1,013.5</b>	<b>816.7</b>

### 7.1.16.3 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. 2009	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010
<b>EUR</b>	<b>21,072.3</b>	<b>22,910.4</b>	<b>2,627.8</b>	<b>2,675.9</b>	<b>4,872.6</b>	<b>4,127.6</b>	<b>28,572.7</b>	<b>29,713.9</b>
RFF	19,625.9	21,464.0	2,627.8	2,675.9	4,326.8	3,638.9	26,580.5	27,778.8
SNCF	1,446.4	1,446.4	–	–	545.8	488.7	1,992.3	1,935.1
<b>CHF</b>	<b>0.0</b>	<b>0.0</b>	<b>–</b>	<b>–</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total :</b>	<b>21,072.3</b>	<b>22,910.4</b>	<b>2,627.8</b>	<b>2,675.9</b>	<b>4,872.6</b>	<b>4,127.6</b>	<b>28,572.7</b>	<b>29,713.9</b>
<b>In % terms</b>	<b>73.75%</b>	<b>77.10%</b>	<b>9.20%</b>	<b>9.01%</b>	<b>17.05%</b>	<b>13.89%</b>	<b>100.00%</b>	<b>100.00%</b>

  

Total principal outstanding	28,572.7	29,713.9
Accrued interest on RFF debt issues	559.3	570.8
Accrued interest on transferred debt	33.2	33.7
<b>Total</b>	<b>29,165.3</b>	<b>30,318.4</b>

### 7.1.17 Advances and down payments received

(in millions of euros)

	31 Dec. 2010	31 Dec. 2009
Advance payments on fixed asset disposals	21.8	21.8
Customer toll advances	144.2	180.0
<b>Total</b>	<b>166.0</b>	<b>201.8</b>

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

### 7.1.18 Other payables

(in millions of euros)

	31 Dec. 2010	31 Dec. 2009
<b>Other operating payables:</b>	<b>1,931.0</b>	<b>1,512.1</b>
Grants claimed in advance <sup>(1)</sup>	1,811.2	1,427.8
Other payables	119.8	84.3
<b>Other liabilities on financial instruments:</b>	<b>631.0</b>	<b>173.6</b>
Interest and charges payable on debt instruments	184.0	154.3
Currency SWAP accounts	5.1	6.8
Bilateral guarantee deposit	441.9	12.6
<b>Total</b>	<b>2,562.1</b>	<b>1,685.7</b>

(1) including €119.91 million in 2010, compared to €83.93 million in 2009.

## 7.1.19 Maturity of payables

(in millions of euros)

	<b>Gross</b>	Due within 1 year	Due after more than 1 year but less than 5 years	Due after more than 5 years
<b>Payables</b>				
Trade payables <sup>(1)</sup>	1,932.2	1,932.2	–	–
Tax and employee-related liabilities	213.9	213.9	–	–
<b>Other payables:</b>	<b>2,562.1</b>	<b>2,562.1</b>	–	–
<b>Other operating payables:</b>	<b>1,931.0</b>	<b>1,931.0</b>	–	–
Grants claimed in advance	1,811.2	1,811.2	–	–
Other payables	119.8	119.8	–	–
<b>Other liabilities on financial instruments:</b>	<b>631.0</b>	<b>631.0</b>	–	–
Interest and charges payable on debt instruments	184.0	184.0	–	–
Currency SWAP accounts	5.1	5.1	–	–
Bilateral guarantee deposit	441.9	441.9	–	–
<b>Total</b>	<b>4,708.1</b>	<b>4,708.1</b>	–	–

(1) Trade payables include advance billing by SNCF for the infrastructure management agreement for the month of January 2011.

## 7.1.20 Deferred income

(in millions of euros)

	<b>31 Dec. 2010</b>	31 Dec. 2009
Prepaid occupancy fees	40.0	82.9
Prepaid infrastructure fees	174.8	123.6
Prepaid operating grants	–	8.8
Bond issue premiums		217.3
Balancing cash payments on interest rate swaps		136.2
Prepaid income on bonds and other instruments	13.4	13.5
<b>Total</b>	<b>631.8</b>	<b>582.3</b>



## 7.2 Notes to the income statement

### 7.2.1 Analysis of revenue

(in millions of euros)		
	<b>31 Dec. 2010</b>	31 Dec. 2009
Sales of materials	30.9	32.3
Sales of own services	4,606.2	3,248.4
Infrastructure fees	4,204.6	2,855.9
Electricity transmission	167.3	158.2
Additional electricity fees	86.5	89.9
Other service fees	46.6	39.7
Income from private sidings	13.6	14.2
Income from assets/property	83.1	81.8
Other income	4.5	8.6
<b>Total</b>	<b>4,637.1</b>	<b>3,280.7</b>

### 7.2.2 Operating grants

(in millions of euros)		
	<b>31 Dec. 2010</b>	31 Dec. 2009
State operating grant	949.7	2,325.8
Other operating grants	71.1	95.8
<b>Total</b>	<b>1,020.8</b>	<b>2,421.6</b>

Change in the State operating grant: see Note 4 Significant events.

### 7.2.3 Delegated management fees

(in millions of euros)		
	<b>31 Dec. 2010</b>	31 Dec. 2009
Delegated network management fees	2,867.4	2,836.6
Delegated platform management fees	45.7	44.8
Delegated property management fees	77.4	72.7
<b>Total</b>	<b>2,990.5</b>	<b>2,954.1</b>

### 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 2010 totalled €2,867.4 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.

This amount also takes into account the impact on the cost of this service as at 31 December 2010 of the reform of special pension plans for SNCF employees in the amount of €52 million.

### 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 €49 million in 2010. 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 2010.

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 €13.1 million in 2010.

Fees of €45.7 million were incurred under the platform management agreement signed with SNCF for 2010 of which a €(0.7) million adjustment for previous years.

## 7.2.4 Other purchases and external expenses

	31 Dec. 2010	31 Dec. 2009
Purchases of non-storable supplies	168.0	159.0
External services	143.2	139.2
Banking and similar services	7.5	7.6
<b>Total</b>	<b>318.7</b>	<b>305.8</b>

Purchases of non-storable supplies include the supply of electricity used at the RFF installations for €165.9 million, mainly in the form of Joule effect losses, and the transmission, via the high-voltage and medium-voltage grid upstream of substations, of the energy used by all rail operators.

These services, including an annual CSPE public service electricity levy capped at €0.5 million and certain management costs for network access contracts, are recharged on a monthly basis to rail operators in proportion to traffic levels, in the form of additional electrical traction fees (R.C.T.E.), and represented an amount of €167.3 million in 2010.

External services amounted to €143.2 million as at 31 December 2010 compared to €139.2 million as at 31 December 2009 and comprise:

- remuneration of service providers,
- rental expenses,
- maintenance and repair costs,
- and sundry operating costs.

## 7.2.5 Taxes other than on income

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Direct taxes	81.7	34.4
Other taxes	6.6	9.3
<b>Total</b>	<b>88.2</b>	<b>43.7</b>

The 2010 increase is explained by:

- the Territorial Economic Contribution that came into force as of 1 January 2010 under the business tax reform,
- and the settlement of additional taxes in 2009 in the amount of €17.3 million, for which a provision recognised in 2009 was reversed in 2010.

## 7.2.6 Personnel costs

### Direct personnel costs

(in millions of euros)		
	31 Dec. 2010	31 Dec. 2009
Salaries	65.5	54.3
Payroll taxes	28.5	23.2
<b>Total</b>	<b>94.0</b>	<b>77.5</b>

The cost of personnel seconded to RFF is recorded under “**Other purchases and external expenses**”.

(in millions of euros)		
	31/12/2010	31/12/2009
Personnel seconded to RFF	7.8	8.6

### Workforce and total payroll

As at 31 December 2010, RFF had a workforce of 1,299, including 46 specifically-assigned civil servants and 65 seconded staff (62 from SNCF, 2 from RATP and 1 from SCET). As at 31 December 2009, RFF had a workforce of 1,166.

In 2010, RFF had an average workforce of 1,253.4, including 65.8 seconded staff, compared to 1,054.3 and 64.4 seconded staff in 2009.

Total remuneration of the members of the RFF Executive Committee in 2010 was €1,318,951. The Committee had an average of 7.02 members during the year.

### Individual training entitlement

The volume of training hours accrued by employees and corresponding to vested individual training entitlement totalled 80,045 as at 31 December 2010.

As at 31 December 2010, a total of 78,407 training hours had not given rise to a request.

### 7.2.7 Statutory auditors' fees

Statutory auditors' fees for Mazars and PWC totalled €120,000 and €140,000, respectively, for 2010.

### 7.2.8 Non-recurring items

Non-recurring items in 2010 of €83.3 million primarily include the gain on disposal of property assets.

### 7.2.9 Income tax expense

RFF benefited from a tax loss carry-forward of €10.5 billion as at 31 December 2010, compared to €10.8 billion as at 31 December 2009.

The Company has not recorded any income tax expense over the last two fiscal years.

## 7.3 Statement of cash-flows

As indicated in Note 5 regarding the comparability of the financial statements, the presentation of the statement of cash-flows has been modified for greater clarity and to better approximate the presentation adopted under IFRS for the Group financial statements. This change in presentation does not affect the calculation methods used for the individual items of the statement, or the net change in cash position.

Cash generated in 2010 increased by €2,087.3 million, compared to an increase of €114.3 million in 2009.

Cash includes cash and cash equivalents less bank overdrafts and short-term investments.

### 7.3.1 Net cash from operating activities

Net cash from operating activities, before cost of debt, amounted to €2,147.4 million for the year ended 31 December 2010, compared to €2,222.2 million for the year ended 31 December 2009. The slight decrease is due to the increase in operating expenses and specifically delegated management fees.

Breakdown of the change in the WCR related to operating activity

(in millions of euros)			
	WCR 31 Dec. 2009	WCR 31 Dec. 2010	Change
OTHER RECEIVABLES	(291.40)	(371.09)	(79.69)
OTHER PAYABLES	43.95	300.69	256.73
TRADE RECEIVABLES	509.29	684.95	175.66
TAX AND EMPLOYEE-RELATED RECEIVABLES	246.05	204.07	(41.98)
TAX AND EMPLOYEE-RELATED PAYABLES	(123.88)	(127.37)	(3.48)
TRADE PAYABLES	(402.14)	(670.44)	(268.30)
OPERATING GRANTS - ASSETS	140.60	178.68	38.07
OPERATING GRANTS - LIABILITIES	(83.93)	(119.91)	(35.98)
<b>Total</b>	<b>38.5</b>	<b>79.6</b>	<b>41.0</b>

### 7.3.2 Net cash used in investing activities

Net cash used in investing activities concerns disbursements for rail infrastructure projects and gains on asset disposals.

The decline in cash is mainly related to the increase in infrastructure project costs.

### 7.3.3 Net cash from financing activities

Net cash from financing activities concerns the related flows:

- debt issues and repayments
- investment grants received
- net interest paid
- collateral received/paid in connection with hedging transactions

The improvement in cash is primarily related to an increase in funds from debt issues and to a lesser extent to an increase in collateral received.

# 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 and 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.

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

## 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. 2010	Mark-to-market	31 Dec. 2009	Mark-to-market
<b>Over-the-counter hedging transactions</b>					
EUR swaps					
Specific hedges	< 1 year	2,276.9 EUR	0.4 EUR	1,772.0 EUR	1.3 EUR
	1 to 5 years	1,694.0 EUR	138.9 EUR	864.0 EUR	98.5 EUR
	> 5 years	2,552.2 EUR	(235.7 EUR)	2,789.0 EUR	(100.1 EUR)
General hedges	< 1 year	0.0 EUR	0.0 EUR	19.0 EUR	0.0 EUR
<b>Trading transactions</b>					
	< 1 year	100.0 EUR	0.0 EUR	125.0 EUR	0.0 EUR
	> 5 years	80.0 EUR	0.1 EUR	–	–

### II – Forex transactions

in millions of currency units					
		31 Dec. 2010	Mark-to-market	31 Dec. 2009	Mark-to-market
<b>Over-the-counter hedging transactions</b>					
EUR forward contracts:					
< 1 year		0.0 AUD	0.0 EUR	0.0 AUD	0.0 EUR
		157.0 CHF	11.0 EUR	0.0 CHF	0.0 EUR
		38.0 GBP	0.7 EUR	5.0 GBP	0.1 EUR
		0.0 JPY	0.0 EUR	0.0 JPY	0.0 EUR
		2,043.0 USD	(32.4 EUR)	1,635.0 USD	(20.8 EUR)
1 to 5 years		–	–	–	–
> 5 years		–	–	–	–
EUR currency swaps:					
< 1 year		1,100.0 CHF	176.3 EUR	0.0 CHF	0.0 EUR
		50.0 USD	(3.3 EUR)	400.0 USD	(14.8 EUR)
		763.8 GBP	(109.5 EUR)	0.0 GBP	0.0 EUR
	1 to 5 years	150.0 AUD	18.7 EUR	0.0 AUD	0.0 EUR
		719.1 CHF	95.5 EUR	1,350.0 CHF	37.8 EUR
	303.1 GBP	(82.5 EUR)	806.9 GBP	(156.5 EUR)	
	5,000.0 JPY	9.4 EUR	5,000.0 JPY	0.7 EUR	
	0.0 HKD	(1.8 EUR)	0.0 HKD	0.0 EUR	
	1,070.0 USD	16.8 EUR	450.0 USD	(54.1 EUR)	
> 5 years		276.6 CAD	40.1 EUR	300.0	(3.0 EUR)
		1,851.9 CHF	276.5 EUR	1,431.0 CHF	31.7 EUR
		3,087.9 GBP	(1,297.2 EUR)	2,709.4 GBP	(1,482.9 EUR)
		300.0 HKD	(1.8 EUR)	300.0 HKD	(5.2 EUR)
		39,000.0 JPY	83.2 EUR	39,000.0 JPY	10.2 EUR
	250.0 USD	3.8 EUR	250.0 USD	(17.6 EUR)	

### III – Autres engagements de hors bilan financiers

in millions of currency units

	31 Dec. 2010	31 Dec. 2009
<b>Financing commitments received:</b>		
Syndicated multi-currency loan	1,250.0 EUR	1,250.0 EUR
Greater Paris Region loan	0.7 EUR	0.7 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 2010.

In addition, 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 2010 was (€37.3) million.

## 8.2 Other commitments given and received

### Bank guarantees

RFF has received bank guarantees in a total amount of €0.5 million as at 31 December 2010 in favour of:

- Various local authorities (préfectures) to cover the cost of restoration costs on sites operated under investment programmes (three guarantees for a total amount of €0.3 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 €112.2 million as at 31 December 2010 M€, compared with €117.5 million as at 31 December 2009, and mainly included an agreement to sell relating to the Batignolles site in Paris for €103 million.

### Commitments relating to the GSMR PPP agreement

On 18 February 2010, RFF signed its first public-private partnership agreement with SYNERAIL, comprising Vinci (30%), SFR (30%), AXA Priva 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.

As at 31 December 2010, investment fees payable by RFF with respect to the agreement amount to €950.4 million while maintenance operation fees amount to €450 million. Financing still to be received totalled €854.8 million.

In addition, RFF also benefits from a first demand guarantee issued by a banking institution in the event of a breach on the part of SYNERAIL. The guarantee is granted progressively based on the network roll-out phases. As at 31 December 2010, RFF benefited from first demand guarantee for €9.9 million.

# STATUTORY AUDITOR'S REPORT

... ON THE FINANCIAL STATEMENTS

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# Statutory Auditors' report on the financial statements

Year ended 31 December 2010

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

Ladies and Gentlemen,  
 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 2010, 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.

## I – Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 2010 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 2010 affecting the comparability of the financial statements with those for the year ended 31 December 2009;

Note 7.1.15 "Provisions for liabilities and charges" 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 financial statements for the year ended 31 December 2010;

- 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.

## III – 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 2.1.2 describes the methods used by the Company to test the value of Infrastructure CGU assets and where applicable, to recognise the impairment of these assets. Our work consisted in reviewing the data and assumptions used by Réseau Ferré de France as well as the criteria for their approval and verifying the calculations made by the Company;

Note 7.1.15 "Provisions for liabilities and charges" presents the nature of the provisions recorded by Réseau Ferré de France. 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.

## III - 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, 7 April 2011*

## The Statutory Auditors

### Mazars

Xavier CHARTON

### PricewaterhouseCoopers Audit

Florence PESTIE