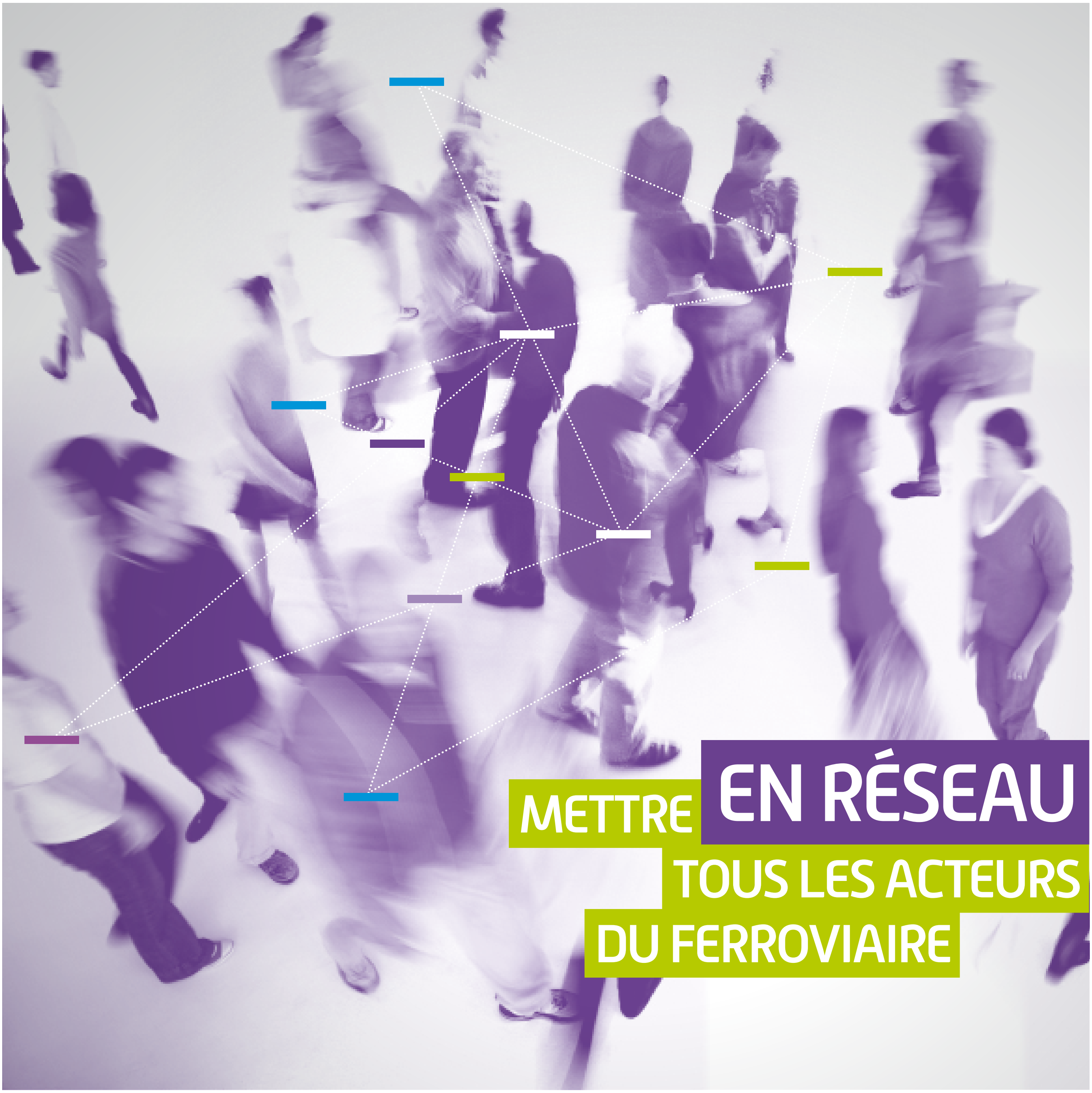

METTRE EN RÉSEAU TOUS LES ACTEURS DU FERROVIAIRE

FINANCIAL REPORT **2011**

RÉSEAU FERRÉ DE FRANCE

GENERAL CONTENTS

GENERAL INFORMATION

1.

General information about Réseau Ferré de France

1.1 Name and registered office

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

1.2 Legal status, applicable legislation and legal oversight

Réseau Ferré de France is a State-owned company (Établissement Public Industriel et Commercial – EPIC). It was established by Act no. 97-135 of 13 February 1997 on reforming French rail transport, as amended in particular by Acts no. 2006-10 of 5 January 2006 and no. 2009-1503 of 8 December 2009, and codified under Articles L.2111-9 and seq. of the French Transport Code.

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

Article L.2111-17 of the French Transport Code 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.

Réseau Ferré de France 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 IV ("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 the economic and financial affairs of Réseau Ferré de France, 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, as requested by the oversight bodies of the paying entities;
— 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 January1997, 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 L.2111-9 of the French Transport Code, 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 Réseau Ferré de France and in line with the latter's management principles and objectives. SNCF is paid by Réseau Ferré de France for these services. Réseau Ferré de France can also assign work to other individuals for low-traffic freight lines.

Decree no. 97-444 of 5 May 1997 sets out the methods and procedures to be adopted by Réseau Ferré de France in performing its activities and when acting as prime contractor for investments in the national rail network or which it entrusts to third parties (Article 6).

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, under conditions that may depart from Act no. 85-704 of 12 July 1985 on public project contracting (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);
— As owner, RFF is responsible for the management of its public land (Article 17).

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

1.6 Incorporation particulars

PARIS B 412 280 737.

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

1.8 Fiscal year

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

1.9 Appropriation of income pursuant to the Articles of Association

See section 2 below.

1.10 Board meetings

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

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

The composition of the Board complies with the provisions of the aforementioned Act no. 83-675 of 26 July 1983. The Board has 18 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 L.2111-17 of the French Transport Code, RFF 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, RFF is overseen by the Economic and Financial Oversight Committee for Transport, which reports directly to the Minister of the Economy. RFF's financial statements are examined by the Cour des Comptes (French National Audit Office).

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

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

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

1.12 Person responsible for the information provided

Hubert du MESNIL, Chairman of Réseau Ferré de France.

2.

General information about the share capital

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

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

As at 31 December 2011, the cumulative amount of capital injections amounted to €9.8 billion.

As at 31 December 2011, total equity amounted to €12.3 billion, including the profit for 2011 and net investment grants.

DIRECTOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Non-recurring profit totalled +€1,532.7 million in 2011 compared to +€1,490.8 million in 2010, up €41.9 million.

Net finance costs amounted to €(1,251.2) million in 2011, compared to €(1,193.8) million in 2010, down €57.4 million.

Consolidated net profit for the year ended 31 December 2011 totalled +€222.5 million, compared to +€197.4 million for the year ended 31 December 2010.

Expenditure incurred in rail network infrastructure projects amounted to €4,488.1 million in 2011, compared to €3,226.7 million in 2010.

Consolidated equity remained negative, amounting to **€(1,159.1) million** at 31 December 2011.

I.

Financial performance during the year and comments on key figures

1. NET PROFIT FOR THE YEAR

RFF reported a net profit of €222.5 million in 2011, compared to a net profit of €197.4 million in 2010.

(in millions of euros)	**31 Dec. 2011 (12 months)**	31 Dec. 2010 (12 months)	**% Change**
Recurring operating profit (loss)	1,532.7	1,490.8	2.8
Non-recurring income and expenses	(0.7)	(0.8)	NA
Net finance costs	(1,251.2)	(1,193.8)	(4.8)
Income tax	(58.0)	(98.8)	(41.2)
Share of profits of associates	(0.3)	–	NA
Net profit (loss) for the year	**222.5**	**197.4**	**12.7**

Non-recurring profit increased by €41.9 million or 2.8% compared to 2010.

Net finance costs decreased by €57.4 million to €(1,251.2) million compared to 31 December 2010. This was largely due to a slightly less favourable market context in 2011 and a rise in debt in terms of volume.

1.1 Change in operating profit

The table below breaks down the changes in the main income and expense headings under non-recurring profit.

(in millions of euros)	31 Dec. 2011 (12 months)	31 Dec. 2010 (12 months)	% Change
Network fees	4,649.9	4,337.7	312.2
Electricity transport	174.6	162.4	12.1
Non-traffic income	83.9	83.1	0.8
Other income	72.9	53.9	19.0
Revenue	**4,981.3**	**4,637.1**	**344.2**
Operating grants	804.0	1,020.8	(216.8)
Delegated management fees	(3,003.3)	(2,990.8)	(12.5)
Other network expenses	(172.7)	(165.9)	(6.8)
Taxes other than on income	(76.9)	(80.3)	3.3
Other operating expenses	(482.2)	(351.3)	(130.9)
Depreciation, amortisation and impairment, net	(1,128.6)	(989.4)	(139.2)
Net charges to provisions for doubtful receivables,	(1.3)	(12.5)	11.1
including non-traffic income	413.9	337.9	75.9
Other recurring income	216.9	125.5	91.4
Other recurring expenses	(18.4)	(40.5)	22.1
Recurring operating profit (loss)	**1,532.7**	**1,490.8**	**41.9**
Non-recurring income	(0.6)	0.1	(0.7)
Non-recurring expenses	(0.1)	(0.9)	0.8
Operating profit (loss)	**1,532.0**	**1,490.0**	**42.0**

1.1.1 Network fees

Infrastructure fees totalled €4,648.6 million, of which:

- €4,513.7 million for basic railway services;
- €90.8 million for additional electricity fees (€86.5 million in 2010);
- €44.0 million for other service fees (€46.6 million in 2010).

(in millions of euros)	31 Dec. 2011	31 Dec. 2010	% Change
Access fees	1,503.2	1,449.9	–
Route reservation fees	1,674.9	1,482.9	–
Traffic fees	1,326.5	1,271.8	–
Income from prior years	9.2	–	–
Total basic railway services	**4,513.8**	**4,204.6**	**7.4**

Of the fees collected, the Passenger activity accounts for 97%, representing 85% of traffic, while the Freight activity accounted for 3%, representing 14% of traffic.

Passenger activity fees can be divided into high-speed trains for 38%, national trains for 5% and regional trains for 57%.

New rail companies, representing 25% of traffic, now pay 21% of Freight activity fees.

The 7.3% rise in basic railway services was mainly attributable to the annual price increase mostly applied to high-speed lines.

The set-up of clockface timetabling as from 11 December 2011 modified around 85% of train times. Its objectives are to improve traffic reliability, increase network capacity and therefore the number of trains in circulation, and enhance timetable clarity.

(in million of train-kilometers)	31 Dec. 2011 (12 months)	31 Dec. 2010 (12 months)	% Change
High-speed trains	**135.9**	**134.2**	**1.3**
SNCF	131.0	132.6	(1.2)
New rail companies	4.9	1.6	206.2
Corail and Corail Intercités	**47.3**	**45.8**	**3.3**
SNCF	47.3	**45.8**	3.3
New rail companies	0.0	–	–
Regional passenger trains	**241.9**	**227.4**	**6.4**
Passenger activity	**425.1**	**407.4**	**4.3**
Freight	**72.0**	**75.4**	**(4.5)**
SNCF*	54.4	63.1	(13.8)
New rail companies	17.6	12.3	43.1
Other	**2.1**	**2.0**	**5.0**
Other	1.8	2.0	(10.0)
Infra	**0.3**	**–**	**–**
TOTAL	**499.2**	**484.8**	**3.0**

** Including authorised candidates.*

The traffic ratio in 2011 rose by more than 4 points to 92.2% compared to 2010, primarily due to the absence of external disruptions in 2011 compared to the previous year.

The 3% overall rise in traffic is to be weighted in relation to the impact of the favourable comparison compared to 2010 (year heavily impacted by labour movements and unforeseen climatic events).

High-speed train activity increased by 1.3%. The 1.2% decline for SNCF in this sector was attributable to a change in Group structure between 2010 and 2011 (Eurostar was shown as a new rail company in the last quarter of 2010) and a streamlining of the high-speed train offering, particularly in inter-sector markets.

National train activity benefited from the regulation of virtually all its trains as Trains d'Equilibre du Territoire, thus curbing the steady decline in traffic.

Regional and Paris suburb trains (Trains Express Régionaux and Transilien) reported steady 6.4% growth compared to 3.7% last year. In 2011, this activity represented almost half of national rail network traffic.

The decline in Freight activity continued in 2011: -4.5% in traffic compared to the previous year. This decrease may be due to the optimisation of the previous operator's activity (switchover from a single wagon to a MultiWagon – MultiCustomer policy) and follows the trend observed in recent years (-13% between 2009 and 2010).
The steady growth of new rail companies did not offset the decline in traffic.

• Additional electricity fees: fees for the availability of overhead lines for network users totalled €90.8 million, up 5% compared to 2010 (+5%).

• 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 €172.7 million in 2011, taking account of an annual CSPE public service electricity levy capped at €0.6 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 2011 was €174.6 million.

• Other service fees totalled €44 million, down €2.6 million or 5.5% compared to 2010.

1.1.2 Property rental income

Property rental income, excluding rebilled charges, totalled €81.8 million in 2011, compared to €81.5 million in 2010. Property rental income is allocated to four major categories: rail (10.4% vs. 8.4% in 2010), land and property (59.9% vs. 64% in 2010), telecommunications (22.4% vs. 23% in 2010), and networks and sundry authorisations (7.3% vs. 4.6% in 2010).

(in millions of euros)	2011	2010
	2011 activity	2010 activity
Rental income – Rail	8.5	6.9
Rental income – Land and property	49.0	52.2
Rental income – Telecommunications	18.3	18.7
Rental income – Networks and sundry authorisations	6.0	3.7
Total	**81.8**	**81.5**

"Land and property" income stood at €49 million, down 6.13% compared to 2010. A significant portion comprises advertising revenue ("station" and "non-station" scopes), totalling €26.2 million and representing 53% of income from the "Land and property" category.

"Telecommunications" income for 2011 represented €18.3 million, compared to €18.7 million in 2010, the decrease being attributable to the transfer of GSMR to PPP projects.

"Rail" income is divided between the fees paid to the combined transport projects (50%) and SNCF Entreprise Ferroviaire occupancy fees, as well as passenger parking and freight occupancy fees.

1.1.3 State operating grant

Taking into account pricing modifications in 2011, the change in the State operating grant breaks down as follows:

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Standard passenger and high-speed trains	244.3	242.0
Freight*	541.9	707.8
Total	**786.2**	**949.8**

** of which freight compensation of €189 million in 2011 and €193 million in 2010.*

1.1.4 Other operating income

1.1.4.1 Private sidings

At 31 December 2011, income from private sidings totalled €13.2 million, compared to €13.6 million at 31 December 2010.

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 €41.6 million in 2011, compared to €30.9 million in 2010, i.e. an increase of €10.7 million.

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 two agreements covering maintenance and traffic management for the French national rail network that also determine the projected annual basic fees.

For 2011, network infrastructure operating and maintenance fees totalled €2,021.3 million after capitalisation of expenses of €47.9 million in 2011 relating to the individualised and monitored maintenance contract out of a total of €84.8 million invoiced.

The fees break down as follows:

- €1,931.5 million for maintenance, including major maintenance work (excluding Greater Paris)
- €36.9 million for individualised and monitored maintenance operations
- €45.2 million for the financial impact of the SNCF personnel pension reform
- €26.7 million for additional major maintenance operations in the Greater Paris Region
- €9.3 million in research and other costs
- -€28.3 million for prior-year adjustments, including -€19.7 million due to the pension effect.

For 2011, traffic management fees amounted to €847.9 million.

The cost of platform management delegated to SNCF amounted to €48.5 million for 2011, including prior-year adjustments of €0.1 million, compared to €45.7 million in 2010.

1.1.5.2 Property management

Property management activities are split between SNCF and Adyal and Nexity.

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.

Property management is governed by two agreements with SNCF:

— a services contract for activities entrusted to SNCF. The cost of this agreement was €54.2 million for the year ended 31 December 2011, including tax planning fees and claim repayments. The 10% increase compared to 2010 (€49 million) is the result of a growing number of property operations (claims, responses to solicitations from neighbouring owners following tighter regulation and insurers' coverage) and the development of the major repairs programme to compensate for the lack of building maintenance over many years.

— a financial agreement for the reimbursement of charges relating to property owned by SNCF and occupied by infrastructure installations or SNCF departments for delegated management purposes.

In addition to a prior-year adjustment of €0.2 million, the cost of this agreement amounted to €16.9 million in 2011, up 10.5% compared to 2010, corresponding to the weight of the rising cost of energy in indexing, and a better identification of the surface areas used by French Rail Traffic Management (DCF) in SNCF's buildings.

The total charge to SNCF as agent amounts to €71.3 million for the year ended 31 December 2011.

— For Adyal and Nexity, the management expenses for the year ended 31 December 2011 totalled €12.8 million, stable compared to 2010 (€12.4 million).

— Finally, as was the case for the network, property restoration measures were required. The increase in other management expenses (€18 million in 2011, compared to €6 million in 2010) mostly concerned the major repairs carried out on property that does not house infrastructure technical installations.

1.1.6 Other network expenses: electricity

RFF electricity expenses for 2011 were €172.7 million, compared to €165.9 million in 2010.

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 €174.6 million was recognised in 2011. 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. 2011**	31 Dec. 2010	**% Change**
Taxes other than on income – direct management	(42.1)	(44.1)	1.9
Taxes other than on income – delegated management	(23.8)	(44.2)	20.4
Net (charges)/reversals of provisions for tax risks	(11.0)	8.0	(19.0)
Total	**(76.9)**	**(80.3)**	**3.3**

Taxes other than on income decreased slightly by €3.3 million in line with the decline in taxes on salaries.

1.1.8 Other operating expenses

(in millions of euros)	**31 Dec. 2011**	31 Dec. 2010	**% Change**
Study costs net of capitalised production	(62.1)	(52.7)	(9.4)
Railway work and equipment net of capitalised production	(15.2)	(0.2)	(14.9)
Malicious acts	(63.1)	(42.5)	(20.6)
Other external expenses net of capitalised production	(238.1)	(163.6)	(74.5)
Personnel costs net of capitalised production	(103.7)	(92.2)	(11.5)
Total	**(482.2)**	**(351.3)**	**(130.9)**

Malicious damage by identified and unidentified third parties, and the impact of accidents and damage caused by adverse weather conditions totalled €63 million for 2011, compared to €42.5 million in 2010. The 2011 amount includes prior-year adjustments of €9 million.

1.1.8.1 Study costs

(in millions of euros)	31 Dec. 2011	31 Dec. 2010	Change	% Change
Operating studies	45.2	38.4	6.8	17.7
General studies	16.9	14.3	2.6	18.2
Total	**62.1**	**52.7**	**9.4**	**17.8**

Study costs stood at €62.1 million in 2011, up 17.8% compared to 2010. These costs comprise development phases for identified investment projects (73%) and general and strategic studies (27%).

Investment project studies

Expenditure for project studies amounted to €45 million, divided into development projects for 86% and network quality improvement and upgrade projects for 9%. The remaining 5% concerns investment projects for other activities.

(in millions of euros)	31 Dec. 2011
Major development projects	**38.7**
Major national projects before work	21.3
Major national projects in progress	3.2
Major PPP projects	3.2
Regional development projects	11.0
Network quality improvement	**3.4**
Technological development	0.0
GSMR	0.7
Other	2.7
Upgrade and compliance work	**0.6**
Tracks	0.2
Other programmes	0.4
Other	**2.3**
Other	2.3
Total	**45.0**

Fiscal year 2011 was marked by an increase in investment project studies by €6.6 million or 17%. This rise is mainly attributable to studies on national projects before work (+€5.9 million), national projects in progress (+€2.3 million, primarily for the Eastern high-speed line) and regional projects (+€1.3 million), whereas PPP project study expenses declined (-€2.6 million) given their progress.

More specifically, the main studies on development projects before work concern:

- PACA high-speed line for €7.6 million,
- Poitiers Limoges high-speed line for €4 million,
- Paris Normandy new line for €2.9 million,
- Montpellier Perpignan new line for €2.7 million,
- Paris Orleans Clermont Lyon high-speed line for €1.6 million,
- Extension of the RER E west for €0.5 million.

Other activities amounting to €2.3 million in 2011 primarily include IT project studies (€0.6 million), study expenditure incurred in disposal projects and business investment studies.

General and strategic studies

General and strategic study expenditure totalled €16.9 million, including €5 million for the development of the sales campaign and €2.8 million for the improvement of network performance.

The €2.5 million rise compared to 2010 was partly due to the requirements of the new industrial and contractual partnership initiated with the SNCF.

1.1.8.2 Personal costs

Personal costs represented €103.7 million in 2011, compared to €92.2 million in 2010, i.e. a 12.5% increase.

The headcount increased from 1,299 as at 31 December 2010 to 1,410 as at 31 December 2011, representing a year-on-year rise of 8.5%.

1.1.8.3 Other external expenses

Other external expenses amounted to €238.1 million in 2011, compared to €163.6 million in 2010.

They mainly included other external services, remuneration of service providers, rental expenses, maintenance and repair costs, and sundry operating expenditure and costs arising from pollution removal and environmental risks, more specifically provisions for asbestos removal, removal of PCBs in railway equipment and reprocessing of creosote ties.

RFF has implemented asbestos removal, decontamination and standards compliance programmes for its assets and waste. These programmes cover buildings in the RFF property portfolio, 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 €26.1 million for the year ended 31 December 2011, taking into account an additional charge of €1.2 million. The upgrades of the Gobelins site installations are ongoing. The provision recognised for the year ended 31 December 2011 amounted to €12.9 million after a charge of €1.7 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 €2.6 million for the year ended 31 December 2011, following a €0.9 million charge and a €4.3 million reversal corresponding to the 2011 expenditure.

The analyses carried out in 2011 helped to update certain provision amounts, more specifically risk provisions for the soil pollution of disposed land and the obligation to reprocess creosote wood ties, which hence totalled €99.1 million at 31 December 2011, after a total charge of €75.4 million.

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

1.1.9 Depreciation and amortisation expenses and impairment of assets

The total depreciation and amortisation expense for the year ended 31 December 2011 amounted to €1,128.6 million, compared to €989.4 million for 2010. The 2011 charge includes the impact of the delay in the recording of commissioning estimated at €130.9 million.

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 €8.5 million for the year ended 31 December 2011, in tandem to a reversal of €10 million. The provision thus amounted to €26.8 million, covering 535 projects and the portion of expenditure financed by RFF.

Impairment of commissioned projects: see 2.1.3

1.1.10 Investment grants released to profit or losst

Investment grants are released to profit or loss at the same rate as the depreciation charged on the related assets. Grants released in 2011 totalled €413.9 million, including €118 million in grants for upgrade and compliance work.

1.1.11 Other recurring income and expenses

Other recurring income totalled €216.9 million in 2011, compared to €125.5 million for the same period in 2010. Other recurring expenses totalled €18.4 million in 2011, compared to €40.5 million in 2010.

Other recurring income includes gains on disposal for €100 million in 2011, which generated a capital gain of €84.7 million, compared to €84.6 million in 2010.

The most significant disposals in 2011 concern:

- in Paris, several lots regarding the Paris-Left Bank development project, in order to set up a programme combining housing, stores and offices;
- in Paris, the old station building of la Muette to the current restaurant owner;

• in Nice, two lots inside the train station under the PEM project;
• in Nancy, the disposal of land situated in the ZAC Grand Cœur, which will host a mixed office/housing programme;
• in Tours, the disposal of the former postal sorting office located near the train station, which will host a programme combining private and public housing, offices and stores.

The framework agreement governing the Paris-Left Bank development project was completely renegotiated in 2011 and now guarantees a profit on completion for RFF. Accordingly, other recurring income also includes a partial reversal of the previously recorded provision for losses on completion.

1.2 Net finance costs

(in millions of euros)	31 Dec. 2011 (12 months)	31 Dec. 2010 (12 months)	Change
Cost of net debt	(1,248.7)	(1,197.3)	(51.4)
Other financial income	3.5	9.2	(5.8)
Other financial expenses	(6.0)	(5.8)	(0.2)
Net finance costs	**(1,251.2)**	**(1,193.8)**	**(57.4)**

Net finance costs stood at €(1,251.2) million, compared to €(1,193.8) million in 2010, for an increase of €57.4 million.

1.2.1 Cost of net debt

The cost of net debt increased by €51.3 million to €(1,248.7) million, compared to €(1,197.3) million for the same period in 2011.

This increase was attributable to a market context with less favourable interest rates in 2011, as well as an increase in debt. The average cost of the RFF debt was 4.45% in 2011, compared to 4.30% in the previous year.

For comparison purposes, the average 3-month Euribor and 10-year swap rates stood at 1.39% and 3.09% in 2011, compared to 0.81% and 3.04% in 2010, respectively.

The cost of net debt includes the inherent cost of the debt for -€1,281.8 million, including gains and losses on derivative instruments and the change in fair value of debt hedged at fair value for €69.2 million, less income from cash and cash equivalents for €33.1 million.

1.2.2 Other financial income and expenses

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Interest income on current accounts	1.4	3.4
Other financial income	2.1	5.8
Total other financial income	**3.5**	**9.2**
Interest expenses on current accounts	(6.1)	(4.9)
Other financial expenses	0.1	(0.8)
Total other financial expenses	**(6.0)**	**(5.8)**

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 & equipment and intangible assets

2.1.1 Production and acquisition of property, plant & equipment and intangible assets

Total property, plant and equipment investments increased by €1,329 million to €4,565.6 million at 31 December 2011, compared to €3,236.5 million for the same period in 2010, and include:

• **Investments in ongoing projects of €4,493.1 million**

— Projects carried out by agents on behalf of RFF amounted to €2,629 million for 2011, compared to €2,383.1 million in 2010, for an increase of 10.32%

— RFF direct production amounted to €818.5 million in 2011 (including €359.3 million for the Eastern high-speed line, phase 2, €184.9 million for the eastern leg of the Rhine-Rhone high-speed line and €37.4 million for GSMR), compared to €812.3 million for the same period in 2010, up by 0.76%.

— Production with the GSMR and BPL PPP totalled €141.3 million at 31 December 2011, of which €71.1 million for GSMR and €70.2 million for BPL, compared to €26 million and €0 million at 31 December 2010, respectively.

— Production under the SEA concession totalled €894.3 million in 2011.

— Advances for investment land increased by €5 million to stand at €27.5 million as at 31 December 2011.

• **other investments of €72.5 million**

• of which €47.9 million for acquisitions under the individualised and monitored maintenance contract;
• of which €9.3 million for buyback of assets from French Rail Traffic Management (DCF);
• Total intangible asset investments totalled €41.8 million at 31 December 2011, of which €25 million for the buyback from SNCF of intellectual property rights over rail network IT applications.

(in millions of euros)	31 Dec. 2011	31 Dec. 2010	Change
Major development projects	**801.8**	**852.9**	**(51.1)**
Major national projects before work	37.7	22.5	
Major national projects in progress	639.8	687.1	
Major PPP projects	124.4	143.3	
Regional development projects	**692.5**	**534.3**	**158.2**
Regional development projects	692.5	534.3	
Network quality improvement	**188.4**	**166.1**	**22.4**
Security	42.5	31	
Train access	51.4	66.3	
Punctuality	26.2	25.9	
Technological development (ERTMS, etc.)	4.0	4.7	
GSMR	43.7	17.6	
Performance enhancement	10.9	15.8	
Environment (acoustics, PNB, etc.)	9.7	4.7	
Upgrade and compliance work	**1,659.2**	**1,493.30**	**165.9**
Tracks	1,156.5	1,105.10	
Signalling and telecoms (excluding GSMR)	244.6	176.7	
Electric traction	55.6	62.1	
Civil engineering structures and earthworks	183.9	132.4	
Other programmes (GHV, EM, etc.)	18.6	17	
Sales investments and studies	**15.7**	**19.4**	**(3.7)**
Sales investments and studies	15.7	19.4	
Land/property	**28.6**	**21.9**	**6.7**
Land/property	28.6	21.9	
Work for third parties	**27.4**	**34.7**	**(7.4)**
Work for third parties	27.4	34.7	
Unclassifiable operations	**35.8**	**63.2**	**(27.4)**
Unclassifiable operations	35.8	63.2	
Total excluding PPP	**3,449.3**	**3,185.8**	**263.5**
PPP projects	**1,035.6**	**26.0**	**1,009.6**
GSMR PPP contract	71.1	26.0	
BPL PPP contract	70.2	–	
SEA PPP contract	894.3	–	
Total	**4,484.9**	**3,211.80**	**1,273.1**

The increase in capitalised expenditure for development projects amounted to €107 million (+7.7%) and includes:

- a rise in regional development projects by €158.2 million (+29.6%) arising from the progress made in operations under the 2007-2013 State-Region project;
- an moderate decline in major projects by €51.1 million (-6%), considering the completion of the work on the eastern leg of the Rhine-Rhone high-speed line (-€229.3 million), offset by an acceleration in the work on phase 2 of the Eastern high-speed line (+€236.1 million).

Refurbishment projects increased by +€188 million (+11.3%).

- Regarding upgrade projects, the €165.9 million (+11.1%) increase concerns rail operations for €51.4 million (intensification of work on UIC line traffic indicators 1 to 6, slowdown of work on indicators 7 to 9), work on the centralised network control for €60.5 million and the upgrade of civil engineering structures and earthworks for €51.5 million.
- Regarding network quality improvement operations, the €22.4 million (+13.5%) increase primarily concerns RFF project management expenses for the GSMR agreement (+€26.1 million) and security (+€11.5 million) whereas accessibility work declined by €15 million.

2.1.2 Investment projects commissioned during the year

Project commissioning recorded as at 31 December 2011 amounted to €8,354.1 million, compared to €618.3 million at 31 December 2010. This increase was primarily due to the estimated amount of commissioned SNCF mandated projects for €5,518.7 million and the commissioning of the Rhine-Rhone high-speed line for €2,275.3 million.

Commissions covered the following:

(in millions of euros)	31 Dec. 2011	31 Dec. 2010	Change
Major development projects	**2,615.7**	**59.7**	**2,555.9**
Major national projects before work	–	–	
Major national projects in progress	2,615.7	59.7	
Major PPP projects	–	–	
Regional development projects	**192.4**	**86.5**	**105.9**
Regional development projects	192.4	86.5	
Network quality improvement	**1.8**	**76.5**	**(74.8)**
Security	0.4	29.9	
Train access	0.0	13.1	
Punctuality	0.8	28.3	
Technological development (ERTMS, etc.)	–	–	
GSMR	–	0.0	
Performance enhancement	0.4	4.1	
Environment (acoustics, PNB, etc.)	0.1	1.1	
Upgrade and compliance work	**18.7**	**359.0**	**(340.3)**
Tracks	6.2	190.2	
Signalling and telecoms (excluding GSMR)	1.0	24.4	
Electric traction	0.2	42.0	
Civil engineering structures and earthworks	10.5	88.8	
Other programmes (GHV, EM, etc.)	0.9	13.5	
Sales investments and studies	**0.0**	**8.2**	**(8.2)**
Sales investments and studies	0.0	8.2	
Land/property	**1.5**	**7.5**	**(6.0)**
Land/property	1.5	7.5	
Work for third parties	**1.4**	**20.6**	**(19.2)**
Work for third parties	1.4	20.6	
Other	**3.9**	**0.3**	**3.7**
Unclassifiable operations	3.9	0.3	
Commissioning adjustment	**5,518.7**	**–**	**5,518.7**
Commissioning adjustment	5,518.7	–	
Total	**8,354.1**	**618.3**	**7,735.8**

2.1.3 Impairment testing at the balance sheet dates

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 **€16,953.2 million** as at 31 December 2011, compared to **€15,596.6 million** as at 31 December 2010, representing an increase of €1,356.6 million (+8.7%).

2.2.1 Development investment grants.

- **Net grants on commissioned assets totalled €10,438.8 million,** compared to €6,221 million at the end of 2010.

- Grants on newly commissioned assets totalled **€4,518.7 million** at 31 December 2011, of which €2,387 million for the estimated impact of delays in the commissioning of projects delegated to the SNCF.

Grants released to profit or loss in the same period amounted to €300.8 million, of which €56 million for the estimated impact of delays in the commissioning of projects delegated to the SNCF. It should be noted that depreciation and amortisation charges include an amount of €130.9 million for the estimated impact of delays in the commissioning of projects delegated to the SNCF.

- **Earned investment grants on assets under construction,** calculated on a percentage of completion basis, totalled **€2,533.7 million** (including PPP projects) at 31 December 2011, compared to €5,281.5 million at the end of 2010. The decrease was due in the amount of €2,387 million to the estimated impact of delays in the commissioning of projects delegated to the SNCF.

2.2.2 Grants for upgrade and compliance work

The amount of this grant allocated to newly commissioned assets in 2011 was €20.5 million. It will be released to profit or loss over a period of 51 years.

Grants released to profit or loss amounted to €118.2 million at 31 December 2011.

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)	Note	31 Dec. 2011			31 Dec. 2010		
		Current	**Non-current**	**total**	Current	Non-current	Total
Borrowings	6.8	4,324.3	29,783.4	34,107.7	4,410.9	27,436.7	31,847.6
Cash and cash equivalents	6.7	(4,410.4)	–	(4,410.4)	(4,101.9)	–	(4,101.9)
Net indebtedness before impact		**(86.2)**	**29,783.4**	**29,697.2**	**309.0**	**27,436.7**	**27,745.7**
of derivatives*	6.9	(260.6)	(1,258.0)	(1,518.6)	(230.1)	(757.3)	(987.4)
Liability derivatives allocated to debt*	6.9	160.5	1,952.7	2,113.2	217.3	1,688.2	1,905.5
Net indebtedness		**(186.3)**	**30,478.1**	**30,291.8**	**296.1**	**28,367.7**	**28,663.8**

* Mainly allocated to debt.

2.3.2 Breakdown of borrowings

(in millions of euros)	31 Dec. 2011			31 Dec. 2010		
	Current	**Non-current**	**Total**	Current	Non-current	Total
RFF long-term debt	1,968.7	28,170.2	30,138.9	2,507.8	25,642.9	28,150.7
SNCF long-term debt	226.8	1,613.2	1,840.0	113.6	1,793.9	1,907.5
Short-term debt	2,128.7	–	2,128.7	1,789.4	–	1,789.4
Borrowings	**4,324.3**	**29,783.4**	**34,107.7**	**4,410.9**	**27,436.7**	**31,847.6**

RFF raised €3.3 billion on the international capital markets in 2011 through 20 public and private issues denominated in EUR, USD, 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 and Swiss franc bond issues.

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

- An increase of €300 million for the 4.375% RFF bond maturing on 2 June 2022, bringing the total outstanding to €2.5 billion.
- An increase of €100 million for the 5% RFF bond maturing on 10 October 2033, bringing the total outstanding to €2.35 billion.
- Four increases of €150 million, €100 million, €250 million and €200 million for the 4.50% RFF bond maturing on 30 January 2024, bringing the total outstanding to €2.9 billion.
- A new issue for €500 million at 4.25% maturing on 7 October 2026, with two subsequent increases of €450 million and €150 million, bringing the total outstanding to €1,100 million.
- An increase of GBP 75 million for the 50-year 4.83% RFF bond maturing on 25 March 2060, bringing the total outstanding to GBP 450 million.
- Three increases, one of GBP 100 million and two of GBP 50 million, for the 2.375% RFF bond maturing on 23 December 2015, bringing the total outstanding to GBP 400 million.
- Two new Swiss franc issues of CHF 125 million at 2.625% maturing on 10 March 2031 and CHF 130 million at 2.625% maturing on 11 March 2037.

Private issues represent a total amortised cost of €5,144 million as at 31 December 2011.

3. CASH FLOW STATEMENT

(in millions of euros)	31 Dec. 2011	31 Dec. 2010	Change
Operating cash flow before movements in working capital, cost of net debt and income taxes	2,143.3	2,135.0	8.3
Income tax	(25.1)	–	–
Movements in working capital	(56.0)	(28.5)	(27.6)
Net cash used in investing activities	2,062.1	2,106.4	(19.3)
Net cash used in investing activities	(2,087.0)	(961.6)	(1,125.5)
(including change in WCR)	*393.7*	*934.5*	*(540.8)*
Net cash from (used) in financing activities	337.1	942.5	(605.4)
(including change in WCR)	*6.4*	*31.7*	*(25.3)*
Increase in cash and cash equivalents net of bank overdrafts	**312.2**	**2,087.3**	**(1,775.1)**

Cash generated in 2011 increased by €312.2 million compared to a €2,087.3 million increase in 2010.

Operating cash flow before cost of net debt and income taxes was stable at €2,143.3 million as at 31 December 2011, compared to €2,135.0 million as at 31 December 2010.

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 the decrease in grants collected and the slight rise in investment expenditure.

Net cash from financing activities concerns the following flows:

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

The decline in this cash position was mainly due to the increase in gross debt in terms of volume and a decrease in collateral received.

II.

Major events of 2011

Signing of the SEA concession agreement

On 16 June 2011, RFF signed a 50-year concession agreement with Liséa, whose main shareholders are Vinci, CDC and AXA.

This project involves the construction of 340 km of new track, including 302 km of high-speed rail, between Tours and Bordeaux as well as 38 km of connections. The project's financing plan breaks down as follows:
— Senior debt contracted by Liséa in the amount of €3 billion, of which
1. Commercial banks – project debt risk: €612 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: €757 million
— Shareholders' equity: €772 million
— State grants (State, local authorities, European Union) and RFF's contribution: €4.04 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 Fonds d'Épargne (Savings Fund Division), for approximately €757.2 million.

RFF has also been assigned a role as an intermediary regarding fund calls from third party financial backers and transfers to the concession holder.

The financial statements for the year ended 31 December 2011 reflect the concession agreement impacts for the first time.

Signing of the BPL Public-Private Partnership agreement

On 28 July 2011, RFF signed a Public-Private Partnership agreement with Eiffage Rail Express for the design, construction, maintenance and financing of the BPL high-speed line, between Le Mans and Rennes, comprising 214 km in new track, of which 182 km high-speed. The project also includes the construction of 32 km in connections to the existing network. The agreement has a 25-year term.

The total project cost is estimated at €3.34 billion.

Its financing is covered by a financing and construction agreement signed on 13 July 2011 between the French

State, local authorities and RFF. The agreement breaks down as follows:
— RFF share for 42.8%, or €1,432 billion,
— Contributions from the French State for 28.4% and local authorities for 28.4%,or a total of €1.9 billion,
— European grants for €11 million.

The financial statements for the year ended 31 December 2011 reflect the partnership agreement impacts for the first time.

III.
Change in accounting policy

No changes were made to accounting policies in 2011.

IV.
Subsequent events

CNM public-private partnership agreement

In January 2012, RFF designated the Bouygues Travaux Publics (TP) consortium as the prospective winning bidder for the partnership agreement covering the Nîmes Montpellier bypass, with a view to its finalisation.

The project covers 80 km of new lines, of which 60 km of high-speed lines between Manduel (east of Nîmes) and Lattes (west of Montpellier), and 20 km of connections to the old network (10 km for Rhone right bank connections and 10 km for connections to Jonquières, Lattes and Manduel).

The consortium will be responsible for the design, construction, maintenance, and financing of the bypass line to be used for both freight and passengers.

The line's construction is expected to extend over four years with completion expected for 2017. The successful bidder will thus build and maintain the new line for a term of 25 years.

The objective is to sign the agreement with the prospective partner and the final financing plan during the first half of 2012.

The project has a total investment budget of €2.06 billion, of which €1.83 billion for the partnership agreement.

The project will be financed by an RFF contribution and by public funding, whose amount has yet to be determined. The public funding will include the State and several local authorities, namely the Languedoc-Roussillon Regional Council, the Gard General Council, and the Greater Montpellier and Greater Nîmes Urban Communities.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS

Figures are in millions of euros unless indicated otherwise.

BALANCE SHEET – ASSETS

(in millions of euros)	Notes	31 Dec. 2011	31 Dec. 2010
Intangible assets	4.1	48.7	14.4
Investment property	4.2	407.7	425.2
Property, plant and equipment	4.3	45,455.9	41,923.4
Equity investments		0.0	0.0
Non-current financial assets	4.4	39.3	31.0
Derivative financial instruments	4.13	1,258.0	757.3
Deferred tax assets	4.5	3,780.6	3,719.4
Non-current assets		**50,990.2**	**46,870.7**
Trade receivables	4.6	722.1	656.3
Other receivables	4.7	613.4	744.7
Grants receivable	4.8	957.8	919.5
Current financial assets	4.4	33.2	41.2
Derivative financial instruments	4.13	260.6	230.1
Cash and cash equivalents	4.9	4,410.4	4,101.9
Assets held for sale	4.10	12.6	10.6
Current assets		**7,010.1**	**6,704.4**
TOTAL ASSETS		**58,000.3**	**53,575.1**

BALANCE SHEET – EQUITY AND LIABILITIES

(in millions of euros)	Notes	31 Dec. 2011	31 Dec. 2010
Capital injections		9,764.6	9,764.6
Reserves and accumulated deficit		(10,923.7)	(10,957.8)
Equity attributable to equity holders of the parent		**(1,159.1)**	**(1,193.1)**
Minority interests		–	0.0
Total equity		**(1,159.1)**	**(1,193.1)**
Non-current provisions	4.12	478.6	503.3
Grants	4.11.1	16,953.2	15,596.6
Non-current borrowings	4.13	29,783.4	27,436.7
Derivative financial instruments	4.13	1,952.7	1,688.2
Deferred tax liabilities		0.0	0.0
Right of use granted to the concession holder	4.20	289.7	0.0
Other non-current liabilities	4.17	96.0	91.8
Non-current liabilities		**49,553.6**	**45,316.8**
Current provisions	4.12	18.7	12.6
Trade payables	4.18	422.2	672.4
Grants	4.11.4	2,026.9	1,811.2
Other payables	4.19	621.5	593.0
Current borrowings	4.13	4,324.3	4,410.9
Other current financial liabilities	4.20	1,993.7	1,696.0
Derivative financial instruments	4.13	160.5	217.3
Liabilities directly associated with assets held for sale	4.10	38.0	38.0
Current liabilities		**9,605.8**	**9,451.4**
TOTAL LIABILITIES AND EQUITY		**58,000.3**	**53,575.1**

INCOME STATEMENT

(in millions of euros)	Notes	31 Dec. 2011	31 Dec. 2010
Revenue	5.1	4,981.3	4,637.1
Operating grants	5.2	804.0	1,020.8
Delegated management fees	5.3	(3,003.3)	(2,990.8)
Other network expenses	5.4	(172.7)	(165.9)
Taxes other than on income	5.5	(76.9)	(80.3)
Other operating expenses	5.6	(482.2)	(351.3)
Depreciation, amortisation and impairment, net		(1,128.6)	(989.4)
Net charge to current asset provisions		(1.3)	(12.5)
Investment grants released to profit or loss	5.7	413.9	337.9
Other recurring income	5.8	216.9	125.5
Other recurring expenses	5.8	(18.4)	(40.5)
Recurring operating profit (loss)		**1,532.7**	**1,490.8**
Non-recurring income	5.9	(0.6)	0.1
Non-recurring expenses	5.9	(0.1)	(0.9)
Operating profit (loss)		**1,532.0**	**1,490.0**
Cost of gross debt	5.10	(1,281.8)	(1,210.1)
Income from cash and cash equivalents	5.10	33.1	12.8
Cost of net debt	5.10	(1,248.7)	(1,197.3)
Other financial income	5.11	3.5	9.2
Other financial expenses	5.11	(6.0)	(5.8)
Net finance costs		**(1,251.2)**	**(1,193.8)**
Income tax expense		(58.0)	(98.8)
Share of profit of associates		(0.3)	–
Net profit for the year		**222.5**	**197.4**
Minority interests		–	0.0
Net profit (loss) attributable to equity holders of the parent		**222.5**	**197.4**

Gains and losses recorded in equity are transferred directly to profit or loss.

OTHER COMPREHENSIVE INCOME

(in millions of euros)	31 Dec. 2011 (12 months)	31 Dec. 2010 (12 months)
Net profit for the year	**222.5**	**197.4**
Fair value gains and losses on cash flow hedges	(282.7)	(26.4)
Income tax relating to components of other comprehensive income	94.2	8.8
Total gains and losses recognised directly in equity	**(188.5)**	**(17.6)**
Comprehensive income	**34.0**	**179.8**
Attributable to equity holders of the parent	34.0	179.8
Attributable to minority interests	0.0	0.0

CASH FLOW STATEMENT

(in millions of euros)

	Notes	**31 Dec. 2011 (12 months)**	31 Dec. 2010 (12 months)
Cash flow from operating activities			
Net profit (loss) for the year		222.2	197.4
Share of profit of associates		0.3	–
Net income from assets and liabilities held for sale		–	–
Capital (gains) losses on disposal		(83.4)	(42.1)
Depreciation, amortisation, impairment and charges to provisions, net		1,020.4	990.2
Investment grants released to profit or loss		(413.3)	(338.1)
Other non-cash income and expenses		90.4	31.4
Cost of net debt	5.10	1,248.7	1,197.2
Income tax expense (including deferred taxes)		58.0	98.8
Operating cash flow before movements in working capital, cost of net debt and income taxes		**2,143.3**	**2,135.0**
Income taxes paid		(25.1)	0.0
Movements in working capital	4.21.1	(56.0)	(28.5)
Net cash from operating activities		**2,062.1**	**2,106.4**
Cash flow from investing activities			
Cash outflow on acquisitions	4.21.2	(3,618.3)	(3,269.7)
Investment grants	4.21.2	1,413.0	2,208.2
Changes in other non-current financial assets		(0.0)	0.1
Disposals of/reductions in non-current assets		118.3	99.9
Net cash used in investing activities		**(2,087.0)**	**(961.6)**
Cash flow from financing activities			
Repayment of borrowings		(6,053.9)	(7,816.0)
New borrowings raised		7,589.1	9,508.4
Net interest paid		(1,191.7)	(1,179.8)
Increase in guarantee deposits received		(6.4)	430.0
Net cash from financing activities		**337.1**	**942.5**
Net increase in cash and cash equivalents		**312.2**	**2,087.3**
Net cash and cash equivalents at beginning of year		4,089.5	2,001.6
Net cash and cash equivalents at end of year		4,401.7	4,088.9
Net increase in cash and cash equivalents		**312.2**	**2,087.3**

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
Equity as at 1 January 2010	**9,764.6**	**(10,833.5)**	**(304.0)**	**(1,372.9)**	**0.0**	**(1,372.9)**
Comprehensive income	–	197.4	(17.6)	179.8	0.0	179.8
Other changes	–	–	–	0.0	0.0	0.0
Equity as at 31 December 2010	**9,764.6**	**(10,636.1)**	**(321.7)**	**(1,193.1)**	**0.0**	**(1,193.1)**

(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
Equity as at 1 January 2011	**9,764.6**	**(10,636.1)**	**(321.7)**	**(1,193.1)**	**0.0**	**(1,193.1)**
Comprehensive income	–	222.5	(188.5)	34.0	0.0	34.0
Other changes	–	–	–	0.0	0.0	0.0
Equity as at 31 December 2011	**9,764.6**	**(10,413.6)**	**(510.1)**	**(1,159.1)**	**0.0**	**(1,159.1)**

NOTES

to the Consolidated Financial Statements

The consolidated financial statements of the group were approved by the Board of Directors on 15 March 2012.

NOTE 1.

Presentation of Réseau Ferré de France (RFF)

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

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

NOTE 2.

Comparability of the financial statements

2.1 Change in accounting policy

There were no changes in accounting policy in 2011.

2.2 Major transactions and events

Signing of the SEA concession agreement

On 16 June 2011, RFF signed a 50-year concession agreement with Liséa, whose main shareholders are Vinci, CDC and AXA.

This project involves the construction of 340 km of new track, including 302 km of high-speed rail, between Tours and Bordeaux as well as 38 km of connections.
The project's total cost amounts to €7.8 billion in current euros.
The project's financing plan breaks down as follows:

- Senior debt contracted by Liséa in the amount of €3 billion, of which:
  - Commercial banks – project debt risk: €612 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: €757 million
- Shareholders' equity: €772 million
- State grants (State, local authorities, European Union) and RFF's contribution: €4.04 billion in current euros.

RFF therefore serves primarily as the concession grantor and public sector contributor to the financing and, exceptionally, as guarantor of the CDC loan via the Fonds d'Épargne (Savings Fund Division), for approximately €757.2 million.

RFF has also been assigned a role as an intermediary regarding fund calls from third party financial backers and transfers to the concession holder.

The financial statements for the year ended 31 December 2011 reflect the concession agreement impacts for the first time (see Note 4.3.2).
RFF's commitments with respect to the agreement are presented in Note 9.

Signing of the BPL Public-Private Partnership agreement
On 28 July 2011, RFF signed a Public-Private Partnership agreement with Eiffage Rail Express for the design, construction, maintenance and financing of the BPL high-speed line, between Le Mans and Rennes, comprising 214 km in new track, of which 182 km high-speed. The project also includes the construction of 32 km in connections to the existing network. The agreement has a 25-year term.

The total project cost is estimated at €3.34 billion in current euros.

Its financing is covered by a financing and construction agreement signed on 13 July 2011 between the French State, local authorities and RFF. The agreement breaks down as follows:
— RFF share for 42.8%, or €1,432 billion,
— Contributions from the French State for 28.4% and local authorities for 28.4%, or a total of €1.9 billion,
— European grants for €11 million.

The financial statements for the year ended 31 December 2011 reflect the concession agreement impacts for the first time (see Note 4.4).
RFF's commitments with respect to the agreement are presented in Note 7.

2.3 Other items of comparability

There were two changes in the estimate of the value of financial instruments for the year ended 31 December 2011:

• Valuation of Cross Currency Interest Rate Swaps (CCIRS)
A portion of the RFF debt is issued on foreign markets and denominated in foreign currencies. This foreign-currency debt is systematically swapped through CCIRS instruments to hedge the exposure to foreign exchange risk.

Until 31 December 2010, the CCIRS instruments were valued based on an interest rate curve by foreign currency and did not take into account the market parameter comprising basis swaps representing a currency's liquidity premium in relation to another currency.

Beginning with the financial statements for the period ended 30 June 2011, RFF decided to refine the valuation calculation for its CCIRS instruments and integrate the basis swap parameter.

Effectiveness tests using the "cumulative dollar offset" methodology for fair value hedging relationships, the only relationships affected by the change in estimate, were also adapted. These modifications were performed using the information systems on 31 May 2011.

As at 31 December 2011, these tests generated additional positive ineffectiveness of €8 million for the fair value hedging relationships, which was recorded in profit or loss.

• Determination of the amortised cost of debt indexed to inflation
RFF has issued debt indexed to European or UK inflation. This debt is valued on the balance sheet at amortised cost whose value depends on the inflation index adopted.

Until 31 December 2010, RFF valued future cash flows using the last inflation rate observed over the reference period. For the half-yearly closing, the reference period is between 30 June Y-1 and year 30 June Y. For the yearly closing, the reference period is between 31 December Y-1 and 31 December Y.

As of the 30 June 2011 closing, RFF has decided to use the break-even inflation rate as the inflation benchmark index to value future cash flows. This index is better adapted to a long-term calculation as it corresponds to an estimate of future inflation.

As at 31 December 2011, the impact of this change is a decrease is the amortised cost of the debt for €12.3 million recorded in profit loss over the period.

• Estimate of the impact of delays in recording the commissioning of projects delegated to SNCF
The accounting procedure to record assets for projects delegated to SNCF has been interrupted for nearly two years pending the release of the new automated system to record commissionings called GEREMI. This project has met with difficulties and has been delayed, and the release is now set for the end of the first quarter of 2012.

In order to reflect the economic reality of the commissionings in the accounts, additional entries based on estimated amounts have been recorded:

— Commissioned assets: €5,518.7 million
— Grants for commissioned assets: €2,387 million

— Additional amortisation charge: €130.9 million
— Additional reversal of grants: €56 million

Given the loose criteria used for assessing the impacts of estimates conducted in these three areas, a quantified estimate of impacts on subsequent years is not possible.

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 2011 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 2011 will have no material impact on the RFF financial statements for the year ended 31 December 2011. The Group will not apply any new standards in advance.
The BPL public-private partnership agreement, signed on 18 February 2010, was recognised for the first time in the 31 December 2011 financial statements. As was the case with the GSMR public-private partnership agreement recognised for the first time in 2010, assets under construction are recognised based on the percentage of completion of the work during the construction phase 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.
The SEA concession agreement was recognised for the first time in the 31 December 2011 financial statements.
This agreement presented in off-balance sheet commitments in the parent company financial statements was restated under IFRS so as to record the asset in "Assets under construction" during its construction phase based on the percentage of completion. The corresponding earned grant is recognised in balance sheet liabilities. The commissioning is recorded on 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 4.15).
• 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 of 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 for the first time includes Airefsol, a 33% held subsidiary consolidated using the equity method.

Entity	% interest	% control	Consolidation method
Réseau Ferré de France	100	100	Parent company
SAS AIREFSOL Energies	33	33	Equity accounted

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 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 are measured at purchase or production cost.
Investments made through acquisitions are relatively immaterial.
On the creation of RFF on 1 January 1997, property, plant and equipment transferred by SNCF was recognised for an amount of €22.5 billion.

3.10.1 Production cost

The production cost of projects is capitalised in balance sheet assets from the "pre-project" phase. The cost of preliminary studies is expensed in the period incurred.
The production cost of projects carried out under contracts granted by RFF includes amounts invoiced by the companies performing the work plus project management and prime contractor costs.
For projects carried out directly by RFF, production cost includes the cost of studies, construction work, purchase costs and compensation paid for land acquisitions and direct operating expenses.

3.10.2 Depreciation of property, plant and equipment

RFF has established a list of component types for its infrastructure assets. This classification includes 11 families comprising approximately 100 components. In addition, tracks are classified based on International Union of Railways (UIC) line traffic indicators.
RFF has defined useful lives for each component in its list. Depreciation is calculated on a straight-line basis.
Asset useful lives are defined based on recommendations of technical experts in the relevant field and are summarised in the following tables:

Asset type	Useful life
Land	not depreciated
Improvements to land	30 years
Buildings	15 to 50 years
Improvements to buildings	10 years
Earthworks	10 years
Tracks	20 to 100 years
Electricity supply equipment	10 to 75 years
Signalling equipment	15 to 50 years
Telecommunications	5 to 30 years
Level 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 were 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 RFF 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 amount 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:
• 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. At 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 2011.

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 cancel the designation as a hedge pursuant to a management decision;
— for cash flow hedges, the forecast future transaction ceases to be probable.

3.13.4 Derivatives not designated as hedges

The Group mainly uses derivative instruments to protect against the risks to which it is exposed, in accordance with the risk management policy authorised by the RFF Board of Directors.
Derivatives not designated as hedges partly include instruments that are hedges from a management perspective but are not designated as such by management in order to simplify their accounting treatment. This is the case for forward currency contracts hedging short-term debt. Similarly, certain embedded derivatives cannot be designated as hedging instruments. However, for the most part, they act as economic hedges. Lastly, certain transactions that were designated as hedges at the outset no longer meet the criteria for hedge accounting when they arrive at a point close to the maturity date, leading to disqualification from hedge accounting.
These derivative instruments are measured at fair value and are presented in other financial assets or liabilities, with changes in fair value recognised immediately through profit or loss.

3.13.5 Embedded derivatives

An embedded derivative is a component of a contract which meets the definition of a derivative and whose economic characteristics are not closely related to those of the host contract. An embedded derivative must be separated from the host contract and accounted for in accordance with the rules applicable to derivatives if, and only if, the following three conditions are satisfied:
— the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
— the embedded derivative meets the definition of a derivative under IAS 39, and
— the hybrid contract is not measured at fair value through profit or loss.
Several embedded derivatives have been identified in RFF's borrowings. These embedded derivatives were separated from the host debt contracts and have been measured in the balance sheet at fair value, with changes in fair value recognised through profit or loss.
A non-optional embedded derivative (such as a forward over-the-counter contract or an embedded swap) is separated from its host contract based on its key conditions, whether expressly stated or implicit, so as to have a nil fair value on initial recognition. An embedded derivative founded on an option is separated from its host contract based on the reported conditions of the option component. The initial carrying amount of the host instrument (debt at amortised cost) is the residual amount after separation of the embedded derivative.

3.14 Deferred taxes

Temporary differences between the tax base of assets and liabilities and their carrying amount in the consolidated financial statements lead to the recognition of deferred taxes in accordance with the balance sheet liability method. No deferred taxes are recognised on the initial recognition of assets or liabilities relating to transactions which did not impact either accounting or taxable profit or loss at the time of the transaction.
Only the existence of probable future taxable profits against which the temporary differences and tax losses carried forward can be offset leads to the recognition of deferred tax assets.
The impact of a change in tax rates is recognised in profit or loss for the year or in equity, depending on the item affected by the change in tax rate.
Deferred taxes are classified in non-current assets and liabilities.

3.15 Trade receivables and related accounts - Other receivables

On initial recognition, receivables are measured at fair value corresponding to their nominal value, with the exception of long-term receivables in respect of which the effects of discounting are material. Receivables are subsequently measured in accordance with the effective interest method. A provision for doubtful receivables is recognised when the fair value of the receivable at the year-end is lower than the carrying amount.
Provisions for doubtful receivables are recognised based on the risk of non-recovery, determined using both individual and statistical analyses.

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

3.16 Cash and cash equivalents

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

3.17 Capital injections

As a State-owned industrial and commercial company, RFF has neither share capital, in the legal meaning of the term, nor shares, and does not pay dividends.
RFF equity for accounting purposes at the date of incorporation amounted to €0.86 billion, and corresponded to the difference in value between its assets and liabilities. The French State subsequently increased this initial capital through additional capital injections up to the start of 2003. As at 31 December 2011, 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 2011 breaks down as follows:

Analysis of intangible assets

(in millions of euros)	Operating software	In-house software	Intellectual property rights	Total
As at 31 December 2010				
Cost	30.8	40.1	–	70.9
Accumulated amortisation	(27.9)	(28.6)	–	(56.4)
Accumulated impairment	–	–	–	–
Net carrying amount	**2.9**	**11.5**		**14.4**
As at 31 December 2011				
Net carrying amount at beginning of the year	2.9	11.5	–	14.4
Acquisitions	7.9	8.8	25.0	41.8
Production	–	–	–	–
Disposals	–	–	–	–
Translation differences	–	–	–	–
Reclassifications	–	0.1	–	0.1
Amortisation	(4.8)	(2.4)	(0.2)	(7.4)
Reversal of disposals	–	–	–	–
Reversals of amortisation	–	–	–	–
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 in consolidation% interest	–	–	–	–
Increase in interest rates	–	–	–	–
Exits from the scope of consolidation	–	–	–	–
Other movements	(0.1)	(0.1)	–	(0.1)
Net carrying amount at end of the year	**6.0**	**17.9**	**24.8**	**48.7**
As at 31 December 2011				
Cost	38.7	48.9	25.0	112.5
Accumulated amortisation	(32.7)	(31.0)	(0.2)	(63.9)
Accumulated impairment	–	–	–	–
Net carrying amount	**6.0**	**17.9**	**24.8**	**48.7**

In 2011, capital expenditure for intangible assets included €25 million for the acquisition of intellectual property rights concerning IT applications for SNCF rail operations.

4.2 Investment property

Rental income from investment property totalled €83.9 million in 2011 compared with €83.1 million in 2010. Property management direct operating expenses totalled €85.3 million in 2011, compared with €77.4 million in 2010, including costs relating to the management of disposals. Due to the valuation method used for investment property (see Note 3.9), it is not possible to allocate a market value to each of these assets as recommended in paragraph 79.e of IAS 40.

(in millions of euros)	Investment property
As at 1 January 2010	
Cost	476.4
Accumulated depreciation	(14.5)
Accumulated impairment	–
Net carrying amount	**461.9**
As at 31 December 2010	
Net carrying amount at beginning of the year	461.9
Acquisitions	0.0
Disposals	0.0
Reclassifications and transfers to assets held for sale	0.0
Depreciation	0.0
Reversals of depreciation	–
Reversals of disposals	–
Other movements	(36.7)
Net carrying amount at the end of the year	**425.2**
As at 31 December 2010	
Cost	439.7
Accumulated depreciation	(14.5)
Accumulated impairment	–
Net carrying amount	**425.2**
As at 31 December 2011	
Net carrying amount at beginning of the year	425.2
Acquisitions	0.0
Disposals	0.0
Reclassifications and transfers to assets held for sale	0.0
Depreciation	0.0
Reversals of depreciation	–
Reversals of disposals	–
Other movements	(17.5)
Net carrying amount at the end of the year	**407.7**
As at 31 December 2011	
Cost	422.2
Accumulated depreciation	(14.5)
Accumulated impairment	–
Net carrying amount	**407.7**

4.3 Property, plant and equipment

4.3.1 Analysis of property, plant and equipment

The net carrying amount of property, plant and equipment as at 31 December 2011 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	Assets under construction	Total
As at 1 January 2010					
Cost	6,138.8	26,059.2	7,824.2	9,712.5	49,734.8
Accumulated depreciation	(206.9)	(6,301.6)	(3,483.1)	–	(9,991.7)
Accumulated impairment	–	–	–	(73.9)	(73.9)
Net carrying amount	**5,931.9**	**19,757.6**	**4,340.9**	**9,638.6**	**39,669.7**
As at 31 December 2010					
Net carrying amount at beginning of the year	5,931.9	19,757.6	4,340.9	9,638.6	39,669.7
Acquisitions	3.8	–	6.0	–	9.8
Production	–	–	–	3,226.6	3,226.6
Disposals	(31.3)	–	(0.4)	(3.7)	(35.3)
Translation differences	–	–	–	–	0.0
Reclassifications for commissioning and transfers to assets held for sale	0.4	0.1	1.7	9.6	11.8
Depreciation	(63.1)	(620.5)	(303.4)	–	(987.0)
Reversals of depreciation	0.7	–	0.2	–	0.9
Charges to provisions for impairment	0.0	–	–	(16.7)	(16.7)
Reversals of provisions for impairment	–	–	–	18.2	18.2
Other movements	2.6	–	(0.4)	23.1	25.4
Net carrying amount at the end of the year	**5,845.0**	**19,137.2**	**4,044.7**	**12,895.9**	**41,923.4**
As at 31 December 2010					
Cost	6,129.6	26,059.3	7,830.3	12,968.4	52,987.5
Accumulated depreciation	(284.7)	(6,922.1)	(3,785.6)	–	(10,992.3)
Accumulated impairment	0.0	–	–	(72.4)	(72.4)
Net carrying amount	**5,845.0**	**19,137.2**	**4,044.7**	**12,895.9**	**41,923.4**
As at 31 December 2011					
Net carrying amount at the beginning of the year	5,845.0	19,137.2	4,044.7	12,895.9	41,923.4
Acquisitions	7.9	47.9	16.2	–	72.0
Production	–	–	–	4,488.1	4,488.1
Disposals	(0.0)	–	(0.2)	(2.9)	(3.1)
Translation differences	–	–	–	–	0.0
Reclassifications and transfers to assets held for sale	543.5	7,869.9	579.4	(8,943.5)	49.2
Depreciation	(66.4)	(763.3)	(293.2)	–	(1,122.8)
Reversals of depreciation	1.5	–	0.2	–	1.8
Charges to provisions for impairment	–	–	–	(8.6)	(8.6)
Reversals of provisions for impairment	–	–	–	10.0	10.0
Other movements	0.0	0.0	0.0	46.6	46.6
Net carrying amount at the end of the year	**6,331.5**	**26,291.7**	**4,347.2**	**8,485.6**	**45,455.9**
As at 31 December 2011					
Cost	6,662.6	33,977.1	8,426.6	8,556.3	57,622.6
Accumulated depreciation	(330.8)	(7,685.3)	(4,079.4)	–	(12,095.6)
Accumulated impairment	(0.3)	–	–	(70.8)	(71.1)
Net carrying amount	**6,331.5**	**26,291.7**	**4,347.2**	**8,485.6**	**45,455.9**

Study costs expensed (IAS 38.126) totalled €62.1 million in 2011 and €52.7 million in 2010.

4.3.2 Production of property , plant and equipment

Capital expenditure for property, plant and equipment for 2011 amounted to €4,565.6 million.

The amount includes:
€4,493.1 million for capital expenditure in progress breaking down as follows:
— €4,4881million for rail infrastructure investment projects, of which:
• €2,629 million for production carried out by agents on behalf of RFF,
• €818.5 million in direct production,
• €141.3 million for PPP production (GSMR: €71.1 million and BPL: €70.2 million),
• €894.3 million for production regarding the SEA concession,
— €5 million increase in down payments for investment land.

€72.5 million in other capital expenditure, of which
— €47.9 million for individualised and monitored maintenance,
— €9.3 million in asset purchases from French Rail Traffic Management (DCF) and other operating expenses.

4.3.3 Assets commissioned during the year

Assets commissioned amounted to €8,354.1 million in 2011, compared to €618.3 million in 2010, for an increase of €7,735.8 million.

The assets break down as follows:
• €2,801.5 million in projects carried out directly by RFF, of which:
— €61.5 million for the Pont de Garonne, €123.4 million for the Fréjus tunnel, €339.9 million for Haut Bugey and €2,275.3 for Rhine-Rhône,
• €33.9 million for former projects whose management was delegated to SNCF,
• €5,518.7 million estimate for the delays in recording the commissioning of projects delegated to SNCF.

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

Infrastructure CGU
RFF found no indication of potential impairment for the Infrastructure CGU.
Discount rate adopted: between 5% and 5.5%.
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 2011: €29.6 billion.

Property CGU
RFF found no indication of potential impairment for the Property CGU.

4.3.5 Breakdown of impairment of assets under construction

(in millions of euros)	Accumulated as at 31 Dec.11	Impairment as at 31 Dec. 10	Charge	Reversal	Impairment as at 31 Dec.11
Dormant projects	38.0	28.3	8.5	(10.0)	26.8
Port tracks under construction	43.9	43.8	0.1	0.0	43.9
Other	0.3	0.3	0.0	0.0	0.3
Total	**82.2**	**72.4**	**8.6**	**(10.0)**	**71.1**

4.4 Current and non-current assets

Breakdown between current and non-current financial assets

(in millions of euros)	31 Dec. 2011			31 Dec. 2010			Change
	Current	Non-current	Total	Current	Non-current	Total	Total
Available-for-sale financial assets*	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	3.8	3.8	0.0
Receivables on disposals of non-currrent assets	29.5	15.7	45.3	35.4	26.7	62.1	(16.8)
Current accounts	3.8	0.0	3.8	5.8	0.0	5.8	(2.0)
Other financial assets	0.0	21.3	21.3	0.0	0.0	0.0	21.3
Total financial assets-gross	**33.3**	**41.4**	**74.7**	**41.2**	**31.0**	**72.2**	**2.5**
Provisions	(0.2)	(2.1)	(2.3)	0.0	0.0	0.0	(2.3)
Total financial assets	**33.2**	**39.3**	**72.5**	**41.2**	**31.0**	**72.2**	**0.3**

**Including only 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.

Other non-current financial assets:
A non-current financial asset recorded in 2011 for €21.3 million represents a grant receivable from the French State enabling RFF repay its debt owed to Eiffage. This grant will be received beginning in 2017. At the same time, RFF has recognised a borrowing in the same amount to be repaid as of 2017 (see Note 4.14.1).
The €21.3 million represents the progress of the project as at 31 December 2011.

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-Ferroviaire SAS was measured at historical cost as the company is in the development stage and operations have not yet begun. Fair value cannot thus be measured reliably.
Lyon-Turin-Ferroviaire SAS reported a net profit of nil in 2011. Capitalised production in the year totalled €20.3 million. The company had total equity of €575 million as at 31 December 2011.

As a founding director, RFF participated in the creation of Railenium, a foundation for scientific cooperation, on 16 November 2011. The purpose of the foundation is to define and implement a joint cooperation policy in the area of rail transport infrastructures.
RFF has entered into an irrevocable undertaking for the foundation's initial endowment in the amount of €2.8 million over 5 years.

(in millions of euros)	31 Dec. 011	31 Dec.2010
LTF	2.9	5.1
GIE S2IF	0.0	0.0
GEIE VITORIA DAX C/C	0.8	0.7
Total	**3.8**	**5.8**

4.5 Deferred taxes

(in millions of euros)	Deferred tax assets
Deferred taxes as at 31 Dec. 2010	**3,719.4**
Deferred taxes on 2011 net income	(32.9)
Deferred taxes on 2011 OCI change	94.2
Deferred taxes as at 31 Dec.2011	**3,780.6**

4.6 Trade receivables

The net carrying amount of trade receivables breaks down as follows:

(in millions of euros)	**31 Dec. 2011**	31 Dec.2010
Tolls	674.7	617.3
Non-traffic income	26.1	33.3
Other	51.6	37.9
Provisions	(30.4)	(32.1)
Net carrying amount of trade receivables	**722.1**	**656.3**

Provision for doubtful receivables

Movements in the provision for doubtful receivables were as follows:

(in millions of euros)	31 Dec. 2010	Charge	Reversal		**31 Dec. 2011**
			Utilised	Not utilised	
Tolls	14.8	0.7	0.0	0.9	14.6
Non-traffic income	17.1	5.9	1.7	5.8	15.5
Other	0.2	0.1	0.0	0.0	0.3
Amounts receivable from disposals of non-current assets	0.0	2.3	0.0	0.0	2.3
Provision for doubtful receivables	**32.1**	**9.0**	**1.7**	**6.7**	**32.6**

The €32.6 million comprises the provision for trade receivables in the amount of €30.4 million and the provision for receivables on asset disposals for €2.3 million.

4.7 Other receivables

Other receivables break down as follows:

(in millions of euros)	Tax and employee-related receivables	Prepaid expenses	Other receivables	Total other receivables
Gross amount as at 31 Dec. 2010	376.4	244.0	124.4	744.7
Provisions	–	–	–	–
Net amount as at 31 Dec. 2010	**376.4**	**244.0**	**124.4**	**744.7**
Gross amount as at 31 Dec. 2011	396.0	4.9	212.6	613.4
Provisions	–	–	–	–
Net amount as at 31 Dec. 2011	**396.0**	**4.9**	**212.6**	**613.4**

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

4.7.1 Tax and employee-related receivables

(in millions of euros)	**31 Dec. 2011**	31 Dec. 2010
VAT credit repayment request	119.9	44.6
VAT to be adjusted	165.6	163.5
Input VAT	110.2	168.1
Other tax receivables	0.2	0.2
Total	**396.0**	**376.4**

4.7.2 Prepaid expenses

(in millions of euros)	**31 Dec. 2011**	31 Dec. 2010
Credit notes receivable from suppliers and advances	0.0	240.4
Other miscellaneous receivables	4.9	3.6
Total	**4.9**	**244.0**

The "Prepaid expenses" item as at 31 December 2010 includes advance billing by SNCF for the infrastructure management agreement for January 2011.

4.7.3 Other receivables

(in millions of euros)	**31 Dec. 2011**	31 Dec. 2010
Infrastructure management agreements	104.6	89.9
Other including rent and expenses	107.9	34.5
Total	**212.6**	**124.4**

The change of €88.2 million primarily stems from the advances paid to SNCF pending the payment of disputed invoices (cleared in early 2012), and a receivable from SNCF with respect to old materials in 2010.

4.8 Grants receivable

Grants receivable break down as follows:

(in millions of euros)	**31 Dec. 2011**	31 Dec. 2010
Grants to be collected	355.5	453.3
Grants not yet claimed	624.1	487.2
Provisions for impairment	(21.8)	(21.0)
Total	**957.8**	**919.5**

4.9 Cash and cash equivalents

(in millions of euros)	31 Dec. 2011	31 Dec. 2010	Change
Bank accounts (euro-denominated) and cash	0.2	208.1	(207.8)
Bank accounts (foreign currency) and cash	0.0	0.0	(0.0)
Cash and demand deposits	**0.2**	**208.1**	**(207.9)**
Monetary mutual funds	888.9	889.4	(0.4)
Negotiable debt instruments and related accrued interest receivable (maximum maturity of 3 months on purchase)	3,521.3	3,004.4	516.8
CASH EQUIVALENTS	**4,410.2**	**3,893.8**	**516.4**
Cash and cash equivalents in the balance sheet	**4,410.4**	**4,101.9**	**308.5**
Bank overdrafts in euros	8.3	12.6	(4.3)
Bank overdrafts in foreign currencies	0.6	0.4	0.2
Bank overdrafts repayable on demand	**8.9**	**13.0**	**(4.1)**
Net change in cash and cash equivalents	**4,401.6**	**4,088.9**	**312.6**

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

As at 31 December 2011, assets declared not to be necessary for railway activities and held for sale had a value of €12.6 million. Directly associated liabilities in the amount of €38 million are unchanged compared to 31 December 2010.

4.11 Grants

4.11.1 Summary of non-current grants

(in millions of euros)	Grants on commissioned assets	Grants for assets under construction	
Grants for assets under construction	–	2,533.7	–
Net grants on commissioned assets	10,440.4	–	–
Grants in the form of loans at preferential rates	18.6	–	–
Reversal for port tracks	(1.6)	(37.3)	–
Release of grants on commissioned land	21.8	–	–
Grants for upgrade and compliance work	3,648.0	329.6	–
Total	**14,127.2**	**2,826.1**	**16,953.2**

4.11.2 Grants on commissioned assets

(in millions of euros)	Net amount as at 31 Dec. 2010	Grants on assets commissioned in the year	Inter-account transfers	Share of grants released to profit or loss	**Net amount as at 31 Dec. 2011**
Land, buildings and improvements	645.9	361.1	–	(34.9)	972.2
Tracks, earthworks, civil engineering structures and level crossings	4,333.1	3,850.9	0.0	(176.0)	8,008.1
Technical and electrical supply equipment, telecommunications	1,242.2	306.6	–	(89.1)	1,459.7
Intangible assets	1.3	0.0	–	(0.8)	0.4
Total	**6,222.6**	**4,518.7**	**0.0**	**-300.8**	**10,440.4**

Grants on commissioned assets totalled €10,440.4 million as at 31 December 2011.

4.11.3 Grants for assets under construction

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

Earned grants totalled €2,533.7 million as at 31 December 2011.

Grants for upgrade and compliance work

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

- Gross amount of grants for upgrade and compliance work

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

• Grants for upgrade and compliance work — commissioned assets

(in millions of euros)					
Year of transfer to commissioned assets	Date of transfer to commissioned assets	Period of release (years)	Gross amount	Accumulated release	**Net amount as at 31 Dec. 2011**
2004	01/07/2004	38	675.0	(133.2)	541.8
2005	25/03/2005	42	573.9	(92.5)	481.4
2006	09/05/2006	42	878.4	(118.2)	760.3
2007	21/03/2007	35	734.2	(100.3)	633.9
2008	17/04/2008	33	68.8	(7.9)	60.8
2009	17/01/2009	42	844.4	(82.3)	762.0
2010	22/01/2010	38	435.5	(47.5)	388.1
2011	01/01/2011	51	20.5	(0.7)	19.8
Total			**4,230.7**	**(582.7)**	**3,648.0**

• Net grants for upgrade and compliance work

(in millions of euros)			
	Gross amount	Accumulated release	**Net amount as at 31 Dec. 2011**
Grants on commissioned assets	4,230.7	(582.7)	3,648.0
Grants for assets under construction	329.6	0.0	329.6
Total	**4,560.4**	**(582.7)**	**3,977.7**

4.11.4 Current grants

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

(in millions of euros)		
	31 Dec. 2011	31 Dec. 2010
Operating grants claimed in advance	113.9	119.9
Investment grants claimed in advance	1,913.0	1,691.3
Total	**2,026.9**	**1,811.2**

4.12 Provisions

4.12.1 Breakdown between current and non-current provisions

(in millions of euros)	31 Dec. 2011			31 Dec. 2010		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Disputes and litigation	3.2	294.3	297.5	1.4	403.9	405.3
Tax and employee-related expenses	0.0	49.1	49.1	0.0	38.2	38.2
Decontamination and environmental risks	15.5	125.2	140.7	11.2	54.6	65.8
Provisions for employee benefits	0.0	9.7	9.7	0.0	6.7	6.7
Equity investments	0.0	0.2	0.2	0.0	0.0	0.0
Provisions	**18.7**	**478.6**	**497.3**	**12.6**	**503.3**	**515.9**

4.12.2 Movements in provisions

(in millions of euros)	31 Dec. 2010	Charge	Reversals		**31 Dec. 2011**
			Utilised	Not utilised	
Provisions for contingencies and losses					
-Disputes and litigation	405.3	18.8	16.3	110.2	297.5
-Tax and employee-related expenses	38.2	11.0	0.0	0.0	49.1
-Decontamination and environmental risks	65.8	79.2	1.9	2.4	140.7
-Provisions for employee benefits	6.7	3.0	0.0	0.0	9.7
-Equity investments	0.0	0.2	0.0	0.0	0.2
Provisions for contingencies and losses	**515.9**	**112.2**	**18.2**	**112.6**	**497.3**

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, it should be noted that there remains uncertainty as to the valuation of two provisions:

— 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. Based on the analyses conducted by RFF in 2011, it was possible to complete the calculation of the provision covering the decontamination of creosote ties.

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)	
	31 Dec. 2010
Obligation as at 31 Dec. 2010	**6.7**
Service cost for the period	1.6
Interest expense on the obligation	0.2
Actuarial gains and losses	1.6
Benefits paid	(0.4)
Plan curtailments and settlements	–
Other	–
Obligation as at 31 Dec. 2011	**9.7**
Unrecognised actuarial gains and losses	–
Provisions recognised	9.7

Principales hypothèses de calcul de la valeur actualisée de l'obligation

	31 Dec. 2011	31 Dec. 2010
Rate of increase in salaries	3.00%	3.00%
Rate of payroll taxes	48.00%	48.00%
Discount rate	2.62%	4.00%
Turnover	2.85%	3.35%

b/ Long-term employee benefit expense

(in millions of euros)		
	31 Dec. 2011	31 Dec. 2010
Wages and salaries	(66.8)	(59.8)
Payroll taxes	(28.8)	(25.9)
Pension expense - defined contribution plans	(8.1)	(6.5)
Pension expense - defined benefit plans	–	–
Other post-employment benefits	–	–
Long-term employee benefit expense	**(103.7)**	**(92.2)**

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. 2011**			31 Dec. 2010		
		Current	**Non-current**	**Total**	Current	Non-current	Total
Borrowings	4.14	4,324.3	29,783.4	34,107.7	4,410.9	27,436.7	31,847.6
Cash and cash equivalents	4.9	(4,410.4)	–	(4,410.4)	(4,101.9)	0.0	(4,101.9)
Net debt before impact of derivatives		**(86.2)**	**29,783.4**	**29,697.2**	**309.0**	**27,436.7**	**27,745.7**
Asset derivatives*	4.15.3	(260.6)	(1,258.0)	(1,518.6)	(230.1)	(757.3)	(987.4)
Liability derivatives*	4.15.3	160.5	1,952.7	2,113.2	217.3	1,688.2	1,905.5
Total net debt		**(186.3)**	**30,478.1**	**30,291.8**	**296.1**	**28,367.7**	**28,663.8**

**Mainly attributed to debt.*

4.14 Borrowings

Borrowings break down as follows:

(in millions of euros)	Note	31 Dec. 2011			31 Dec. 2010		
		Current	Non-current	Total	Current	Non-current	Total
RFF long-term debt		1,968.7	28,170.2	30,138.9	2,507.8	25,642.9	28,150.7
Long-term debt transferred from SNCF		226.8	1,613.2	1,840.0	113.6	1,793.9	1,907.5
Short-term debt		2,128.7	–	2,128.7	1,789.4	–	1,789.4
Borrowings		**4,324.3**	**29,783.4**	**34,107.7**	**4,410.9**	**27,436.7**	**31,847.6**

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 €3.3 billion in 2011 through 20 operations on the euro, US dollar, Australian dollar, pound sterling and Swiss franc bond markets.

The total amount of new issues in 2011 includes the carrying amount of private placements for €469.9 million and public issues, as presented below:

(in millions of euros)	31 Dec. 2011				
	Nominal amount	Currency	Maturity date	Interest rate	Balance sheet total
Bonds					
EMTN RFF 2.625% - 10/03/2031	125.0	CHF	10/03/31	2.625	122.9
EMTN RFF 2.625% - 11/03/2037	130.0	CHF	11/03/37	2.625	132.8
EMTN RFF 4.375% - 02/06/2022	300.0	EUR	02/06/22	4.375	316.0
EMTN RFF 4.50% - 30/01/2024	700.0	EUR	30/01/24	4.5	782.4
EMTN RFF 4.25% - 07/10/2026	1,100.0	EUR	07/10/26	4.25	1,214.5
EMTN RFF 5% - 10/10/2033	100.0	EUR	10/10/33	5.0	110.1
EMTN RFF 2.375% - 23/12/2015	200.0	GBP	23/12/15	2.375	239.1
EMTN RFF 4.83% - 25/03/2060	75.0	GBP	25/03/60	4.83	97.3
Other related borrowings					
Floating-rate loan to the Greater Paris Region	0.7	EUR	15/09/36	Floating	0.7
Total					**3 015,8**

The characteristics of RFF's main loans at 31 December 2011 are as follows:

(in millions of euros)	31 Dec. 2011
Bonds	24,373.5
Other borrowings	5,744.0
BPL	21.3
Total	**30,138.8**

Bonds

(in millions of euros)						
Type of loan	**Nominal amount**	Currency	Maturity date	Interest rate	Margin	**Balance sheet total**
Total EMTN RFF 5.375% 07-06-2012	150.0	AUD	07/06/12	5.375		121.5
Total BOND CAD 4.70% 01-06-2035	276.6	CAD	01/06/35	4.70		268.0
Total EMTN RFF 0.625% 01-06-2012	300.0	CHF	01/06/12	0.625		247.6
Total EMTN RFF 2% 12-11-2026 CHF	150.0	CHF	12/11/26	2		123.7
Total EMTN RFF 1.25% 23-03-2012	200.0	CHF	23/03/12	1.25		166.4
Total EMTN RFF 2% 24-11-2034	100.0	CHF	24/11/34	2		82.1
Total EMTN RFF 2.625% 10-03-2031	125.0	CHF	10/03/31	2.625		122.9
Total EMTN RFF 2.625% 11-03-37	130.0	CHF	11/03/37	2.625		132.8
Total EMTN RFF 2.875% 26-02-21	300.0	CHF	26/02/21	2.875		280.7
Total EMTN RFF 3% 24-04-2019	450.0	CHF	24/04/19	3		391.7
Total RFF 3.25% 30-06-2032	250.0	CHF	30/06/32	3.25		221.3
Total EMTN - RFF 6% 12-10-2020	2,000.0	EUR	12/10/20	6		2,048.8
Total EMTN - RFF 4.625% 17-03-2014	1,900.0	EUR	17/03/14	4.625		1,989.3
Total EMTN RFF 4.25% 07-10-2026	1,100.0	EUR	07/10/26	4.25		1,214.5
Total EMTN RFF 4.375 02/06/2022	2,500.0	EUR	02/06/22	4.375		2,568.1
Total EMTN RFF 4.45% 27-11/2017	1,000.0	EUR	27/11/17	4.45		998.3
Total EMTN RFF 4.50% 30-01-2024	2,900.0	EUR	30/01/24	4.5		3,103.5
Total EMTN RFF 5% 10-10-2033	2,350.0	EUR	10/10/33	5		2,471.9
Total RFF 5.40% 26-02-2013	1,200.0	EUR	26/02/13	5.4		1,279.8
Total EMTN - RFF 5.25% 31-01-2035	475.0	GBP	31/01/35	5.25		638.7
Total EMTN - RFF 5.5% 01-12-2021	800.0	GBP	01/12/21	5.5		958.2
Total EMTN - RFF 5.25% 07-12-2028	650.0	GBP	07/12/28	5.25		764.4
Total EMTN RFF 2.375% 23-12-2015	400.0	GBP	23/12/15	2.375		478.1
Total EMTN RFF 4.83% 25-03-2060	450.0	GBP	25/03/60	4.83		573.0
Total EMTN RFF 5% 11-03-2052	550.0	GBP	11/03/52	5		677.6
Total RFF GOV BOND IPCH 28-02-2023	2,000.0	EUR	28/02/23	Inflation (2.45)		2,450.6
Total						**24,373.5**

Other borrowings

(in millions of euros)

Type of loan	Nominal amount	Currency	Average maturity	Balance sheet total
	550.0	CHF	2020	492.7
	2,605.9	EUR	2027	2,720.6
	191.4	GBP	2036	281.4
	300.0	HKD	2016	31.3
	44,000.0	JPY	2021	459.0
	1,470.0	USD	2013	1,159.0
Private placements	–	–	–	**5,144.0**
EIB loans	**550.1**	**EUR**	**2016**	**551.1**
Loans from Greater Paris Region	**54.5**	**EUR**	**2028**	**48.9**
Total				**5,744.0**

The BPL borrowing concerns the Bretagne Pays de Loire PPP. It represents the RFF debt owed to Eiffage, which pre-financed a portion of the project (34%). RFF should repay this debt beginning in 2017. The amount of €21.3 million represents the project's progress as at 31 December 2011.
The repayment of the RFF debt will be financed by the French State beginning in 2017 based on a corresponding payment schedule.

4.14.2 Long-term debt transferred from SNCF

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

(in millions of euros)

Currency	Contractual interest rate	Nominal amount in foreign currency	Average maturity	Amortised cost
EUR	Floating	383.7	2015	382.5
	Fixed	1,025.5	2019	1,054.7
	Inflation	–	–	–
GBP	Fixed	–	–	–
	Floating	147.4	2015	176.5
CHF	Fixed	271.0	2016	226.3
	Floating	–	–	–
Total debt transferred from SNCF				**1,840.0**

The total amortised cost of debt transferred from SNCF was €1,840 million as at 31 December 2011.

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 2011 table is as follows:

Currency	Total amount in million of euros	Total amount in millions of euros	Total amount in millions of euros	Maturing in more than 1 year
(in millions of euros)				
AUD	0.1	0.1	–	–
EUR	50.3	50.3	–	–
USD	1,690.7	1,229.4	461.3	–
GBP	387.6	387.6	–	–
CHF	0.1	0.1	–	–
	2,128.8	**1,667.5**	**461.3**	**–**

Short-term debt raised by RFF in 2011 represented average outstandings of €1.8 billion.

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 and counterparty risk.

At 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):

(in millions of euros)							
31 Dec. 2011	**AUD**	**USD**	**GBP**	**YEN**	**HKD**	**CHF**	**CAD**
Debt denominated in foreign currency	150.0	1,470.0	3,602.4	44,000.0	300.0	2,826.0	276.6
Foreign currency derivatives	150.0	1,470.0	3,602.4	44,000.0	300.0	2,826.0	276.6
Net foreign currency exposure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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

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

ECB rates	31 Dec. 2011	31 Dec. 2010
AUD	1.2723	1.3136
CAD	1.3215	1.3322
CHF	1.2156	1.2504
GBP	0.8353	0.86075
HKD	10.051	10.3856
YEN	100.2	108.65
USD	1.2939	1.3362

As at 31 December 2011, 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. 2011	31 Dec. 2010
Euro fixed-rate debt	24,451.6	22,616.1
Euro inflation-linked debt	1,943.8	2,782.2
Euro floating-rate debt (net of cash equivalents)	3,280.5	2,347.4
BPL loan	21.4	0.0
Total	**29,697.2**	**27,745.7**

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 2011, 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 2010.

(in millions of euros)

Summary of interest rate impacts		31 Dec. 2011				31 Dec. 2010			
		Profit or loss		Equity		Profit or loss		Equity	
		Impact after change in interest rates of		Impact after change in interest rates of		Impact after change in interest rates of		Impact after change in interest rates of	
Instrument		+ 50 pb	- 50 pb	+ 50 pb	- 50 pb	+ 50 pb	- 50 pb	+ 50 pb	- 50 pb
Derivatives designated as fair value hedges		(39.4)	41.3	0.0	0.0	(16.9)	17.5	0.0	0.0
Debt designated as fair value hedges		46.0	(48.2)	0.0	0.0	20.3	(21.0)	0.0	0.0
Total ineffective portion of cash flow hedges	(a)	6.6	(6.8)	0.0	0.0	3.4	(3.5)	0.0	0.0
Total ineffective portion of cash flow hedges		11.2	(12.1)	–	–	6.1	(6.6)	–	–
Total ineffective portion of cash flow hedges		0.0	0.0	580.9	(650.3)	0.0	0.0	485.5	(539.2)
Total impact of cash flow hedges	(b)	11.2	(12.1)	580.9	(650.3)	6.1	(6.6)	485.5	(539.2)
Trading derivatives	(c)	1.5	(1.8)	0.0	0.0	1.4	(1.7)	0.0	0.0
Floating-rate debt (including short-term debt)	(d)	(37.3)	37.3	0.0	0.0	(29.6)	29.6	0.0	0.0
Cash equivalents	(e)	17.6	(17.6)	0.0	0.0	15.0	(15.0)	0.0	0.0
Provisions		**18.7**	**18.7**	**478.6**	**497.3**	**12.6**	**503.3**	**515.9**	**12.6**

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)	31 Dec. 2011				31 Dec. 2010			
	Assets		Liabilities		Asset		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Derivatives designated as hedges								
Fair value hedges								
Interest rate	0.0	254.6	–	–	–	145.2	–	–
Foreign currency and interest rate	43.0	457.5	6.4	0.8	60.5	202.4	46.5	8.1
Cash flow hedges								
Interest rate	–	33.4	–	510.7	–	27.8	–	266.3
Foreign currency and interest rate	72.7	512.5	24.6	1,441.2	75.2	382.0	66.3	1,413.8
Total derivatives designated as hedges	**115.6**	**1,258.0**	**31.0**	**1,952.7**	**135.7**	**757.3**	**112.8**	**1,688.2**
Derivatives and forward currency transactions not designated as hedges								
Interest rate	4.2	–	18.1	–	30.4	–	24.1	–
Foreign currency and interest rate	110.3	–	0.0	–	62.9	–	43.0	–
Embedded derivatives	30.6	–	111.4	–	1.1	–	37.3	–
Total derivatives and forward currency transactions not designated as hedges	**145.0**	–	**129.5**	–	**94.4**	–	**104.5**	–
Total derivatives	**260.6**	**1,258.0**	**160.5**	**1,952.7**	**230.1**	**757.3**	**217.3**	**1,688.2**

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:

				2011
	Carrying amount (in millions of euros)		Notional amount (in millions of foreign currency)	
	Assets	Liabilities	Assets	Liabilities
Derivatives designated as fair value hedges				
Fixed-rate/floating-rate swaps				
Euro/Euro	254.6	–	2,314.0	–
Fixed-rate/floating-rate cross currency swaps				–
JPY/Euro	67.8	–	19,000.0	–
GBP/Euro	48.2	–	200.0	–
USD/Euro	24.9	6.4	350.0	100.0
CHF/Euro	319.5	–	1,319.5	–
CAD/Euro	40.0	–	132.6	–
HKD/EUR	–	0.8	–	300.0
	755.1	**7.2**	**–**	**–**

				2010
	Carrying amount (in millions of euros)		Notional amount (in millions of foreign currency)	
	Assets	Liabilities	Assets	Liabilities
Derivatives designated as fair value hedges				
Fixed-rate/floating rate swaps				
Euro/Euro	145.2	–	1,114.0	–
Fixed-rate/floating-rate cross currency swaps				
JPY/Euro	39.3	0.0	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	–	300.00
	408.1	**54.6**	**–**	**–**

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:

											2011
	Balance sheet fair value (in millions of euros)		Notional amount (in millions of foreign currency)								
	Assets	Liabilities	Assets	Liabilities	Cash flow hedge reserve	< 6 months	6 months to < 1 year	1 to < 5 years	5 to < 10 years	10 to < 20 years	> 20 years
Derivatives designated as cash flow hedges											
Floating-rate lending/fixed-rate borrowing swaps in euros	33.4	72.8	872.9	500.1	(34.4)	1.3	(8.2)	(13.1)	(4.6)	(7.3)	(2.5)
Floating-rate/fixed-rate cross currency swaps											
GBP	9.8	113.9	50.0	147.4	(31.1)	(4.8)	(5.0)	(26.5)	2.1	3.2	0.0
USD	22.8	–	670.0	–	(5.0)	0.5	(4.1)	(1.4)	0.0	0.0	0.0
Fixed-rate/fixed-rate cross currency swaps											
AUD	21.9	–	150.0	–	0.1	0.1	0.0	0.0	0.0	0.0	0.0
CHF	205.8	–	1,131.0	–	45.4	2.2	1.7	14.2	9.0	16.6	1.8
GBP	12.6	1,332.4	275.0	2,075.0	(729.5)	(14.4)	(13.0)	(109.3)	(135.1)	(204.5)	(253.3)
JPY	77.3	–	25,000.0	–	12.3	0.0	1.3	5.2	5.8	0.0	0.0
USD	2.1	7.4	100.0	250.0	4.1	(0.9	2.9	2.1	0.0	0.0	0.0
Fixed-rate/floating-rate cross currency swaps + Floating-rate/fixed-rate swaps											
CAD	43.5	18.1	144.0	–	(4.7)	(0.6)	0.5	(0.7)	(0.9)	(1.8)	(1.2)
GBP	81.5	408.5	528.0	400.0	(48.9)	(1.7)	(0.6)	(9.1)	(11.1)	(20.5)	(5.9)
USD	–	–	–	–	–	–	–	–	–	–	–
CHF	108.0	23.5	375.6	–	21.4	3.3	(0.8)	10.1	8.7	0.0	0.0
Advance hedges of future issues	–	–	–	–	6.0	(0.1)	(0.1)	(0.5)	(0.2)	(0.2)	7.1
Total	**618.5**	**1,976.5**	**–**	**–**	**(764.3)**	**–**	**–**	**–**	**–**	**–**	**–**

	Balance sheet fair value (in millions of euros)		Notional amount in foreign currency (in millions)								2010
	Assets	Liabilities	Assets	Liabilities	Cash flow hedge reserve	< 6 months	6 months to < 1 year	1 to < 5 years	5 to < 10 years	10 to < 20 years	> 20 years
Derivatives designated as cash flow hedges											
Floating-rate lending/fixed-rate borrowing swaps in euros	18.4	39.5	275.0	455.8	(12.3)	(0.1)	(0.9)	(3.9)	(4.0)	(3.1)	(0.4)
Floating-rate/fixed-rate cross currency swaps											
GBP	–	116.9	–	197.4	(28.3)	(1.0)	(1.5)	(16.0)	(4.3)	(5.4)	–
USD	15.6	0.1	620.0	50.0	3.2	(0.7)	(1.8)	5.7	0.0	0.0	0.0
Fixed-rate/fixed-rate cross currency swaps											
AUD	18.7	–	150.0	–	0.7	0.1	–	0.6	–	–	–
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	–	(1.1)	(4.4)	5.9	7.4	–
USD	2.4	6.4	100.0	250.0	13.7	(1.6)	(0.8)	(2.6)	18.7	–	–
Fixed-rate/floating-rate cross currency swaps + Floating-rate/fixed-rate swaps											
CAD	23.9	2.8	144.0	–	(14.0)	(0.7)	0.1	(2.2)	(2.8)	(5.5)	(2.9)
GBP	0.0	338.5	0.0	920.6	(11.8)	(0.1)	(1.8)	(7.3)	(8.8)	6.5	(0.4)
USD	0.0	–	0.0	–	0.0	–	–	–	–	–	–
CHF	118.3	12.6	600.0	0.0	11.9	0.8	(0.3)	2.2	7.5	1.7	0.0
Advance hedges of future issues	–	–	–	–	3.5	(0.3)	(0.3)	1.0	1.6	0.6	0.8
Total	**485.0**	**1,746.4**	**–**	**–**	**(481.6)**	**–**	**–**	**–**	**–**	**–**	**–**

Derivatives not designated as hedges as at 31 December 2011

				2011
	Fair value (in millions of euros(		Notional amount (in millions of foreign currency)	
	Assets	Liabilities	Assets	Liabilities
Derivatives not designated as hedges	**145.0**	**129.5**	–	–
Interest rate swaps	4.2	18.1	868.0	1,648.1
Currency instruments				
GBP	9.3	0.0	250.0	75.0
CHF	–	–	–	–
USD	101.0	–	2,191.0	–
Embedded derivatives	30.6	111.4	305.5	681.5

				2010
	Fair value (in millions of euros)		Notional amount (in millions of foreign currency)	
	Assets	Liabilities	Assets	Liabilities
Derivatives not designated as hedges	**94.4**	**104.5**		
Interest rate swaps	30.4	24.1	1,231.5	1,701.5
Currency instruments				
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
HKD/EUR	40.0	40.0	40.0	40.0

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 2011 is:

- -€95.3 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 €19 million as at 31 December 2011.

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 2011.

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 2011) for financial liabilities as at 31 December 2011 and 31 December 2010. 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.

(in millions of euros)								
								2011
	Carrying amount	**Total cash flows**	**< 6 months**	**6 months to < 1 year**	**1 to < 5 years**	**5 to < 10 years**	**10 to < 20 years**	**< 20 years**
Long-term borrowings - euros	(22,903.9)	(33,116.4)	(594.1)	(626.3)	(8,188.7)	(7,011.6)	(12,506.2)	(4,189.6)
Long-term borrowings - foreign currencies	(9,053.7)	(14,582.6)	(855.2)	(728.1)	(2,458.3)	(3,360.1)	(3,002.9)	(4,178.0)
Short-term debt	(2,128.8)	(2,005.8)	(1,565.5)	(440.3)	0.0	0.0	0.0	0.0
Trade payables(*)	(422.2)	(422.2)	(422.2)	–	–	–	–	–
Other current financial liabilities	(1,993.7)	(1,993.7)	(1,993.7)	–	–	–	–	–
Derivative financial instruments - cash flows receivable	–	19,720.0	2,516.9	1,225.2	3,018.9	4,983.5	3,393.5	4,582.0
Derivative financial instruments - cash flows payable	–	(21,008.1)	(2,540.4)	(1,240.9)	(3,094.4)	(5,283.2)	(3,878.5)	(4,970.6)
	(594.6)	–	–	–	–	–	–	–
Total outstanding financial liabilities	**(37,096.8)**	**(53,408.9)**	**(5,454.4)**	**(1,810.3)**	**(10,722.5)**	**(10,671.4)**	**(15,994.1)**	**(8,756.2)**
Trade receivables	722.1	722.1	722.1	–	–	–	–	–
Grants	957.8	957.8	957.8	–	–	–	–	–
Cash and cash equivalents	4,410.4	4,410.4	4,410.4	–	–	–	–	–
Total current assets	**6,090.3**	–	–	–	–	–	–	–

(in millions of euros)								
								2010
	Carrying amount	Carrying amount	< 6 months	6 months to < 1 year	1 to < 5 years	5 to < 10 years	10 to < 20 years	< 20 years
Long-term borrowings - euros	(20,241.3)	(29,679.4)	(640.7)	(410.9)	(8,166.2)	(6,503.2)	(10,311.2)	(3,647.2)
Long-term borrowings - foreign currencies	(9,816.9)	(15,350.0)	(1,534.3)	(614.9)	(2,950.2)	(2,307.9)	(4,082.2)	(3,860.5)
Short-term debt	(1,789.4)	(1,811.9)	(1,674.2)	(137.7)	0.0	0.0	0.0	0.0
Trade payables(*)	(672.4)	(672.4)	(672.4)	–	–	–	–	–
Other current financial liabilities	(1,696.0)	(1,696.0)	(1,696.0)	–	–	–	–	–
Derivative financial instruments - cash flows receivable	–	19,597.1	3,197.6	796.4	3,320.9	2,801.0	5,298.3	4,182.9
Derivative financial instruments - cash flows payable	–	(20,744.6)	(3,160.3)	(793.6)	(3,298.1)	(2,851.8)	(5,953.8)	(4,687.1)
	(918.1)	–	–	–	–	–	–	–
Total outstanding financial liabilities	**(35,134.1)**	**(50,357.2)**	**(6,180.3)**	**(1,160.6)**	**(11,093.6)**	**(8,861.9)**	**(15,048.9)**	**(8,011.9)**
Trade receivables	656.3	656.3	656.3	–	–	–	–	–
Grants	919.5	919.5	919.5	–	–	–	–	–
Cash and cash equivalents	4,101.9	4,101.9	4,101.9	–	–	–	–	–
Total current assets	**5,677.7**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

(*) excluding accrued credit notes.

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. 2011	31 Dec. 2010
Long-term receivables and guarantee deposits paid	4.4	25.7	4.3
Fair value of derivatives not designated as hedges	4.15.3	145.0	94.4
Fair value of derivatives designated as hedges	4.15.3	1,373.6	893.0
Trade receivables	4.6	722.1	656.3
Grants receivable	4.8	957.8	919.5
Current accounts	4.4	3.8	5.8
Other receivables (excluding prepaid expenses)	4.7	609.0	495.0
Cash and cash equivalents	4.9	4,410.4	4,101.9
Total		**8,247.4**	**7,170.2**

Management of customer risk

The aged listing of trade receivables past due as at 31 December 2011 is as follows:

(in millions of euros) **Outstanding amount**		Current		Non-current
		< 6 months	> 6 months	
Past due trade receivables not provided	25.3	26.0	(2.7)	2.0
Past due trade receivables provided	41.8	4.4	3.8	33.6
Provision for doubtful receivables	(30.1)	(5.5)	(5.9)	(18.7)
Total	**37.0**	**24.9**	**(4.9)**	**16.9**

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 2011 is as follows:

(in millions of euros) **Outstanding amount**		Current		Non-current
		< 6 months	> 6 months	
Past due grants receivable not provided	43.0	28.2	1.1	13.7
Past due grants receivable provided	2.4	0.0	0.3	2.1
Provision for doubtful receivables	(2.3)	0.0	(0.2)	(2.1)
TOTAL	**43.2**	**28.2**	**1.5**	**18.0**

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

The aged listing of grants receivable past due as at 31 December 2011 is as follows:

(in millions of euros)				
Outstanding amount		Current		Non-current
		< 6 months	> 6 months	
Past due asset disposal trade receivables not provided	43.0	28.2	1.1	13.7
Past due asset disposal trade receivables provided	2.4	0.0	0.3	2.1
Provision for doubtful receivables	(2.3)	0.0	(0.2)	(2.1)
Total	**43.2**	**28.2**	**1.2**	**13.7**

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 in percentage of 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, and Fitch.

Fair value of financial instruments

(in millions of euros)

31 Dec. 2011	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	Level 3 Fair value measured based on illiquid assets
ASSETS													
Asset derivatives allocated to debt	4.15.3	145.0	–	1,373.6	–	–	–	–	1,518.6	1,518.6	–	1,518.6	–
Trade receivables	4.6	–	–	–	–	–	722.1	–	722.1	722.1	–	722.1	–
Other financial assets	4.4	–	–	–	–	–	72.5	–	72.5	72.5	–	72.5	–
Cash and cash equivalents	4.9	–	4,410.4	–	–	–	–	–	4,410.4	4,410.4	4,410.4	–	–
Total		**145.0**	**4,410.4**	**1,373.6**	**0.0**	**0.0**	**794.6**	**0.0**	**6,723.6**	**6,723.6**	**4,410.4**	**2,313.2**	**0.0**
LIABILITIES													
RFF long-term debt	4.14	–	–	–	–	–	–	30,138.8	30,138.8	33,383.2	–	33,383.2	–
Long-term debt transferred from SNCF	4.14	–	–	–	–	–	–	1,840.0	1,840.0	2,276.4	–	2,276.4	–
Short-term debt	4.14	–	–	–	–	–	–	2,128.8	2,128.8	2,128.8	–	2,128.8	–
Liability derivatives allocated to debt	4.15.3	129.5	–	1,983.7	–	–	–	–	2,113.2	2,113.2	–	2,017.9	95.3
Trade payables	4.17	–	–	–	–	–	–	422.2	422.2	422.2	–	422.2	–
Other financial liabilities	4.16 and 4.19	–	–	–	–	–	–	2,089.7	2,089.7	2,089.7	–	2,089.7	–
Total		**129.5**	**0.0**	**1,983.7**	**0.0**	**0.0**	**0.0**	**36,619.5**	**38,732.7**	**42,413.5**	**0.0**	**42,318.2**	**95.3**

(in millions of euros)

31 Dec. 2010	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	Level 3 Fair value measured based on illiquid assets
ASSETS													
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	–	–
Total		**94.4**	**4,101.9**	**893.0**	**0.0**	**0.0**	**720.9**	**0.0**	**5,810.2**	**5,810.2**	**4,101.9**	**1,708.3**	**0.0**
LIABILITIES													
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	4.17	–	–	–	–	–	–	672.4	672.4	672.4	–	672.4	–
Other financial liabilities	4.16 and 4.19	–	–	–	–	–	–	1,787.9	1,787.9	1,787.9	–	1,787.9	–
Total		**104.5**	**0.0**	**1,801.0**	**0.0**	**0.0**	**0.0**	**34,307.9**	**36,213.3**	**38,185.7**	**0.0**	**38,148.4**	**37.3**

Fair value of financial instruments measured through profit or loss

(in millions of euros)

	2011
Opening balance	(37.3)
Gains and losses transferred to profit or loss	(58.0)
Closing balance	(95.3)
Total gains or losses over the period transferred to profit or loss	**(58.0)**

4.16 Other non-current liabilities

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Guarantee deposits received	75.4	74.8
Other	20.6	17.0
Total other non-current liabilities	**96.0**	**91.8**

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

4.17 Trade payables

Trade payables break down as follows:

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Trade payables	38.9	316.8
Purchase invoice accruals	383.3	355.7
Total	**422.2**	**672.4**

As at 31 December 2011, trade payables also include the advance billing by SNCF of the agreement for January.

4.18 Other payables

Other payables break down as follows:

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Tax and employee-related liabilities	190.6	213.9
Deferred income	213.7	214.8
Advances received on fixed assets disposals	2.6	23.6
Customer toll advances	208.1	144.2
Other payables	6.5	(3.5)
Total	**621.5**	**593.0**

"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 1/12th on a monthly basis from the reservation fee invoice payments.

4.19 Other current financial liabilities

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Liabilities relating to property, plant and equipment	1,558.8	1,250.7
Guarantee deposits	434.9	441.9
Current accounts	0.0	3.4
Total	**1,993.7**	**1,696.0**

Guarantee deposits received relate to financial contracts.

4.20 Right of use granted to the concession holder

As part of the SEA concession agreement, a liability known as a "right of use granted to the concession holder" was recorded for €289.7 million as at 31 December 2011. It represents consideration for the share of the investment financed by the concession holder. The amount is based on the percentage of completion as at 31 December 2011.

4.21 Other disclosures

4.21.1 Analysis of the movement in the operating working capital requirement

(in millions of euros)	31 Dec. 2010	Reclassifications	Impact on cash flows	Changes in fair value	31 Dec. 2011
Other payables	365.4	5.7	(51.3)		319.8
Other receivables	(300.6)		(187.9)		(488.6)
Trade receivables	(631.8)		64.7		(567.1)
Tax and employee-related receivables	(198.3)		15.3		(183.0)
Tax and employee-related liabilities	127.4	-5.7	(43.5)		78.2
Trade payables	670.4		250.1		920.5
Operating grants – assets	(178.7)		2.5		(176.2)
Operating grants – liabilities	119.9		6.0		125.9
Working capital requirements	**(26.4)**	**0.0**	**56.0**	**0.0**	**29.7**

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

(in millions of euros)	31 Dec. 2011	o/w movements in WCR	31 Dec. 2010	o/w movements in WCR
Gross amount of property, plant and equipment and intangible assets purchased in the year	(3,867.0)	–	(3,232.4)	–
Change in liabilities relating to property, plant and equipment and intangible assets	248.8	248.8	(37.3)	(37.3)
Cash outflows on purchases	(3,618.2)	248.8	(3,269.7)	(37.3)
Grants allocated in the year	1,284.5	–	1,221.1	–
Change in grants receivable	128.5	128.5	987.1	987.1
Grants collected	1,413.0	128.5	2,208.2	987.1
Net cash flows	**(2,205.2)**	**377.3**	**(1,061.6)**	**949.8**

NOTE 5.

Notes to the Income Statement

5.1 Revenue breakdown by type

Revenue breaks down as follows:

(in millions of euros)	31 Dec. 2011	31 Dec. 2010	Variation
Infrastructure fees	4,513.8	4,204.6	309.2
Additional electricity fees	90.8	86.5	4.3
Other service fees	45.3	46.6	(1.3)
Income from private sidings	13.2	13.6	(0.4)
Sub-total infrastructure commercial revenue	**4,663.1**	**4,351.3**	**311.8**
Electricity transmission	174.6	167.3	7.2
Non-traffic income (direct management or outsourced)	83.9	83.1	0.8
Sales of materials	41.6	30.9	10.7
Other income from ancillary activities	18.1	4.5	13.6
Total revenue	**4,981.3**	**4,637.1**	**344.2**

Infrastructure fees

Infrastructure fees amounted to €4,649.9 million, of which:
— €4,513.8 million for basic railway services;
— €90.8 million for additional electricity fees (€86.5 million in 2010);
— €45.3 million for other service fees (€46.6 million in 2010).

Change in breakdown of fees collected by type

(in millions of euros)

	31 Dec. 2011	31 Dec. 2010	% change
Access charges	1,503.2	1,449.9	–
Reservation charges	1,674.9	1,482.9	–
Traffic charges	1,326.5	1,271.8	–
Income from prior years	**9.2**	–	–
TOTAL MINIMUM SERVICES	**4,513.8**	**4,204.6**	**7.4%**

Of the fees collected, the passenger activity accounts for 97%, representing 85% of traffic, while the Freight activity accounted for 3%, representing 14% of traffic.

Passenger activity fees can be divided into high-speed trains for 38%, national trains for 5%, and regional trains for 57%.

New rail companies, representing 25% of traffic, now pay 21% of Freight activity fees.

The 7.3% increase in basic railway services is primarily attributable to the change in pricing structure largely applied to high-speed lines.

Beginning on 11 December 2011, clockface timetabling modified approximately 85% of train scheduling, the objectives are to increase traffic reliability, extend network capacity for train circulation, and clarify schedules, etc.

Private sidings:

RFF recognised income of €13.2 million in 2011 from the management of private sidings. The amount is comparable to the €13.6 million recorded in 2010.

5.2 Operating grants

Operating grants break down as follows:

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
State grants	786.2	949.7
Other operating grants	17.8	71.1
Total	**804.0**	**1,020.8**

Pursuant to the contractual clauses of the SEA financing agreement, the decrease in other operating grants is due to the re-allocation to the SEA concession holder of the grants previously paid by financial backers to RFF. This reallocation covers a total of €73.2 million, of which €57.4 million in operating grants. Of these grants, the deferred operating grant of €24.6 million as at 31 December 2010 was reversed without any new calculation. The reallocation had a total impact of €32.8 million and was deducted from operating grants.

5.3 Delegated management fees

Delegated management fees break down as follows:

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Delegated management fees for infrastructure management	(2,869.6)	(2,867.6)
Delegated management fees for platform management	(48.5)	(45.7)
Total delegated infrastructure management fees	**(2,918.1)**	**(2,913.4)**
Property management fees	(85.3)	(77.4)
Total delegated management fees	**(3,003.3)**	**(2,990.8)**

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 2011, delegated infrastructure management fees totalled €2,869.6 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.

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 €54.2 million in 2011. The financial agreement for the reimbursement of property charges on property belonging to SNCF and SNCF delegated management services, amounted to €17.1 million in 2011. The cost of this agreement rose by 11.8% compared to 2010.

RFF recorded an expense of €12.8 million for the property management assignments conferred by RFF to Adyal and Nexity, each for a different geographical area.

Fees of €48.5 million were incurred for 2011 under the platform management agreement signed with SNCF, including an adjustment of -€0.1 million for previous years, compared to €45.7 million in 2010.

5.4 Other network expenses

Other network expenses concern the "Electricity Transport" heading.

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Electricity transport	(172.7)	(165.9)
Total	**(172.7)**	**(165.9)**

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-ARD (Card contract) and Électricité de Strasbourg provide for the transmission, via the high-voltage and medium-voltage grid upstream of substations, of the energy used by all rail operators.

Together these services represented an expense of €172.7 million in 2011.
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 €174.6 million in 2011.

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. 2011	31 Dec. 2010
Taxes other than on income - direct management	(42.1)	(44.1)
Taxes other than on income - delegated management	(23.8)	(44.2)
Net (charges)/reversals of provisions for tax risks	(11.0)	8.0
Total	**(76.9)**	**(80.3)**

Taxes other than on income declined slightly by €3.3 million, largely due to the payroll tax.

5.6 Other operating expenses

Other operating expenses break down as follows:

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Study costs net of capitalised production	(62.1)	(52.7)
Railway work and equipment net of capitalised production	(15.2)	(0.2)
Malicious acts	(63.1)	(42.5)
Other external expenses net of capitalised production	(238.1)	(163.6)
Personnel costs net of capitalised production	(103.7)	(92.2)
Total	**(482.2)**	**(351.3)**

The statutory auditor fees totalled €265,800 in 2011, i.e. €120,700 for Mazars and €145,100 for PriceWaterhouseCoopers.

Malicious damage by identified and unidentified third parties, and the impact of accidents and damage caused by adverse weather conditions totalled €63 million for 2011.
The amount includes prior-year adjustments for €9 million.

5.6.1 Personnel costs

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Salaries	(69.8)	(64.8)
Payroll taxes	(33.8)	(27.4)
Total	**(103.7)**	**(92.2)**

5.6.2 Workforce

RFF had a workforce of 1,410 in 2011, compared to 1,299 year on year, for an increase of 8.5%.

5.6.3 Remuneration of key management personnel

Total remuneration of the members of the RFF Executive Committee in 2011 was €1,436,44. The Committee had an average of 7.02 members during the year.
Benefits in kind, which solely cover company vehicles, amounted to €21,550.5 in 2011.

5.7 Investment grants released to profit or loss

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Investment grants released to profit or loss	300.8	207.6
Grants for upgrade and compliance work released to profit or loss	113.0	130.3
Total	**413.9**	**337.9**

Investment grants include for €56 million the estimated impact of delays in recording commissionings.

5.8 Other recurring income and expenses

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Bank charges	(0.0)	(0.1)
Other expenses	(18.4)	(40.3)
Other recurring expenses	**(18.4)**	**(40.5)**
Net gains on disposals of investment property	100.0	115.1
Other income	116.9	10.4
Other recurring income	**216.9**	**125.5**

Other expenses mainly include net carrying amounts of asset disposals and certain charges to provisions.
Other expenses primarily include provision reversals with no offsetting entries.
These items are not, in theory, comparable from one period to another.

The capital gain generated on asset disposals amounted to €83.4 million in 2011, compared to €84.6 million in 2010.

5.9 Other non-recurring income and expenses

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Impairment	(0.1)	(0.9)
Other non-recurring expenses	**(0.1)**	**(0.9)**
Grants reversals	(0.6)	0.1
Other non-recurring income	**(0.6)**	**0.1**

5.10 Cost of net debt

The cost of net debt breaks down as follows:

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Expenses on liabilities recognised at amortised cost	(1,212.8)	(1,203.5)
Fair value gains (losses) on debt hedged by FVH	(230.2)	(7.0)
Income (expense) on derivatives designated as FVH	243.2	9.5
Income (expense) on derivatives not designated as FVH	(62.1)	(1.2)
Premium/discount on foreign currency derivatives	(19.9)	(8.0)
Total cost of gross debt	**(1,281.8)**	**(1,210.1)**
Income (expense) on assets measured at fair value	33.1	12.8
Cost of net debt	**(1,248.7)**	**(1,197.3)**

** 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. 2011	31 Dec. 2010
Interest for the period on FVH swaps	67.1	95.4
Fair value gains and losses on derivatives designated as FVH	232.5	12.0
Income (expense) on derivatives designated as FVH	**299.6**	**107.3**
Fair value gains and losses on fair value hedged debt	(230.2)	(7.0)
Income (expense) on FVH	**69.4**	**100.4**

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

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Net interest received/paid on CFH swaps	(81.0)	(96.1)
Release to profit or loss of amounts deferred in equity	15.5	4.6
Ineffective portion of cash flow hedges	9.1	(6.3)
Income (expense) on derivatives designated as CFH	**(56.4)**	**(97.8)**

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

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Net interest received/paid on swaps not designated as hedges	(4.3)	(0.6)
Fair value gains (losses) on derivatives not designated as hedges	(57.7)	(0.6)
Income (expense) on derivatives not designated as hedges	**(62.1)**	**(1.2)**

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 2011, amounts deferred in equity break down as follows (in millions of euros):

(in millions of euros)	
As at 31 December 2009	**(455.1)**
Amounts released to 2010 profit or loss*	452.9
Change in equity	(479.4)
As at 31 December 2010	**(481.6)**
Amounts released to 2011 profit or loss*	(127.3)
Change in equity	(155.4)
As at 31 December 2011	**(764.3)**

** Including the impact of currency derivatives designated as cash flow hedges immediately transferred to profit or loss in the amount of €423.9 million in 2010 and -€204.7 million in 2011.*

5.11 Other financial income and expenses

Other financial income and expenses break down as follows:

(in millions of euros)	**31 Dec. 2011**	31 Dec. 2010
Interest income on current accounts	1.4	7.4
Other financial income	2.1	10.9
Other financial income	**3.5**	**9.2**
Interest expense on current accounts	(6.1)	(4.9)
Other financial expenses	0.1	(0.8)
Other financial expenses	**(6.0)**	**(5.8)**

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

The scope of entities related to RFF comprises the French State and SNCF. The impacts on the income statement and on the balance sheet are detailed below.

Relations with the French State:

In accordance with legislation applicable to companies in which the French State is the sole shareholder, 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).

Impact on net income:

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Operating grant	786.2	949.7
Grant for upgrade and compliance work	118.2	135.0
Total	**904.4**	**1,084.7**

Impact on the balance sheet:

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Grant for upgrade and compliance work	3,977.7	4,095.9
Operating grant receivable	11.4	8.9
Total	**3,989.1**	**4,104.8**

Relations with SNCF:
Relations between RFF and SNCF are governed by agreements. Act no. 97-135 of 13 February 1997 which created RFF provides, in Article 1, that an agreement between RFF and SNCF must set, in particular, the conditions of performance and remuneration of the management services delegated to SNCF, which include traffic and circulation management, the operation and maintenance of the technical infrastructure and network safety. To this end, RFF and SNCF signed agreement no. 98-007 on 26 October 1998. Decree no. 97-444 of 5 May 1997 stipulates that this agreement can provide, if necessary, for the signature of specific agreements of appropriate terms for the performance of the different services entrusted to SNCF. A specific agreement was thus signed for the management of platforms, passenger departure and arrival terminals and related facilities. Similarly, the agreement signed on 19 May 1999 sets out the respective obligations of RFF and SNCF for the performance of research relating to the national rail network. Two agreements govern capital investment by RFF; the first defines the conditions of combined purchases, logistics and the transport of centrally managed supplies and the second addresses services relating to these operations.
In addition to these agreements of a purely rail-related nature, a property management contract defines the conditions under which RFF delegates management of property to SNCF and the agreement concerning RFF's debt with SNCF sets out the components of the debt transferred and the manner in which it is to be repaid.

Main impacts of activities relating to SNCF

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Income: tolls	3,196.8	2,997.3
Expenses: management agreements	2,989.0	2,977.5
Production of property, plant and equipment delegated to SNCF	2,565.2	2,335.9

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).

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 €108.1 million as at 31 December 2011, compared with €112.2 million as at 31 December 2010 and mainly included an agreement to sell relating to the Batignolles site in Paris for €103 million.

Commitments relating to PPP and concession agreements

• GSM-R

— Bank guarantee:
RFF 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 2011, RFF benefited from a guarantee for €29.6 million.

— Other commitments:
As at 31 December 2011, investment fees payable by RFF with respect to the agreement amount to €632.6 million (present value), while maintenance operation fees amount to €519.9 million.
Financing receivable amounted to €525 million (present value).

• BPL

Assets under construction to be recorded amounted to €2,194.8 million (present value), taking into account the percentage of completion as at 31 December 2011.

The earned grant to be recorded amounted to €1,376.8 million (present value), taking into account the percentage of completion as at 31 December 2011.

• SEA

Asset under construction and earned grant to be recorded until completion:
The asset under construction to be recorded amounts to €4,626.3 million (present value), taking into account the percentage of completion as at 31 December 2011.

The earned grant to be recorded amounts to €2,516.6 million (present value), taking into account the percentage of completion as at 31 December 2011.

RFF as guarantor:
The guarantee issued by RFF in favour of Caisse des dépôts-Direction des Fonds d'Epargne amounts to €757.2 million, and is effective as of July 2011.
The guarantee will bear interest as of July 2011.

RFF as state contributor to financing:
The amount payable by RFF regarding its contribution to financing amounts to €1,084.3 million as at 31 December 2011.

RFF as fundraiser from third parties:
Grants not yet claimed from third-party financial backers and repaid to the concession holder amount to €2,758 million as at 31 December 2011.

Other commitments: contract early termination clauses

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

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

Cancellation clause for force majeure or unforeseen events: In the event of cancellation for force majeure or unforeseeable circumstances, RFF shall pay the concession holder a fixed compensation under the terms and principles set out in the jurisprudence of the French Council of State (Conseil d'Etat).

In the early termination assumptions, the financing agreement stipulates that the French State will reimburse RFF for the amount of the compensation due to the concession holder, less the value of future revenues for RFF regarding the infrastructure whose management RFF will reassume.

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

Other commitments relating to the operating period: Grand Projet Sud Ouest ("GPSO" clause): one year following the inauguration of three high-speed lines namely, Bordeaux-Toulouse, Bordeaux-Hendaye, and Poitiers-Limoges, the concession holder shall repay RFF a portion of the traffic revenues generated the previous year by any of the aforementioned lines in operation. This repayment represents approximately 25% of the difference between the actual revenues generated and the expected theoretical revenues. Should the difference be negative, the amount payable to RFF by the concession holder is nil and no amount is owed to the concession holder by RFF.

Financial recovery clause: as of the 5th year of operations, the concession holder shall repay RFF a "financial recovery fee", corresponding to a repayment of traffic revenues based on the difference between actual and expected revenues. Should the difference be negative, the amount payable to RFF by the concession holder is nil and no amount is owed to the concession holder by RFF. The latter repays the amount of this fee to the French State and the regional authorities that are signatory to the financing agreement in proportion to their investment.

NOTE 8.

Subsequent events

CNM public-private partnership agreement

In January 2012, RFF designated the Bouygues Travaux Publics (TP) consortium as the prospective winning bidder for the partnership agreement covering the Nîmes-Montpellier bypass, with a view to its finalisation.
The project covers 80 km of new lines, of which 60 km of high-speed lines between Manduel (east of Nîmes) and Lattes (west of Montpellier), and 20 km of connections to the old network (10 km for Rhone right bank connections and 10 km for connections to Jonquières, Lattes and Manduel).
The consortium will be responsible for the design, construction, maintenance, and financing of the bypass line to be used for both freight and passengers.
The line's construction is expected to extend over four years with completion expected for 2017.
The successful bidder will thus build and maintain the new line for a term of 25 years.
The objective is to sign the agreement with the prospective partner and the final financing plan during the first half of 2012.
The project has a total investment budget of €2.06 billion, of which 1.83 billion for the partnership agreement.
The project will be financed by an RRF contribution and by public funding, whose amount has yet to be determined.
The public funding will include the State and several local authorities, namely the Languedoc–Roussillon Regional Council, the Gard General Council, and the Greater Montpellier and Greater Nîmes Urban Communities.

STATUTORY AUDITORS' REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS

Statutory Auditors' report on the consolidated financial statements

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.

For the year ended 31 December 2011

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 2011, 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 consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2011 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 the following notes to the consolidated financial statements:

– Notes 2.3 "Other items of comparability" and 4.3.3 "Assets commissioned during the year" to the consolidated financial statements which present the estimated impact of delays in recognising the commissioning of projects that are contracted out.

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

- ongoing litigation regarding the flooding in Arles in December 2003;
- provisions for decontamination and environmental risks, based on currently available information regarding the assets to be treated.

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 "Impairment of infrastructure in operational use" describes the methods used by the Group to carry out impairment tests on 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 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. With the exception of the possible impact of the matters set out in the first part of this report, we have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, 15 March 2012

The Statutory Auditors

Mazars
Xavier Charton
PricewaterhouseCoopers Audit
Florence Pestie

DIRECTOR’ REPORT

ON THE FINANCIAL STATEMENTS

Fiscal year 2011 was marked by a **net profit of +€250.5 million, including net non-recurring income of +€191.7 million and corporate income tax of -€25.1 million.**

RFF recorded for the first time a **tax expense of €25.1 million** in respect of 2011, pursuant to the provisions of the 2011 amending finance laws governing the minimum taxation payable by companies and new loss carry-forward rules.

Operating profit totalled **+€1,345.4 million** for the year ended 31 December 2011, compared to +€1,411.4 million for the year ended 31 December 2010.

Net finance costs totalled **-€1,261.6 million** for the year ended 31 December 2011, compared to -€1,200.7 million for the year ended 31 December 2010.

Expenditure incurred in rail network infrastructure projects amounted to **€3,593.8 million** in 2011, compared to €3,226.7 million in 2010.

Equity, including investment grants, amounted to **€12.29 billion** as at 31 December 2011.

I.

Financial performance over the year and comments on key figures

1. INCOME STATEMENT

Net profit for 2011 amounted to €275.6 million, taking into account a net non-recurring income of €191.7 million, compared to a net profit of €294.0 million and a net non-recurring income of €83.3 million for the year ended 31 December 2010.

Net profit for the year.

(in millions of euros)			
Income statement	**2011**	2010	**Change**
EBITDA	**2,139.4**	**2,092.4**	**47.0**
Operating profit	1,345.4	1,411.4	(66.0)
Net finance costs	(1,261.6)	(1,200.7)	(60.9)
Net non-recurring income	191.7	83.3	108.4
Income taxes	(25.1)	0.0	(25.1)
Net profit for the year	**250.5**	**294.0**	**(43.5)**

Operating profit totalled +€1,345.4 million for the year ended 31 December 2011, a decrease compared to the €1,411.4 million recorded in 2010.

The table below shows the main changes in operating profit.

Net finance costs increased by €60.9 million to stand at -€1,261.6 million compared to 31 December 2010.

Net non-recurring income in 2011 includes the gain or loss arising from the disposal of land and property assets as well as a non-recurring provision reversal.

Changes in operating income and expenses

(in millions of euros)	2011	2010	Change
Infrastructure fees	4,648.6	4,338.0	310.6
Property rental income	83.9	83.1	0.8
Operating grant – State	786.2	949.7	(163.5)
Other operating income	253.0	220.1	32.9
Capitalised production	74.4	19.6	54.8
Delegated management fees	(3,002.9)	(2,990.5)	(12.4)
Studies and construction costs (net of grants)	(111.9)	(26.7)	(85.2)
Other external expenses	(421.1)	(318.7)	(102.4)
Other operating expenses	(170.8)	(182.2)	11.4
Change in EBITDA	**2,139.4**	**2,092.4**	**47.0**
Depreciation and amortisation expense	(1,130.2)	(991.9)	(138.3)
Charges to provisions for impairment of projects in progress (net of reversals)	1.5	2.3	(0.8)
Charges to provisions for operating contingencies and losses (net of reversals)	(90.1)	(31.4)	(58.7)
Charges to provisions for impairment of current assets (net of reversals)	(1.3)	(12.4)	11.1
Investment grants released to profit	419.1	342.6	76.5
Other	7.0	9.8	(2.8)
Change in operating profit	**1,345.4**	**1,411.4**	**(66.0)**

1.1 Changes in operating income

1.1.1 Infrastructure fees

Infrastructure fees amounted to €4,648.6 million, of which:

- €4,513.8 million for basic railway services,
- €90.8 million for additional electricity fees (€86.5 million in 2010),
- €44.0 million for other service fees (€46.6 million in 2010).

(in millions of euros)	2011	2010	Change (%)
Access charges	1,503.2	1,449.9	3.7
Reservation charges	1,674.9	1,482.9	12.9
Traffic charges	1,326.5	1,271.8	4.3
Prior year income	9.2	0.0	–
Total basic railway services	**4,513.8**	**4,204.6**	**7.3**

Of the fees collected, the passenger activity accounts for 97%, representing 85% of traffic, while the Freight activity accounted for 3%, representing 14% of traffic.

Passenger activity fees can be divided into high-speed trains for 38%, national trains for 5% and regional trains for 57%.

New rail companies, representing 25% of traffic, now pay 21% of Freight activity fees.

The 7.3% rise in basic railway services was mainly attributable to the annual price increase mostly applied to high-speed lines.

Additional electricity fees totalled €90.8 million, up 5% compared to 2010.

Other service fees stood at €44 million, down 5.5% compared to 2010.

Additional electrical transmission fees totalled €174.6 million, compared to €167.3 million in 2010.

The set-up of clockface timetabling as from 11 December 2011 modified around 85% of train times. Its objectives are to improve traffic reliability, increase network capacity and therefore the number of trains in circulation, and enhance timetable clarity.

The table below shows changes in traffic during the year:

Change in traffic by activity

(in millions of train-kms)

	2011	2010	Change (%)
High-speed trains	**135.9**	**134.2**	**1.3**
SNCF	131.0	132.6	(1.2)
New rail companies	4.9	1.6	206.2
National trains	**47.3**	**45.8**	**3.3**
SNCF	47.3	45.8	3.3
New rail companies	0.0	–	–
Regional passenger trains	**241.9**	**227.4**	**6.4**
Passenger activity	**425.1**	**407.4**	**4.3**
Freight	**72.0**	**75.4**	**(4.5)**
SNCF*	54.4	63.1	(13.8)
New rail companies*	17.6	12.3	43.1
Other	**2.1**	**2.0**	**5.0**
Miscellaneous	1.8	2.0	(10.0)
Infra	**0.3**	**–**	**–**
Total	**499.2**	**484.8**	**3.0**

** Including authorised candidates.*

The traffic ratio in 2011 rose by more than 4 points to 92.2% compared to 2010, primarily due to the absence of external disruptions in 2011 compared to the previous year.

The 3% overall rise in traffic is to be weighted in relation to the impact of the favourable comparison compared to 2010 (year heavily impacted by labour movements and unforeseen climatic events).

High-speed train activity increased by 1.3%. The 1.2% decline for SNCF in this sector was attributable to a change in Group structure between 2010 and 2011 (Eurostar was shown as a new rail company in the last quarter of 2010) and a streamlining of the high-speed train offering, particularly in inter-sector markets.

National train activity benefited from the regulation of virtually all its trains as Trains d'Equilibre du Territoire, thus curbing the steady decline in traffic.

Regional and Paris suburb trains (Trains Express Régionaux and Transilien) reported steady 6.4% growth compared to 3.7% last year. In 2011, this activity represented almost half of national rail network traffic.

The decline in Freight activity continued in 2011: -4.5% in traffic compared to the previous year. This decrease may be due to the optimisation of the previous operator's activity (switchover from a single wagon to a MultiWagon – MultiCustomer policy) and follows the trend observed in recent years (-13% between 2009 and 2010). The steady growth of new rail companies did not offset the decline in traffic.

1.1.2 Property rental income

Property rental income, excluding rebilled charges, totalled €81.8 million in 2011, compared to €81.5 million in 2010.

Property rental income is allocated to four major categories: rail (10.4% vs. 8.4% in 2010), land and property (59.9% vs. 64% in 2010), telecommunications (22.4% vs. 23% in 2010), and networks and sundry authorisations (7.3% vs. 4.6% in 2010).

(in millions of euros)	2011	2010
	2011 activity	2010 activity
Rental income – Rail	8.5	6.9
Rental income – Land and property	49.0	52.2
Rental income – Telecommunications	18.3	18.7
Rental income – Networks and sundry authorisations	6.0	3.7
Total	**81.8**	**81.5**

"Land and property" income stood at €49 million, down 6.13% compared to 2010. A significant portion comprises advertising revenue (station and non-station scopes), totalling €26.2 million and representing 53% of income from the "Land and property" category.

"Telecommunications" income for 2011 represented €18.3 million, compared to €18.7 million in 2010, the decrease being attributable to the transfer of GSMR to PPP projects.

"Rail" income is divided between the fees paid to the combined transport projects (50%) and SNCF Entreprise Ferroviaire occupancy fees, as well as passenger parking and freight occupancy fees.

1.1.3 State operating grant

The change in the State operating grant taking into account pricing modifications in 2011 breaks down as follows:

(in millions of euros)	2011	2010
Standard national passenger trains	244.3	242.0
Freight*	541.9	707.7
Total	**786.2**	**949.7**

** Of which freight compensation amounting to €189 million in 2011 and €193 million in 2010.*

1.1.4 Other operating income

1.1.4.1 Private sidings

At 31 December 2011, income from private sidings totalled €13.2 million, compared to €13.6 million at 31 December 2010.

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 €41.6 million in 2011, compared to €30.9 million in 2010, i.e. an increase of €10.7 million.

1.1.5 Capitalised production

Capitalised production concerned operating costs and totalled €74.4 million in 2011, compared to €19.6 million in 2010, i.e. a €54.8 million increase. This amount includes the reclassification of previously recorded expenses of €49.6 million so as to make them available to the concession holder of the SEA PPP agreement, with the total assets under construction provided amounting to €186.1 million.

1.1.6 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 2011 totalled €419.1 million, including €118.2 million in grants for upgrade and compliance work.

1.2 Change in operating expenses

1.2.1 Delegated management fees

1.2.1.1 Rail network infrastructure and platform management fees

Delegated infrastructure management fees are paid within the scope of two agreements covering maintenance and traffic management for the French national rail network that also determine the projected annual basic fees.

For 2011, network infrastructure operating and maintenance fees totalled €2,021.3 million after capitalisation of expenses of €47.9 million in 2011 relating to the individualised and monitored maintenance contract out of a total of €84.8 million invoiced.

The fees break down as follows:
- €1,931.5 million for maintenance, including major maintenance work (excluding Greater Paris),
- €36.9 million for individualised and monitored maintenance operations,
- €45.2 million for the financial impact of the SNCF personnel pension reform,
- €26.7 million for additional major maintenance operations in the Greater Paris Region,
- €9.3 million in research and other costs,
- -€28.3 million for prior-year adjustments, including -€19.7 million due to the pension effect.

For 2011, traffic management fees amounted to €847.9 million.
The cost of platform management delegated to SNCF amounted to €48.5 million for 2011, including prior-year adjustments of -€0.1 million, compared to €45.7 million in 2010.

1.2.1.2 Property management

Property management activities are split between SNCF and the managers (Adyal and Nexity until 2011).

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.

Property management is governed by two agreements with SNCF:

— a services contract for activities entrusted to SNCF. The cost of this agreement was €54.2 million for the year ended 31 December 2011, including tax planning fees and claim repayments. The 10% increase compared to 2010 (€49 million) is the result of a growing number of property operations (claims, responses to solicitations from neighbouring owners following tighter regulation and insurers' coverage) and the development of the major repairs programme (+ €2 million compared to 2010) for the restoration of buildings that have housed the infrastructure's technical installations for many years.

— a financial agreement for the reimbursement of charges relating to property owned by SNCF and occupied by infrastructure installations or SNCF departments for delegated management purposes. In addition to a prior-year adjustment of €0.2 million, the cost of this agreement amounted to €16.9 million in 2011, up 10.5% compared to 2010, corresponding to the weight of the increase in the cost of energy in indexing, and a better identification of the surface areas used by the French rail traffic management in SNCF's buildings.

The total charge to SNCF as agent amounts to €71.3 million for the year ended 31 December 2011.

For the other service providers, the charge amounts to €13.9 million. This mainly concerns Adyal and Nexity, whose management expenses for the year ended 31 December 2011 totalled €12.8 million, stable compared to 2010 (€12.4 million).

Finally, as was the case for the network, property restoration measures were required. The increase in other management expenses (€18 million in 2011 compared to €6 million in 2010) mostly concerned the major repairs carried out on property not housing infrastructure technical installations.

1.2.2 Studies and construction costs (net of grants)

1.2.2.1 Study costs

(in millions of euros)	2011	2010	Change	%
Operating studies	45.0	38.4	6.6	17.2
General studies	16.9	14.3	2.6	18.2
Total	**61.9**	**52.7**	**9.2**	**17.5**

Study costs stood at €61.9 million in 2011, up 17.5% compared to 2010. These costs comprise development phases for identified investment projects (73%) and general and strategic studies (27%).

Investment project studies

Expenditure for project studies amounted to €45 million, divided into development projects for 86% and network quality improvement and upgrade projects for 9%. The remaining 5% concerns investment projects for other activities.

(in millions of euros)	Amount as at 31 Dec. 2011
Development	**38.7**
Major national projects before work	21.3
Major national projects in progress	3.2
Major national PPP projects	3.2
Regional development projects	11
Network quality improvement	**3.4**
Technological development	0
GMSR-R	0.7
Other	2.7
Upgrade work	**0.6**
Tracks	0.2
Other	0.4
Other	**2.3**
Other	2.3
Total	**45.0**

Fiscal year 2011 was marked by an increase in investment project studies by €6.6 million or 17%. This rise is mainly attributable to studies on national projects before work (+€5.9 million), national projects in progress (+€2.3 million, primarily for the Eastern high-speed line) and regional projects (+€1.3 million), whereas PPP project study expenses declined (-€2.6 million) given their progress.

More specifically, the main studies on development projects before work concern:
- PACA high-speed line for €7.6 million,
- Poitiers Limoges high-speed line for €4 million,
- Paris Normandy new line for €2.9 million,
- Montpellier Perpignan new line for €2.7 million,
- Paris Orleans Clermont Lyon high-speed line for €1.6 million,
- Extension of the RER E west for €0.5 million.

Other activities amounting to €2.3 million in 2011 primarily include IT project studies (€0.6 million), study expenditure incurred in disposal projects and business investment studies.

General and strategic studies

General and strategic study expenditure totalled €16.9 million, including €5 million for the development of the sales campaign and €2.8 million for the improvement of network performance.

The €2.5 million rise compared to 2010 was partly due to the requirements of the new industrial and contractual partnership initiated with the SNCF.

1.2.2.2 Construction and maintenance work, and railway equipment

This heading comprises expenditure for projects that have not yet entered the capitalisation phase and claims and malicious damage for a total amount of €67.6 million as at 31 December 2011.

— expenditure for projects that have not yet entered the capitalisation phase totalled €4.6 million in 2011, compared to €2.6 million in 2010.

— malicious damage by identified and unidentified third parties, and the impact of accidents and damage caused by adverse weather conditions totalled €63 million in 2011, including prior-year adjustments in the amount of €9 million.

1.2.2.3 Other operating grants

Other operating grants amounted to €17.8 million, compared to €71.1 million in 2010.

Pursuant to the contractual clauses of the SEA financing agreement, the decrease in other operating grants is due to the re-allocation to the SEA concession holder of the grants previously paid by financial backers to RFF. This reallocation covers a total of €73.2 million, of which €57.4 million in operating grants. Of these grants, the deferred operating grant of €24.6 million as at 31 December 2010 was reversed without any new calculation. The reallocation had a total impact of €32.8 million and was deducted from operating grants.

The decline was also due to the SNCF grant recorded in 2010 for major maintenance operations in the Greater Paris Region in the amount of €37.3 million that was not renewed in 2011.

Excluding these 2 impacts, other operating grants increased by €16.7 million in 2011, compared to 2010.

1.2.3 Other external purchases

Other external purchases and expenses" amounted to €421.1 million for the year ended 31 December 2011, compared to €318.7 million in 2010, for an increase of €102.4 million. This heading mainly includes:

- Supply of electricity used at RFF installations for €172.7 million, compared to €165.9 million in 2010.
- Other external services, remuneration of service providers, rental expenses, maintenance and repair costs and sundry operating costs amounted to €229.3 million for the year ended 31 December 2011, compared to €143.2 million for the year ended 31 December 2010.
- Cost of personnel made available to RFF amounted to €8.3 million for the year ended 31 December 2011, compared to €7.8 million for the year ended 31 December 2010.

1.2.4 Other operating expenses

1.2.4.1 Personnel costs

The headcount increased from 1,299 as at 31 December 2010 to 1,410 as at 31 December 2011, representing a year-on-year rise of 8.5%.

Personnel costs amounted to €104.9 million for the year ended 31 December 2011, compared to €94 million in 2010, for an increase of 11.6%.

1.2.4.2 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 €65.9 million, compared to €88.2 million in 2010.

This decrease was due to the recognition in 2010 of a €17.3 million tax expense for fiscal year 2009. The provision raised for this amount as at 31 December 2009 was reversed in 2010.

1.2.5 Depreciation and amortisation expenses

The total expense for the year amounted to €1,130.20 million, compared to €991.8 million for 2010. The 2011 expense includes the €130.9 million estimated impact arising from the delay in the recording of commissioning. At the same time, the impact of this adjustment includes grant reversals in the amount of €56 million.

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 €8.5 million for the year ended 31 December 2011, in tandem to a reversal of €10 million. The provision thus amounted to €26.8 million, covering 535 projects and the portion of expenditure financed by RFF.

1.2.7 Charges to provisions for operating contingencies and losses

1.2.7.1 Decontamination

The French Chart of Accounts (*Plan Comptable Général*) and the French National Accounting Committee (*Conseil National de la Comptabilité*) opinion 00-01 on liabilities require entities that are under an obligation in respect of decontamination or environmental risks to recognise a provision. This applies, in particular, to provisions for property asset asbestos removal, removal of PCBs in railway equipment and reprocessing of creosote ties.

RFF has implemented asbestos removal, decontamination and standards compliance programmes for its assets and waste. These programmes cover buildings in the RFF property portfolio, 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 €26.1 million for the year ended 31 December 2011, taking into account an additional charge of €1.2 million. The upgrades of the Gobelins site installations are ongoing. The provision recognised for the year ended 31 December 2011 amounted to €12.9 million after a charge of €1.7 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 €2.6 million for the year ended 31 December 2011, following a €0.9 million charge and a €4.3 million reversal in addition to the alignment with project expenditure plans.

The analyses carried out in 2011 helped to update certain provision amounts, more specifically risk provisions for the soil pollution of disposed land and the obligation to reprocess wood creosote ties, which hence totalled

€99.1 million at 31 December 2011, after a total charge of €75.4 million.

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

1.2.7.2 Other risks

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

1.3 Net finance costs

Net finance costs stood at -€1,261.6 million in 2011, compared to -€1,200.7 million in 2010, for a decrease of €60.9 million.

(in millions of euros)	**2011**	2010	**Change**
Short-term debt	15.5	4.9	10.6
Long-term debt *Of which change in inflation indexation provision*	(1,276.8) (54)	(1,214.1) (48.1)	(62.77)
Net finance costs from ordinary financing activities	**(1,261.3)**	**(1,209.2)**	**(52.1)**
Other financial items	(0.3)	8.5	(8.8)
Net finance costs	**(1,261.6)**	**(1,200.7)**	**(60.9)**

This increase was attributable to an increase in debt in terms of volume and a market context with less favourable interest rates in 2011.

The average cost of the RFF debt was 4.45% in 2011, compared to 4.30% in the previous year.

For comparison purposes, the average 3-month Euribor and 10-year swap rates stood at 1.39% and 3.09% in 2011, compared to 0.81% and 3.04% in 2010, respectively.

Total debt for the year ended 31 December 2011 broke down as follows: 82% fixed rate, 11% floating rate and 7% indexed to inflation.

1.4 Net non-recurring income

The framework agreement governing the Paris-Left Bank development project was completely renegotiated in 2011 and now guarantees a profit on completion for RFF. Accordingly, the 2011 financial statements include a partial reversal of the previously recorded provision for losses on completion.

The line item also comprises the gain or loss on property asset disposals. The capital gain arising on these asset disposals totalled €83.4 million in 2011, compared to €84.6 million in 2010.

The most significant disposals in 2011 concern:

- in Paris, several lots regarding the Paris-Left Bank development project, in order to set up programme combining housing, stores and offices;
- in Paris, the old station building of La Muette to the current restaurant owner;
- in Nice, two lots inside the train station under the PEM project;
- in Nancy, the disposal of land situated in the ZAC Grand Cœur, which will host a mixed office/housing programme;
- in Tours, the disposal of the former postal sorting office located near the train station, which will host a programme combining private and public housing, offices and stores.

1.5 Non-tax deductible expenses

Non-tax deductible expenses as specified in Article 39-4 of the French General Tax Code amounted to €46,148 in 2011.

2. BALANCE SHEET

2.1 Property, plant & equipment and intangible assets

2.1.1 Production and acquisition of rail network property, plant & equipment and intangible assets

Total property, plant and equipment investments increased by €429.8 million to **€3,666.3 million** at 31 December 2011, compared to €3,236.5 million for the same period in 2010, and include: :

- **Investments in ongoing projects of €3,593.8 million**

— Projects carried out by agents on behalf of RFF amounted to €2,629 million for 2011, compared to €2,383.1 million in 2010, for an increase of 10.32%

— RFF direct production amounted to €818.5 million in 2011 (including €359.3 million for the Eastern High speed line Phase 2, 184.9 millionfor the eastern leg of the Rhine-Rhone high-speed line and €37.4 million for GSMR), compared to €812.3 million for the same period in 2010, up by 0.76%

— Production with the GSMR and BPL PPP totalled €141.3 million at 31 December 2011, of which €71.1 million for GSMR and €70.2 million for BPL, compared to €26 million and €0 million at 31 December 2010, respectively.

— Advances for investment land increased by €5 million to stand at €27.5 million as at 31 December 2011.

- **other investments of €72.5 million,**

- €47.9 million for acquisitions under the individualised and monitored maintenance contrac;
- and €9.3 million for buyback of assets from the French Rail Traffic Management (DCF).

Total intangible asset investments totalled **€150.8 million** at 31 December 2011, of which **€25 million** for the buyback of intellectual property rights over rail network IT applications

This amount also includes RFF's financing in the amount of **€109.1 million** for the SEA PPP agreement, pursuant to its Article 4, representing the future economic benefits expected to flow to RFF following the set-up of this concession agreement.

(See the detailed table on investment expenditure, page 98.)

The increase in capitalised expenditure for development projects amounted to €107 million (+7.7%) and includes:

- A rise in regional development projects by €158.2 million (+29.6%) arising from the progress made in operations under the 2007-2013 State-Region project;
- A moderate decline in major projects by €51.1 million (-6%), considering the completion of the work on the eastern leg of the Rhine-Rhone high-speed line (-€229.3 million), offset by an acceleration in the work on phase 2 of the Eastern high-speed line (+€236.1 million).
- Refurbishment projects increased by +€188 million (+11.3%):
- Regarding upgrade projects, the €165.9 million (+11.1%) increase concerns rail operations for €51.4 million (intensification of work on UIC line traffic indicators 1 to 6, slowdown of work on indicators 7 to 9), work on the centralised network control for €60.5 million and the upgrade of Civil engineering structures and earthworks for €51.5 million.
- Regarding network quality improvement operations, the €22.4 million (+13.5%) increase primarily concerns RFF project management expenses for the GSMR agreement (+€26.1 million) and security (+€11.5 million) whereas accessibility work declined by €15 million.

2.1.2 Investment projects commissioned during the year

Project commissioning recorded as at 31 December 2011 amounted to €8,354.1 million compared to €618.3 million at 31 December 2010. This increase was primarily due to the estimated amount of commissioned SNCF mandated projects for €5,518.7 million and the commissioning of the Rhine Rhone high-speed line for €2,275.3 million.

Commissions covered the following:
(See the detailed table on commissions, page 99.)

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.

Breakdown of capitalised investment expenditure

(in millions of euros)	31 Dec. 2011	31 Dec. 2010	Change
Major development projects	**801.8**	**852.9**	**(51.1)**
Major national projects BEFORE work	37.7	22.5	–
Major national projects IN PROGRESS	639.8	687.1	–
Major PPP projects – portion under delegated management	124.4	143.3	–
Regional development projects	**692.5**	**534.3**	**158.2**
Regional development projects	692.5	534.3	–
Network quality improvement	**188.4**	**166.1**	**22.4**
Safety	42.5	31	–
Train access	51.4	66.3	–
Punctuality	26.2	25.9	–
Technological development (ERTMS, etc.)	4.0	4.7	–
GSMR	43.7	17.6	–
Performance enhancement	10.9	15.8	–
Environment (acoustics, PNB, etc.)	9.7	4.7	–
Upgrade work	**1,659.2**	**1,493.30**	**165.9**
Tracks	1,156.5	1,105.10	–
Signalling and telecoms (excluding GSMR)	244.6	176.7	–
Electric traction	55.6	62.1	–
Civil engineering structures and earthworks	183.9	132.4	–
Other programmes (GHV, EM, etc.)	18.6	17	–
Sales investments and studies	**15.7**	**19.4**	**(3.7)**
Sales investments and studies	15.7	19.4	
Land/property	**28.6**	**21.9**	**6.7**
Land/property	28.6	21.9	–
Work for third parties	**27.4**	**34.7**	**(7.4)**
Work for third parties	27.4	34.7	–
Other	**35.8**	**63.2**	**(27.4)**
Other	35.8	63.2	–
Total excluding PPP	**3,449.3**	**3,185.8**	**263.5**
PPP Projects	**141.3**	**26.0**	**115.3**
GSM-R contract PPP	71.1	26.0	–
BPL contract PPP	70.2	–	–
Total	**3,590.6**	**3,211.80**	**378.8**

Commissions

(in millions of euros)	31 Dec. 2011	31 Dec. 2010	Change
Major development projects	**2,615.7**	**59.7**	**2,555.9**
Major national projects IN PROGRESS	2,615.7	59.7	–
Other	–	–	–
Regional development projects	**192.4**	**86.5**	**105.9**
Regional development projects	192.4	86.5	–
Network quality improvement	**1.8**	**76.5**	**(74.8)**
Safety	0.4	29.9	–
Train access	0.0	13.1	–
Punctuality	0.8	28.3	–
GSMR	0.0	0.0	–
Performance enhancement	0.4	4.1	–
Environment (acoustics, PNB, etc.)	0.1	1.1	–
Upgrade work	**18.7**	**359.0**	**(340.3)**
Tracks	6.2	190.2	–
Signalling and telecoms (excluding GSMR)	1.0	24.4	–
Electric traction	0.2	42.0	–
Civil engineering structures and earthworks	10.5	88.8	–
Other programmes (GHV, EM, etc.)	0.9	13.5	–
Sales investments and studies	**0.0**	**8.2**	**(8.2)**
Sales investments and studies	0.0	8.2	–
Land/property	**1.5**	**7.5**	**(6.0)**
Land/property	1.5	7.5	–
Work for third parties	**1.4**	**20.6**	**(19.2)**
Work for third parties	1.4	20.6	–
Other	**3.9**	**0.3**	**3.7**
Other	3.9	0.3	–
Commissioning adjustment	**5,518.7**	**0.0**	**5,518.7**
Commissioning adjustment	5,518.7	0.0	–
Total	**8,354.1**	**618.3**	**7,735.8**

2.2 Investment grants

2.2.1 Grants for upgrade and compliance work

The amount of this grant allocated to newly commissioned assets in 2011 was €20.5 million. It will be released to profit or loss over a period of 51 years.

Grants released to profit or loss amounted to €118.2 million at 31 December 2011.

Net grants for upgrade presented in equity totalled €3,977.6 million at 31 December 2011, including grants for upgrade on assets under construction of €329.6 million.

2.2.2 Other investment grants

Other grants included in equity amounted to €12,448.3 million as at 31 December 2011, compared to €11,464.6 million as at 31 December 2010, for an increase of €983.7 million (8.6%).

- Net grants on commissioned assets totalled €10,438.8 million, compared to €6,221 million at the end of 2010.
Grants on newly commissioned assets totalled €4,518.7 million at 31 December 2011, of which €2,387 million for the estimated impact of delays in the commissioning of projects delegated to the SNCF. Grants released to profit or loss in the same period amounted to €300.8 million, of which €56 million for the estimated impact of delays in the commissioning of projects delegated to the SNCF. It should be noted that depreciation and amortisation charges include an amount of €130.9 million for the estimated impact of delays in the commissioning of projects delegated to the SNCF.

- Earned investment grants on assets under construction, calculated on a percentage of completion basis, totalled €2,009.5 million as at 31 December 2011, compared to €5,243.6 million at the end of 2010. Earned investment grants relating to expenditure over the period amounts to €1,286 million (including PPPs).

2.3 Breakdown of net debt

(in millions of euros)	31 Dec. 2011	31 Dec. 2010	Change
Long-term debt			
Debt transferred from SNCF	1,830.1	1,935.1	(105.0)
Debt contracted by RFF	29,154.2	27,778.8	1,375.3
Long-term debt (A)	30,984.3	29,714.0	1,270.3
Short-term debt (B)	2,651.2	2,403.9	247.3
Cash and cash equivalents net of bank overdrafts (C)	4,402.8	4,089.8	313.1
Net debt (A + B - C)	**29,232.7**	**28,028.1**	**1,204.6**
Net debt excluding accrued interest	**28,587.3**	**27,423.6**	**1,163.7**

RFF raised an amount of €3.3 billion in 2011 on the international capital markets in 20 public and private operations denominated in euros, US dollars, pounds sterling or Swiss francs.

3. CASH FLOW STATEMENT

Cash generated in 2011 rose by €312.2 million compared to a €2,087.3 million increase in 2010.

(in millions of euros)	2011	2010	Change
Operating cash flow	2,119.7	2,147.4	(27.7)
Change in working capital requirements	(57.4)	(41.0)	(16.4)
Net cash from operating activities	2,062.3	2,106.3	(44.0)
Net cash used in investing activities	(3,500.0)	(3,169.8)	330.2
Net cash from financing activities	1,750.0	3,150.7	(1,400.7)
Change in net cash position	312.2	2,087.3	(1,775.1)
Net cash at beginning of the year	**4,089.8**	**2,002.5**	**–**
Net cash at end of the year	**4,401.7**	**4,089.8**	**–**

Operating cash flow before cost of net debt and after income taxes amounted to €2,119.7 million as at 31 December 2011, compared to €2,147.4 million as at 31 December 2010. It was stable considering the negative income tax impact of -€25.1 million in 2011.

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 the rise in asset purchase costs, despite the slight improvement in disposal gains.

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 decline in this cash position was mainly due to the decrease in grants collected and, to a lesser extent, the lesser increase in gross debt in terms of volume.

4. TRADE PAYABLE SETTLEMENT PERIOD

As at 31 December 2011, trade payables represented €708.4 million (reconciled with the amounts appearing in the financial statements) and break down as follows:

(in millions of euros)	2011	2010	Change
Trade payables and related accounts in balance sheet liabilities	1,972.2	1,932.2	40.0
Of which accrued expenses	(1,249.0)	(1,014.0)	(235.0)
Of which warranties and contract penalties	(14.8)	(17.2)	2.4
Total trade payables	**708.4**	**901.0**	**(192.6)**

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

(en millions d'euros)	31 Dec. 2011	31 Dec. 2010	Change
Maturity	**Amount**	**Amount**	
Outstanding invoices	647.5	840.3	(192.8)
Outstanding by less than 30 days	6.4	8.7	(2.3)
Outstanding by more than 30 days	54.5	52.0	2.5
Total	**708.4**	**901.0**	**(192.6)**

The decrease in outstanding invoices stems mainly from the CGI invoicing for January 2011, i.e. €195.5 million recorded in advance in December 2010.

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

II.

Major events of 20111

Signing of the SEA concession agreement
On 16 June 2011, RFF signed a 50-year concession agreement with Liséa, whose main shareholders are Vinci, CDC and AXA.
This project involves the construction of 340 km of new track, including 302 km of high-speed rail, between Tours and Bordeaux as well as 38 km of connections.
The project's financing plan breaks down as follows:

— Senior debt contracted by Liséa in the amount of €3 billion, of which
1. Commercial banks – project debt risk: €612 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: €757 million
— Shareholders' equity: €772 million
— State grants (State, local authorities, European Union) and RFF's contribution: €4.04 billion.

RFF therefore serves primarily as the concession grantor and public sector contributor to the financing and, exceptionally, as guarantor of the CDC loan via the Fonds d'Épargne (Savings Fund Division), for approximately €757.2 million.

RFF has also been assigned a role as an intermediary regarding fund calls from third party financial backers and transfers to the concession holder.

The financial statements for the year ended 31 December 2011 reflect the concession agreement impacts for the first time.

Signing of the BPL Public-Private Partnership agreement
On 28 July 2011, RFF signed a Public-Private Partnership agreement with Eiffage Rail Express for the design, construction, maintenance and financing of the BPL high-speed line, between Le Mans and Rennes, comprising 214 km in new track, of which 182 km high-speed.
The project also includes the construction of 32 km in connections to the existing network. The agreement has a 25-year term.

The total project cost is estimated at €3.34 billion.

Its financing is covered by a financing and construction agreement signed on 13 July 2011 between the French State, local authorities and RFF. The agreement breaks down as follows:
— RFF share for 42.8%, or €1,432 billion,
— Contributions from the French State for 28.4% and local authorities for 28.4%,or a total of €1.9 billion,
— European grants for €11 million.

The financial statements for the year ended 31 December 2011 reflect the partnership agreement impacts for the first time.

III.

Change in accounting policy

No changes were made to accounting policies in 2011.

IV.
Subsequent events

CNM public-private partnership agreement
In January 2012, RFF designated the Bouygues Travaux Publics (TP) consortium as the prospective winning bidder for the partnership agreement covering the Nîmes Montpellier bypass, with a view to its finalisation.

The project covers 80 km of new lines, of which 60 km of high-speed lines between Manduel (east of Nîmes) and Lattes (west of Montpellier), and 20 km of connections to the old network (10 km for Rhone right bank connections and 10 km for connections to Jonquières, Lattes and Manduel).

The consortium will be responsible for the design, construction, maintenance, and financing of the bypass line to be used for both freight and passengers.

The line's construction is expected to extend over four years with completion slated for 2017.

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

The objective is to sign the agreement with the prospective partner and the final financing plan during the first half of 2012.

The project has a total investment budget of €2.06 billion, of which €1.83 billion for the partnership agreement.

The project will be financed by an RRF contribution and by public funding, whose amount has yet to be determined. The public funding will include the State and several local authorities, namely the Languedoc–Roussillon Regional Council, the Gard General Council, and the Greater Montpellier and Greater Nîmes Urban Communities.

V.
Other information

In accordance with Article L.225-37 of the French Commercial Code, the chairman of the Réseau Ferré de France Board of Directors shall report on the Board's composition, the terms and conditions governing the preparation and organisation of the Board's work and the internal control and risk management procedures implemented by the company, while listing those procedures relating to the drafting and processing of accounting and financial information for the parent company financial statements.

STATUTORY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS

ASSETS

(in millions of euros)	Note 7.	31 Dec. 2011			31 Dec. 2010
		Gross	Depreciation, amortisation and provisions	Net	Net
Intangible assets	1.1 / 1. 2	221.6	63.9	157.7	14.4
Property, plant and equipment	1.1 / 1. 2	49,505.2	12,114.3	37,390.9	30,104.9
Assets under construction	1.1 / 1.4	7,402.3	71.1	7,331.3	12,227.4
Property, plant and equipment made available to the concession holder	1.1	186.1		186.1	0.0
Long-term investments	1.5	25.7		25.7	4.3
Non-current assets		**57,341.0**	**12,249.3**	**45,091.7**	**42,351.0**
Advances and down payments on orders in progress		83.3		83.3	67.6
Trade receivables and related accounts	1.7	752.4	30.4	722.1	656.0
Other receivables	1.6	1,841.9	24.1	1,817.8	1,648.2
Short-term investments, cash and cash equivalents	1.9	4,411.7		4,411.7	4,102.7
Prepaid expenses	1.10	126.3		126.3	326.2
Current assets		**7,215.6**	**54.5**	**7,161.2**	**6,800.8**
Deferred charges	1.11	583.9	419.9	164.0	174.0
Bond redemption premiums	1.11	12.6	9.8	2.8	3.6
Unrealised foreign exchange losses	**1.12**	**225.0**		**225.0**	**287.9**
Total assets		**65,378.1**	**12,733.5**	**52,644.7**	**49,617.3**

EQUITY AND LIABILITIES

(in millions of euros)	Note 7.	**31 Dec. 2011**	31 Dec. 2010
Capital injections	1.13	9.764.6	9.764.6
Accumulated deficit	1.13	(14,151.4)	(14,445.4)
Net income /(loss)	1.13	250.5	294.0
Investment grants	1.13	16,425.9	15,560.5
Equity		**12,289.6**	**11,173.7**
PROVISIONS	**1.15**	**723.8**	**804.2**
Borrowings	1.16	33,669.0	32,133.4
Advances and down payments received on orders in progress	1.17	227.4	166.0
Trade payables and related accounts	1.19	1,972.2	1,932.2
Tax and employee-related liabilities	1.19	227.2	213.9
Other payables	1.18	2,792.3	2,562.1
Deferred income	1.20	743.2	631.8
Total liabilities		**39,631.3**	**37,639.4**
Unrealised foreign exchange gains		0.0	0.0
Total equity and liabilities		**52,644.7**	**49,617.3**

INCOME STATEMENT

(in millions of euros)	Note 7.	31 Dec. 2011	31 Dec. 2010
Sales of materials	2.1	41.6	30.9
Sales of own services	2.1	4,939.7	4,606.2
Net revenue		**4,981.3**	**4,637.1**
Capitalised production		74.4	19.6
Operating grants	2.2	804.0	1 020.8
Release of grants for investments, upgrade and compliance work	1.13	419.1	342.6
Release of provisions, impairment losses (and depreciation and amortisation), expense reclassifications		47.4	72.9
Other income		4.3	4.1
Operating income		**6,330.5**	**6,097.1**
Delegated management fees	2.3	3,002.9	2,990.5
Studies		62.1	52.7
Work		67.6	45.1
Other purchases and external expenses	2.4	421.1	318.7
Taxes other than on income	2.5	65.9	88.2
Wages and salaries	2.6	73.0	65.5
Social security contributions	2.6	31.9	28.5
Charges to depreciation and amortisation and impairment	1.2 / 1.4	1,138.6	1,007.7
Charges to provisions for current assets	1.8	10.0	22.1
Charges to provisions for operating contingencies and losses	1.15	111.9	66.6
Operating expenses		**4,985.1**	**4,685.7**
Net operating profit/(loss)		**1,345.4**	**1,411.4**
Other interest and similar income		519.2	470.8
Releases of provisions	1.15	116.9	0.0
Foreign exchange gains		0.6	2.4
Income from short-term investment (disposals and interest)		38.6	19.4
Financial income		**675.4**	**492.6**
Interest and similar charges on debt		1,205.0	1,174.6
Other financial expenses		524.6	445.5
Charges to provisions	1.15	55.3	48.5
Foreign exchange losses		130.2	1.8
Amortisation of deferred charges	1.11	21.7	22.9
Financial expenses		**1,937.0**	**1,693.3**
Net financial income/(loss)		**(1,261.6)**	**(1,200.7)**
Net profit/(loss) from ordinary activities before tax		**83.8**	**210.7**
Capital transactions		100.0	115.1
Non-capital transactions		0.0	(0.0)
Release of provisions, impairment, expense reclassifications		108.4	0.1
Non-recurring income		**208.4**	**115.2**
Capital transactions		16.6	31.0
Non-capital transactions		0.0	0.0
Charges to depreciation and amortisation, provisions and impairment	1.4	0.1	0.9
Non-recurring expenses		**16.7**	**31.9**
Net non-recurring items		**191.7**	**83.3**
Employee profit-sharing		0.0	0.0
Income tax expense		25.1	0.0
Net profit/(loss) for the year		**250.5**	**294.0**

CASH FLOW STATEMENT

(in millions of euros)	Note 7.	31 Dec. 2011	31 Dec. 2010
Cash flows from operating activities			
Net profit/(loss) for the year		250.5	294.0
Elimination of non-cash income and expenses		609.3	649.2
Cost of debt		1,259.9	1,204.2
Operating cash flow before changes in working capital requirements		**2,119.7**	**2,147.4**
Changes in working capital requirements		(57.4)	(41.0)
Net cash from operating activities	**3.1**	**2,062.3**	**2,106.4**
Cash flows from investing activities			
Acquisitions of PP&E and intangible assets		(3,616.5)	(3,269.8)
Disposals of PP&E and intangible assets		116.4	99.9
Change in guarantee deposits		(0.0)	0.1
Net cash used in investing activities	**3.2**	**(3,500.0)**	**(3,169.8)**
Net cash used in investing activities	**179,8**	**34.0**	**179.8**
Cash flows from financing activities			
Debt issues		7,589.1	9,508.4
Loan repayments		(6,053.9)	(7,816.0)
Investment grants		1,413.0	2,208.1
Change in collateral		(7.0)	429.4
Other deposits and guarantees received		0.6	0.6
Net interest paid		(1,191.8)	(1,179.7)
Net cash from financing activities	**3.3**	**1,750.0**	**3,150.7**
Net change in cash position		**312.2**	**2,087.3**
Net cash position at the beginning of the year		**4,089.5**	**2,002.5**
Net cash position at the end of the year		**4,401.7**	**4,089.5**
Change in net cash position		**312.2**	**2,087.3**

ANNEXES

The statutory financial statements for the year ended 31 December 2011 were approved by the Board of Directors on 15 March 2012.

1. Presentation of Réseau Ferré de France (RFF)

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

This Act and the related enabling legislation (Decree nos. 97-444, 97-445 and 97-446) transferred ownership of the French rail infrastructure previously held by SNCF to Réseau Ferré de France, which was created as an independent entity.

The 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 no. 2006-1534 of 7 December 2006 provided additional clarifications regarding the functions of both companies and the manner in which they are to be carried out.

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

— the assets taken over by RFF as at 31 December 1996 were recorded at their net 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).

Réseau Ferré de France also recorded €20.5 billion worth of debt transferred from SNCF in its opening balance sheet, as provided for under Act no. 97-135 of 13 February 1997, which established Réseau Ferré de France.

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 no. 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

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.

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.

2.1.2 Property, plant and equipment commissioned

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.

Property, plant and equipment categories

In accordance with French Accounting Regulations Committee (CRC – *Comité de la Réglementation Comptable*) regulation no. 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.

Depreciation of property, plant and equipment

As part of the CRC regulation no. 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

Valuation of commissioned property, plant and equipment:

Step 1. Allocation of assets to cash-generating units

CRC regulation no. 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 no. 2002-10 and used the concept of the cash-generating unit as defined by IFRS (IAS 36).

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

The first group identified by 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,
— corporate income tax since the Second Amending Finance Act of 2011.

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

c) Cash flow 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 RFF 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.

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

b) Valuation method used for land
The land and buildings allocated to the Property CGU were valued on 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.

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 amount of future State contributions to infrastructure costs or other operating grants,

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 follow the same accounting treatment as the corresponding expenditure:
— 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 off set 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 no. 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 provisions for asbestos removal and the elimination of creosote ties.

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 methods

No changes were made to accounting policies in 2011.

4. Significant events

Signing of the SEA concession agreement

On 16 June 2011, RFF signed a 50-year concession agreement with Liséa, whose main shareholders are Vinci, CDC and AXA.

This project involves the construction of 340 km of new track, including 302 km of high-speed rail, between Tours and Bordeaux as well as 38 km of connections.

The project's financing plan breaks down as follows:
- Senior debt contracted by Liséa in the amount of €3 billion, of which:
  - Commercial banks – project debt risk: €612 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: €757 million,
- Shareholders' equity: €772 million,
- State grants (State, local authorities, European Union) and RFF's contribution: €4.04 billion in current euros.

RFF therefore serves primarily as the concession grantor and public sector contributor to the financing and, exceptionally, as guarantor of the CDC loan via the Fonds d'Épargne (Savings Fund Division), for approximately €757.2 million.

RFF has also been assigned a role as an intermediary regarding fund calls from third party financial backers and transfers to the concession holder.

The financial statements for the year ended 31 December 2011 reflect the concession agreement impacts for the first time (see Note 7.1.1).

Signing of the BPL Public-Private Partnership agreement

On 28 July 2011, RFF signed a Public-Private Partnership agreement with Eiffage Rail Express for the design, construction, maintenance and financing of the BPL high-speed line, between Le Mans and Rennes, comprising 214 km in new track, of which 182 km high-speed. The project also includes the construction of 32 km in connections to the existing network. The agreement has a 25-year term.

The total project cost is estimated at €3.34 billion in current euros.

Its financing is covered by a financing and construction agreement signed on 13 July 2011 between the French State, local authorities and RFF. The agreement breaks down as follows:
- RFF share for 42.8%, or €1,432 billion,
- Contributions from the French State for 28.4% and local authorities for 28.4%,or a total of €1.9 billion,
- European grants for €11 million.

The financial statements for the year ended 31 December 2011 reflect the concession agreement impacts for the first time (see Note 7.1.5).

Estimate of the impact arising from the delayed commissioning of projects delegated to SNCF

The accounting procedure to record assets under projects delegated to SNCF has been interrupted for nearly two years pending the release of the new automated system to record commissionings called GEREMI. This project has met with difficulties and has been delayed, and the release is now set for the end of the first quarter of 2012.

In order to reflect the economic reality of the commissionings in the accounts, additional entries based on estimated amounts have been recorded:
- Commissioned assets: €5,518.7 million,
- Grants for commissioned assets: €2,387 million,
- Additional amortisation charge: €130.9 million,
- Additional reversal of grants: €56 million.

5. Comparability of the financial statements

With the exception of the first-time consideration of the impacts of the BPL and SEA contracts, no event occurred that could have influenced the presentation or comparability of the financial statements approved for the year ended 31 December 2011.

6.

Subsequent events

CNM public-private partnership agreement

In January 2012, RFF designated the Bouygues Travaux Publics (TP) consortium as the prospective winning bidder for the partnership agreement covering the Nîmes Montpellier bypass, with a view to its finalisation.

The project covers 80 km of new lines, of which 60 km of high-speed lines between Manduel (east of Nîmes) and Lattes (west of Montpellier), and 20 km of connections to the old network (10 km for Rhone right bank connections and 10 km for connections to Jonquières, Lattes and Manduel).

The consortium will be responsible for the design, construction, maintenance, and financing of the bypass line to be used for both freight and passengers.

The line's construction is expected to extend over four years with completion expected for 2017.

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

The objective is to sign the agreement with the prospective partner and the final financing plan during the first half of 2012.

The project has a total investment budget of €2.06 billion, of which €1.83 billion for the partnership agreement.

The project will be financed by an RRF contribution and by public funding, whose amount has yet to be determined.

The public funding will include the State and several local authorities, namely the Languedoc–Roussillon Regional Council, the Gard General Council, and the Greater Montpellier and Greater Nîmes Urban Communities.

7.

Notes to the balance sheet, income statement and the cash flow statement

7.1 Notes to the balance sheet

7.1.1 Property, plant and equipment and intangible assets

See table on page 118.

Capital expenditure:

Capital expenditure for property, plant and equipment for 2011 amounted to €3,666.3 million.

The amount includes:

• €3,593.8 million for capital expenditure in progress breaking down as follows:

— €3,588.8 million for rail infrastructure investment projects, of which:

- €818.5 million in direct production,

- €141.3 million for PPP production (GSMR: €71.1 million and BPL: €70.2 million),

— €5 million increase in down payments for investment land.

• €72.5 million in other capital expenditure, of which

- €47.9 million for individualised and monitored maintenance,

- €9.3 million in asset purchases from French Rail Traffic Management (DCF) and other operating expenses.

With respect to the SEA private-public partnership, PP&E under construction for €186.1 million was made available to the concession holder in accordance with the agreement.

These assets comprise general studies, expenses relating to property acquisitions and an advance of €4.7 million with respect to investment land.

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. 2011
Intangible assets						
Software	66.1	8.4	7.3	(0.1)		81.7
Software in progress	4.8	8.4	(7.2)	(0.0)		5.9
Intellectual property rights	0.0	25.0				25.0
SEA intangible assets	0.0	109.1				109.1
Total intangible assets: gross value	**70.9**	**150.8**	**0.1**	**(0.1)**	**0.0**	**221.6**
Land	4,916.6	0.5	33.8		(14.0)	4,936.9
Improvements to land	764.8	4.0	401.2	(0.0)		1.170.0
Improvements to premises	26.0	2.0	(0.0)	(0.0)	0.0	27.9
Line earthworks	4,823.6	0.0	611.7			5,435.3
Buildings	895.9	3.9	41.8	(1.6)	(2.6)	937.4
Improvements to buildings	87.4	0.0	0.1			87.5
Tracks	12,235.0	37.7	5,977.0			18,249.8
Level crossings	520.1	10.2	6.9			537.1
Civil engineering structures	8,863.7	0.0	891.3			9,754.9
Electrification	3,033.5	0.0	213.2	(0.1)		3,246.6
Signalling	3,975.8	0.1	117.9	(0.0)		4,093.8
Telecommunications	926.7	3.3	59.2	(0.1)	(0.0)	989.1
Computer equipment	19.0	5.5	0.1	(0.0)	(0.2)	24.5
Billboards	3.8	0.0				3.8
Machinery and equipment	0.0	3.1				3.1
Vehicles	0.0	1.1				1.1
Office equipment	0.6	0.7	(0.2)		(0.0)	1.1
Furniture	4.7	0.3	0.2			5.3
Total gross value of PP&E	**41,097.3**	**72.5**	**8,354.1**	**(1.8)**	**(16.8)**	**49,505.2**
PP&E under construction	12,275.9	3,588.8	(8.485.9)	1.8	(1.0)	7,379.6
PP&E made available to the concession holder			136.5	49.6		186.1
Advances on PP&E under construction	23.9	5.0	(4.8)	0.5	(1.8)	22.7
Total gross value of PP&E under construction	**12,299.8**	**3,593.8**	**(8,354.1)**	**51.9**	**(2.9)**	**7,588.4**

This expenditure was recorded via expense reclassifications that were previously expensed for €49.6 million via a capitalised production and expense account already recognised in investments in ongoing projects for €136.5 million.

In 2011, capital expenditure for intangible assets amounted to €150.8 million, of which €25 million for intellectual property rights concerning IT applications in the area of SNCF rail operations for RFF.
Intangible assets acquired in 2011 also comprise for €109.1 million the share of the grant paid by RFF to the SEA project concession holder with respect to its Article 4 financing.

Assets commissioned during the year
Assets commissioned amounted to €8,354.1 million in 2011, compared to €618.3 million in 2010, for an increase of €7,735.8 million.

The assets break down as follows:
- €2,801.5 million in projects carried out directly by RFF, of which:
- €61.5 million for the Pont de Garonne, €123.4 million for the Fréjus tunnel, €339.9 million for Haut Bugey and €2,275.3 million for Rhine-Rhône;
- €33.9 million for projects whose management was delegated to SNCF;
- €5,518.7 million estimate for the delays in recording the commissioning of projects delegated to SNCF.

7.1.2 Depreciation and amortisation schedule

(in millions of euros)

Asset category	Accumulated depreciation and amortisation as at 31 Dec. 2010	Charges	Transfers	Decreases	Accumulated depreciation and amortisation as at 31 Dec. 2011
Intangible assets					
Software	56.4	7.4			63.9
Total amortisation of intangible assets	**56.4**	**7.4**	**0.0**	**0.0**	**63.9**
Line earthworks	1,041.6	104.1			1,145.7
Improvements to land	96.2	29.5			125.7
Buildings	124.0	30.5		(0.5)	154.1
improvements to premises	14.5	2.6			17.1
Improvements to buildings	63.5	5.8			69.3
Tracks	3,890.6	511.5			4,402.1
Level crossings	472.3	7.5			479.8
Civil engineering structures	1,517.5	140.2			1,657.7
Electrification	1,072.9	107.4			1,180.3
Signalling	1,935.2	144.1			2,079.3
Telecommunications	741.6	36.1	0.0	(0.0)	777.6
Computer equipment	15.2	2.0	(0.0)	(0.2)	17.0
Billboards	3.2	0.4			3.6
Machinery and equipment	0.0	0.3			0.3
Vehicles	0.0	0.3			0.3
Office equipment	0.5	0.1		(0.0)	0.6
Furniture	3.3	0.3			3.6
Total depreciation of operating assets	**10,992.3**	**1,122.8**	**0.0**	**(0.7)**	**12,114.3**
Total	**11,048.7**	**1,130.2**	**0.0**	**(0.7)**	**12,178.2**

7.1.3 Present value of assets at the balance sheet date

Infrastructure CGU
RFF found no indication of potential impairment for the Infrastructure CGU.

Discount rate adopted: between 5% and 5.5%.
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 2011: €29.6 billion.

Property CGU
RFF found no indication of potential impairment for the Property CGU.

7.1.4 Impairment of intangible assets and property, plant and equipment under construction

(in millions of euros)	Accumulated costs as at 31 Dec. 2011	Impairment as at 31 Dec. 2010	Charges	Reversals	Impairment as at 31 Dec. 2011
Dormant projects	38.0	28.3	8.5	(10.0)	26.8
Port tracks under construction	43.9	43.8	0.1	0.0	43.9
Other	0.3	0.3	0.0	0.0	0.3
Total	**82.2**	**72.4**	**8.6**	**(10.0)**	**71.1**

7.1.5 Long-term investments

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Non-current investment grant to be claimed	21.3	0.0
Guarantee deposits	3.8	3.8
Equity investments	0.5	0.5
Total long-term investments	**25.7**	**4.3**

Investment grant to be used for the BPL project
A long-term investment recorded in 2011 for €21.3 million represents a grant receivable from the French State enabling RFF to repay its owed to Eiffage. This grant will be received beginning in 2017.
At the same time, RFF has recognised a borrowing in the same amount to be repaid as of 2017 (see Note 7.1.16). The €21.3 million represents the progress of the project as at 31 December 2011.

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 reported a net profit of nil in 2011. Capitalised production in the year totalled €20.3 million. The company had total equity of €575 million as at 31 December 2011.

No impairment loss was recognised as at 31 December 2011.

In 2011, RFF acquired a 33% interest, for an amount of €33,000, in the capital of SAS AIREFSOL Energies, SAS also held by Eolfi (Véolia group) for 67%, with RFF making land reserves not necessary for its rail activity available for the design and development of energy production units. The investment had no impact on net income for 2011.

As a founding director, RFF participated in the creation of Railenium, a foundation for scientific cooperation, on 16 November 2011. The purpose of the foundation is to define and implement a joint cooperation policy in the area of rail transport infrastructures.

RFF has committed to endow the Foundation in the amount of €2.84 million over 5 years, of which €0.7 million in 2012.
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)	**31 Dec. 2011**	31 Dec. 2010
VAT credit repayment request	119.9	44.6
VAT to be adjusted on purchase invoice accruals	200.5	161.7
Input VAT	110.2	168.0
VAT on accrued credit notes	0.3	1.7
Other tax receivables	1.7	0.3
Amounts receivables on sales of fixed assets	45.3	62.1
State grants not yet claimed	11.4	8.9
Other grants to be collected	355.5	453.3
Grants not yet claimed(1)	612.6	478.3
Accrued income on debt instruments	251.5	227.5
Employee receivables	0.0	0.0
Credit notes receivable from suppliers and advances	21.3	21.7
Other miscellaneous receivables	111.5	41.1
Of which: LTF	*2.9*	*16.5*
Other	*108.7*	*24.6*
Total	**1,841.9**	**1,669.2**

(1) Including operating receivables of €130.8 million as at 31 December 2011 (€117.9 million as at 31 December 2010).

7.1.7 Receivables by maturity

(in millions of euros)

Receivables	Gross amount as at 31 Dec. 2011	Due in less than 1 year	Due in over 1 year
Trade receivables and related accounts	**752.4**	**752.4**	**0.0**
Other receivables:	**1,841.9**	**1,826.2**	**15.7**
Other operating receivables:	1,590.4	1,574.7	15.7
Tax and employee-related receivables	*432.6*	*432.6*	
Amounts receivable on sales of fixed assets	*45.3*	*29.6*	*15.7*
Grants to be collected	*355.5*	*355.5*	
State grants not yet claimed	*11.4*	*11.4*	
Grants not yet claimed	*612.6*	*612.6*	
Other operating receivables	*132.9*	*132.9*	
Other financial receivables:	251.5	251.5	0.0
Accrued income on debt instruments	*251.5*	*251.5*	
Total	**2,594.3**	**2,578.6**	**15.7**

7.1.8 Provisions for doubtful receivables

(in millions of euros)

Provisions for doubtful receivables	Amounts to 31 Dec. 2010	Additions 2011	Reversals 2011		Amounts to 31 Dec. 2011
			Utilised	Not utilised	
- Provisions for impairment of trade receivables	32.1	6.5	1.6	6.6	30.4
- Provisions for impairment of other receivables	21.0	3.3	0.0	0.2	24.1
Total	**53.1**	**9.8**	**1.6**	**6.8**	**54.5**

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. 2011	31 Dec. 2010
Short-term investments	**4,411.5**	**3,894.6**
- Money market securities	3,521.4	3,005.0
- Mutual funds	888.9	889.3
- Accrued interest receivable on euro-denominated money market securities	1.2	0.3
Banks	**0.2**	**208.1**
- Euro-denominated accounts	0.2	208.1
- Foreign currency-denominated accounts	0.0	0.0
Total	**4,411.7**	**4,102.7**

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

7.1.10 Prepaid expenses

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Interest on euro and foreign currency commercial paper	4.3	2.2
Balancing cash payments on interest rate swaps	115.7	79.0
Premiums and discounts	1.3	0.9
Infrastructure management fees(1)	0.0	240.4
Other, including rent and associated charges	4.9	3.6
Total	**126.3**	**326.2**

(1) The 2010 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. 2011	Amortisation charge	Amortisation of the premium	Accumulated amortisation	Net amount as at 31 Dec. 2011
Premiums and costs on RFF debt issues	364.5	21.0	–	200.5	164.0
Unamortised issuance costs on debt transferred from SNCF	21.4	0.0	–	21.4	0.0
Discount/premium on bond portfolio	198.0	–	0.0	198.0	0.0
Sub-total	**583.9**	**21.0**	**0.0**	**419.9**	**164.0**
Redemption premiums on RFF bond issues	12.6	0.8	–	9.8	2.8
Total	**596.5**	**21.7**	**0.0**	**429.7**	**166.8**

7.1.12 Unrealised foreign exchange losses

(in millions of euros)

Type	Amounts as at 31 Dec. 2010	Additions	Reversals		Amounts as at 31 Dec. 2011
			Utilised	Not utilised	
Provisions for inflation-indexed borrowings	287.9	54.0	116.9	0.0	225.0
Total écart de conversion actif	**287.9**	**54.0**	**0.0**	**116.9**	**225.0**

The reversal of the provision for inflation indexation is related to the hedge of a portion of the debt indexed to inflation.

7.1.13 Statement of changes in equity

(in millions of euros)

Nature	Capital endowment	Accumulated deficit	Net profit/(loss) for the year	Grants[(1)]	Grants released to profit or loss	Total
Equity as at 31 December 2010	**9,764.6**	**(14,445.4)**	**294.0**	**15,560.5**		**11,173.7**
Accumulated deficit		294.0	(294.0)			0.0
Net profit for the year			250.5			250.5
Net investment grants on commissioned assets				4.518.7	(300.8)	4,217.8
Net investment grants for assets under construction				(3,234.1)		(3,234.1)
Net grants for upgrade and compliance work on commissioned assets				20.5	(118.2)	(97.7)
Net grants for upgrade and compliance work on assets under construction				(20.5)		(20.5)
31 Dec. 2011	**9,764.6**	**(14,151.4)**	**250.5**	**16,845.0**	**(419.1)**	**12,289.6**

(1) See breakdown in Note 7.1.14.

7.1.14 Investment grants

1) Investment grants for commissioned assets

(in millions of euros)	Net amount as at 31 Dec. 2010	Grants on assets commissioned in year	Transfers	Released to profit or loss	**Net amount as at 31 Dec. 2011**
Land and improvements to land				(24.1)	678.3
Line earthworks				(24.3)	1,477.3
Buildings				(9.0)	287.0
Improvements to buildings	8.5	0.1		(1.7)	6.9
Civil engineering structures				(38.0)	2,605.9
Tracks				(111.3)	3,905.9
Level crossings				(2.4)	18.9
Electrification				(28.7)	700.6
Signalling				(47.0)	654.6
Telecommunications				(13.4)	104.5
Intangible assets	1.3	(0.0)		(0.8)	0.4
Total	**6,222.6**	**4,518.7**	**0.0**	**(300.8)**	**10,440.4**

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. 2011**
Total investment grants claimed since 1 January 1997	15,118.1
Total investment grants for commissioned assets since 1 January 1997	(11,620.9)
Investment grants claimed in advance	(1,881.5)
Investment grants not yet claimed	431.0
Investment grants for assets under construction	**2,046.8**

(in millions of euros)	Amount as at 31 Dec. 2009	Increase	**Amount as at 31 Dec. 2011**
Reversal of investment grants for port track under construction			(37.3)
Reversal of investment grants for commissioned port track			(1.6)
Reversal of investment grants for port track under construction	**(39.5)**	**0.6**	**(38.9)**

3) Grants for upgrade and compliance work: (See Note 2.2.b)

Gross amount of grants for upgrade and compliance work

(in millions of euros)

Year	Grant for the year	Amount recognised	Amount recognised	Amount recognised	Amount recognised	Amount recognised	**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
	4,560.4	**675.0**	**900.0**	**1,195.0**	**985.2**	**805.2**	**4,560.4**

Grants for upgrade and compliance work – commissioned assets

(in millions of euros)

Year of commissioning	Date of commissioning	Period of release	Gross amount	Accumulated release	**Net amount in equity**
2004	01/07/2004	38	675.0	(133.2)	541.8
2005	25/03/2005	42	573.9	(92.5)	481.4
2006	09/05/2006	42	878.4	(118.2)	760.3
2007	21/03/2007	35	734.2	(100.3)	633.9
2008	17/04/2008	33	68.8	(7.9)	60.8
2009	17/01/2009	42	844.4	(82.3)	762.0
2010	22/01/2010	38	435.5	(47.5)	388.1
2011	01/01/2011	51	20.5	(0.7)	19.8
Total	**–**	**–**	**4,230.7**	**(582.7)**	**3,648.0**

Grants released to profit or loss during 2011 totalled €118.2 million.

Net grants for upgrade and compliance work

(in millions of euros)

	Gross amount	Accumulated release	**Net amount in equity**
Grants for commissioned assets	4,230.7	(582.7)	3.648.0
Grants for assets under construction	329.6	–	329.6
Total	**4,560.4**	**(582.7)**	**3,977.7**

4) Summary of investment grants as of 31 December 2011

(in millions of euros)					
Year of commissioning	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	2,046.8	–	–	(37.3)	2,009.5
Grants for the upgrade of assets under construction	329.6	–	–	–	329.6
Grants of commissioned assets	–	10,741.2	(300.8)	(1.6)	10,438.8
Grants for the upgrade of commissioned assets	–	4,230.7	–	(582.7)	3,648.0
Total	**2,376.4**	**14,972.0**	**(300.8)**	**(621.6)**	**16,425.9**

7.1.15 Provisions for contingencies and losses

(in millions of euros)					
Type	Amounts as at 31 Dec. 2010	**Charges**	**Reversals**		**Amounts as at 31 Dec. 2011**
			Utilised	**Not utilised**	
Provisions for contingencies and losses:	509.2	109.0	18.2	112.6	487.4
Disputes and litigation	405.2	18.8	16.3	110.2	297.5
Tax and employee-related expenses	38.2	11.0	–	–	49.2
Decontamination and environmental risks	65.8	79.2	1.9	2.4	140.7
Provisions for retirement benefit obligations	6.7	3.0	–	–	9.7
Provisions for financial contingencies	288.3	55.3	116.9	–	226.7
Total	**804.2**	**167.3**	**135.1**	**112.6**	**723.8**

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, it should be noted that there remains uncertainty as to the valuation of two provisions:

1. 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.

2. 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.
Based on the analyses conducted by RFF in 2011, it was possible to complete the calculation of the provision covering the decontamination of creosote ties.

The provision for retirement benefit obligations showed a balance of €9.7 million as at 31 December 2011 compared to €6.7 million as at 31 December 2010.

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. 2011**	31 Dec. 2010
Rate of increase in salaries	3.00%	3.00%
Rate of payroll taxes	48.00%	48.00%
Discount rate	2.62%	4.00%
Turnover	2.85%	3.35%

7.1.16 Borrowings

RFF raises funds on the bond market to cover its long-term financing needs.
Funds raised in 2011 totalled €3.3 billion, based on 20 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.

(in millions of euros)	31 Dec. 2011 Y	31 Dec. 2010 Y - 1	Change Y-(Y-1)
Debt transferred from SNCF:	**1,864.3**	**1,968.9**	**(104.6)**
Principal outstanding:	1,830.1	1,935.1	(105.0)
Debt transferred (historical debt)	*1,649.4*	*1,654.6*	*(5.2)*
Rollover of EIB line	*6.6*	*7.0*	*(0.5)*
Greater Paris Region loans	*174.2*	*273.5*	*(99.3)*
Accrued interest	34.2	33.7	0.4
RFF debt issue:	**31,783.4**	**30,164.6**	**1,618.8**
Principal outstanding:	31,160.0	29,578.2	1,581.7
Short-term	*2,005.8*	*1,799.4*	*206.4*
Long-term			
-at hedged rate	*28,543.9*	*27,216.4*	*1,327.5*
-inflation-indexed portion	*225.0*	*287.9*	*(62.9)*
Greater Paris Region loans	*54.6*	*57.3*	*(2.7)*
Zero coupon bonds	*330.7*	*217.2*	*113.5*
Accrued interest:	611.4	570.8	40.6
Bank overdrafts:	8.9	13.0	(4.1)
Guarantee deposits received	3.2	2.6	0.6
Total Borrowings (A)	**33,647.7**	**32,133.4**	**1,514.3**
BPL PPP debt	21.3	–	21.3
Total balance sheet debt (C)	**33,669.0**	**32,133.4**	**1,535.6**
Cash-short-term investments (B)	**4,411.7**	**4,102.7**	**309.0**
Accrued interest	1.2	0.3	0.9
Net borrowings (A) - (B)	**29,236.0**	**28,030.7**	**1,205.3**
Net borrowings excluding accrued interest	**28,590.5**	**27,426.2**	**1,164.3**

The BPL borrowing concerns the Bretagne Pays de Loire PPP. It represents the RFF debt owed to Eiffage, which pre-financed a portion of the project (34%). RFF should repay this debt beginning in 2017. The amount of €21.3 million represents the project's progress as at 31 December 2011.

The repayment of the RFF debt will be financed by the French State beginning in 2017 based on a corresponding payment schedule.

RFF debt:
The following tables provide a breakdown by currency and interest rate type of RFF's short and long-term debt:

RFF 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
A - RFF debt issues:	**31,160.0**	**3,250.7**	**5,230.6**	**22,647.9**
1 - Bond issues	**29,154.2**	**1,244.9**	**5,230.6**	**22,647.9**
Total fixed rate:	**25,402.3**	**1,116.5**	**4,536.8**	**19,718.4**
Total inflation-indexed:	**1,863.0**	**–**	**–**	**1,863.0**
Total floating rate	**1,888.8**	**128.4**	**693.8**	**1,066.6**
EUR fixed rate	16,880.3	–	3.600.0	13,280.3
EUR inflation-indexed	1,863.0	–	–	1,863.0
EUR floating rate	1,806.2	128.4	693.8	984.0
Total EUR	**20,549.5**	**128.4**	**4.293.8**	**16,127.3**
AUD fixed rate	99.0	99.0	–	–
AUD floating rate	–	–	–	–
Total AUD	**99.0**	**99.0**	**–**	**–**
CAD fixed rate	192.1	–	–	192.1
CAD floating rate	–	–	–	–
Total CAD	**192.1**	**–**	**–**	**192.1**
CHF fixed rate	1,756.3	344.5	69.5	1,342.3
CHF floating rate	–	–	–	–
Total CHF	**1,756.3**	**344.5**	**69.5**	**1,342.3**
GBP fixed rate	5,009.8	–	469.3	4,540.5
GBP floating rate	82.6	–		82.6
Total GBP	**5,092.4**	**–**	**469.3**	**4,623.1**
HKD fixed rate	30.7	–	30.7	–
HKD floating rate	–	–	–	–
Total HKD	**30.7**	**–**	**30.7**	**–**
JPY fixed rate	326.0	–	40.0	286.0
JPY floating rate	–	–	–	–
Total JPY	**326.0**	**–**	**40.0**	**286.0**
USD fixed rate	1,108.1	672.9	358.0	77.2
USD floating rate	–	–	–	–
Total USD	**1,108.1**	**672.9**	**358.0**	**77.2**
2 - Money market securities	**2,005.8**	**2,005.8**	**0.0**	**0.0**
French commercial paper	20.0	20.0	–	–
Euro commercial paper	1,985.8	1,985.8	–	–
EUR	–	–	–	–
CHF	22.0	22.0	–	–
GBP	379.8	379.8	–	–
USD	1,583.9	1,583.9	–	–

RFF 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 - Accrued interest	**614.6**	**614.7**	**0.0**	**0.0**
1 - Bond issues	**611.3**	**611.3**	**0.0**	**0.0**
Total fixed rate	**545.2**	**545.2**	–	–
Total inflation-indexed	**56.2**	**56.2**	–	–
Total floating rate	**9.9**	**9.9**	–	–
EUR fixed rate	422.3	422.3	–	–
EUR inflation-indexed	56.2	56.2	–	–
EUR floating rate	8.4	8.4	–	–
Total EUR	**486.8**	**486.8**	–	–
AUD fixed rate	3.6	3.6	–	–
AUD floating rate	–	–	–	–
Total AUD	**3.6**	**3.6**	–	–
CAD fixed rate	0.8	0.8	–	–
CAD floating rate	–	–	–	–
Total CAD	**0.8**	**0.8**	–	–
CHF fixed rate	30.0	30.0	–	–
CHF floating rate	–	–	–	–
Total CHF	**30.0**	**30.0**	–	–
GBP fixed rate	81.4	81.4	–	–
GBP floating rate	0.9	0.9	–	–
Total GBP	**82.3**	**82.3**	–	–
HKD fixed rate	0.0	0.0	–	–
HKD floating rate	–	–	–	–
Total HKD	**0.0**	**0.0**	–	–
JPY fixed rate	3.1	3.1	–	–
JPY floating rate	–	–	–	–
Total JPY	**3.1**	**3.1**	–	–
USD fixed rate	4.0	4.0	–	–
USD floating rate	0.5	0.5	–	–
Total USD	**4.5**	**4.5**	–	–
2 - Money market securities	**3.4**	**3.4**	**0.0**	**0.0**
French commercial paper	0.1	0.1	–	–
Euro commercial paper	3.2	3.3	–	–
EUR	–	–	–	–
CHF	0.0	–	–	–
GBP	0.4	0.4	–	–
USD	2.9	2.9	–	–

RFF 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
C – Prepaid interest	**4.3**	**4.3**	–	–
French commercial paper	–	–	–	–
Euro commercial paper	4.3	4.3	–	–
EUR	–	–	–	–
CHF	–	–	–	–
GBP	1.5	1.5	–	–
USD	2.8	2.8	–	–

SNCF debt

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

SNCF debt

(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
A – Debt transferred from SNCF	**1,830.2**	**213.1**	**941.5**	**675.6**
Total fixed rate	**1,200.4**	**0.0**	**587.2**	**613.2**
Total floating rate	**629.9**	**213.1**	**354.4**	**62.4**
EUR fixed rate	1,025.5	0.0	412.3	613.2
EUR floating rate	383.8	141.2	180.2	62.4
Including Greater Paris Region loans	*6.6*	*0.5*	*1.9*	*4.2*
Total EUR	**1,409.2**	**141.2**	**592.4**	**675.6**
CHF fixed rate	174.9	–	174.9	–
CHF floating rate	–	–	–	–
Total CHF	**174.9**		**174.9**	
GBP fixed rate	–	–	–	–
GBP floating rate	246.1	71.9	174.2	–
Including EIB rollover	*174.2*	–	*174.2*	–

SNCF debt

(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
Total GBP	**246.1**	**71.9**	**174.2**	**–**
B – Accrued interest	**34.2**	**34.2**	**0.0**	**0.0**
Total fixed rate	**32.7**	**32.7**	**–**	**–**
Total floating rate	**1.5**	**1.5**	**–**	**–**
EUR fixed rate	29.4	29.4	–	–
EUR floating rate	1.4	1.4	–	–
Total EUR	**30.8**	**30.8**	**–**	**–**
CHF fixed rate	3.3	3.3	–	–
CHF floating rate	–	–	–	–
Total CHF	**3.3**	**3.3**	**–**	**–**
GBP fixed rate	–	–	–	–
GBP floating rate	0.1	0.1	–	–
Total GBP	**0.1**	**0.1**	**–**	**–**
Total (A) + (B)	**1,864,4**	**247,3**	**941,5**	**675,6**

Long-term borrowings (summary)

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

(in millions of euros)	Fixed rate		Inflation-indexed rate		Floating rate		**Total outstanding long-term borrowings**	
	31 Dec. 2010	**31 Dec. 2011**	31 Dec. 2010	**31 Dec. 2011**	31 Dec. 2010	**31 Dec. 2011**	31 Dec. 2010	**31 Dec. 2011**
EUR	22,910.4	23,667.3	2,675.9	1,863.0	4,127.6	5,454.0	29,713.9	30,984.3
RFF	*21,464.0*	*22,220.9*	*2,675.9*	*1,863.0*	*3,638.9*	*5,070.3*	*27,778.8*	*29,154.2*
SNCF	*1,446.4*	*1,446.5*			*488.7*	*383.7*	*1,935.1*	*1,830.1*
CHF	0.0	0.0			0.0	0.0	0.0	0.0
Total:	**22,910.4**	**23,667.3**	**2,675.9**	**1,863.0**	**4,127.6**	**5,454.0**	**29,713.9**	**30,984.3**
In % terms:	77.10	76.38	9.01	6.01	13.89	17.60	100.00	100.00
						Total principal outstanding	29,713.9	30,984.3
						Accrued interest on RFF debt issues	570.8	611.3
						Accrued interest on transferred debt	33.7	34.2
						Total	**30,318.4**	**31,629.8**

7.1.17 Advances and down payments received

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Advance payments on fixed asset disposals	21.4	21.8
Customer toll advances	206.0	144.2
Total	**227.4**	**166.0**

"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 on a monthly basis from the reservation fee invoice payments.

7.1.18 Other payables

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Other operating payables:	**2,143.4**	**1,931.0**
Grants claimed in advance(1)	1,995.3	1,811.2
Other payables	148.1	119.8
Other liabilities on financial instruments:	**648.9**	**631.0**
Interest and charges payable on debt instruments	211.2	184.0
Currency SWAP accounts	2.9	5.1
Bilateral guarantee deposit	434.9	441.9
Total	**2,792.3**	**2,562.1**

(1) including €113.9 million in 2011, compared to €119.9 million in 2010.

7.1.19 Maturity of payables

(in millions of euros)	Gross	Due within 1 year	Due after more than 1 year but less than 5 years	Due after more than 5 years
Trade payables	**1,972.2**	**1,972.2**	–	–
Tax and employee-related liabilities	**227.2**	**227.2**	–	–
Other payables:	**2,792.3**	**2,792.3**	–	–
Other operating payables:	2,143.4	2,143.4	–	–
Grants claimed in advance	*1,995.3*	*1,995.3*	–	–
Other payables	*148.1*	*148.1*	–	–
Other liabilities on financial instruments:	648.9	648.9	–	–
Interest and charges payable on debt instruments	*211.2*	*211.2*	–	–
Currency SWAP accounts	*2.9*	*2.9*	–	–
Bilateral guarantee deposit	*434.9*	*434.9*	–	–
Total	**4,991.7**	**4,991.7**	–	–

7.1.20 Deferred income

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Prepaid occupancy fees	41.1	40.0
Prepaid infrastructure fees	172.5	174.8
Prepaid operating grants	388.6	280.3
- Balancing cash payments on interest rate swaps	126.2	123.3
Prepaid income on bonds and other instruments	13.9	13.4
- Premiums/Discounts	0.9	–
Total	**743.2**	**631.8**

7.2 Notes to the income statement

7.2.1 Analysis of revenue

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Sales of materials	**41.6**	**30.9**
Sales of own services	**4,939.7**	**4,606.2**
Infrastructure fees	4,513.8	4,204.6
Electricity transmission	174.6	167.3
Additional electricity fees	90.8	86.5
Other service fees	44.0	46.6
Income from private sidings	13.2	13.6
Income from assets/property	83.9	83.1
Other income	19.5	4.5
Total	**4,981.3**	**4,637.1**

7.2.2 Analysis of revenue

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
State operating grant	786.2	949.7
Other operating grants	17.8	71.1
Total	**804.0**	**1,020.8**

Pursuant to the contractual clauses of the SEA financing agreement, the decrease in other operating grants is due to the re-allocation to the SEA concession holder of the grants previously paid by financial backers to RFF. This reallocation covers a total of €73.2 million, of which €57.4 million in operating grants. Of these grants, the deferred operating grant of €24.6 million as at 31 December 2010 was reversed without any new calculation. The reallocation had a total impact of €32.8 million and was deducted from operating grants.

7.2.3 Delegated management fees

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Delegated network management fees	2,869.2	2,.867.4
Delegated platform management fees	48.5	45.7
Delegated property management fees	85.3	77.4
Total	**3,002.9**	**2,990.5**

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.

For 2011, network management fees totalled €2,869.2 million after capitalisation of expenses of €47.9 million in 2011 relating to the individualised and monitored maintenance contract out of a total of €84.8 million invoiced. Network management fees totalled €2,867.4 million in 2010.

The fees break down as follows:
- €2,021.3 million for network maintenance, including:
— €1,931.5 million for maintenance, including major maintenance work (excluding Greater Paris),
— €36.9 million for individualised and monitored maintenance operations,
— €26.7 million for additional major maintenance operations in the Greater Paris Region,
— €45.2 million for the financial impact of the SNCF personnel pension reform,
— €9,3 million in research and other costs,
— - €28.3 million for prior-year adjustments, including -€19.7 million due to the pension effect.
- €847.9 million to cover national rail network traffic management fees.

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 €54.2 million in 2011 (of which €1.3 million for prior-year adjustments), compared 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 €17.1 million in 2011, compared 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 €13.9 million in 2011, comparable to 2010.

Fees of €48.5 million were incurred under the platform management agreement signed with SNCF, compared to €45.7 million 2010.

7.2.4 Other purchases and external expenses

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Purchases of non-storable supplies	177.6	168.0
External services	237.6	143.2
Banking and similar services	5.9	7.5
Total	**421.1**	**318.7**

Purchases of non-storable supplies include the supply of electricity used at the RFF installations for €172.7 million, mainly in the form of Joule effect losses, and the transmission, via the high-voltage and medium-voltage grid upstream of substations, of the energy used by all rail operators.

These services, including an annual CSPE public service electricity levy capped at €0.6 million and certain management costs for network access contracts are recharged on a monthly basis to rail operators in proportion to traffic levels, in the form of additional electrical traction fees (RCTE), and represented an amount of €174.6 million in 2011.

External services amounted to €237.6 million as at 31 December 2011, compared to €143.2 million as at 31 December 2010 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. 2011	31 Dec. 2010
Direct taxes	62.4	81.7
Other taxes	3.6	6.6
Total	**65.9**	**88.2**

(1) The 2010 increase takes into account the recognition of additional taxes in 2009 in the amount of €17.3 million, for which a provision recognised as at 31 December 2009 was reversed in 2010.

7.2.6 Personnel costs

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Salaries	73.0	65.5
Payroll taxes	31.9	28.5
Total	**104.9**	**94.0**

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

(in millions of euros)	31 Dec. 2011	31 Dec. 2010
Personnel seconded to RFF	8.3	7.8

Workforce and total payroll

As at 31 December 2011, RFF had a workforce of 1,410, including 49 specifically-assigned civil servants and 67 seconded staff (65 from SNCF, 1 from RATP and 1 from SCET). As at 31 December 2010, RFF had a workforce of 1,299.

In 2011, RFF had an average workforce of 1,353.3, including 64.08 seconded staff, compared to 1,253.4 and 65.8 seconded staff in 2010.

Total remuneration of the members of the RFF Executive Committee in 2011 was €1,436,441. The Committee had an average of 7.02 members during the year.
In-kind benefits regarding the supply of vehicles amounted to €21,550.5 in 2011.

Individual training entitlement

The volume of training hours accrued by employees and corresponding to vested individual training entitlement totalled 94,191 as at 31 December 2011.
As at 31 December 2011, a total of 27,200 training hours had not given rise to a request.

7.2.7 Statutory auditors' fees

Statutory auditors' fees for Mazars and PWC totalled €120,700 and €145,100, respectively, for 2011.

7.2.8 Non-recurring items

Non-recurring items in 2011 of €83.4 million primarily include the gain on disposal of property assets and the reversal of a non-recurring provision for €108.3 million.

7.2.9 Income tax expense

RFF benefited from a tax loss carry-forward of €10.4 billion as at 31 December 2011, compared to €10.5 billion as at 31 December 2010.
RFF recorded a tax expense of €25.1 million in 2011, pursuant to the provisions of the 2011 amending finance laws governing the minimum taxation payable by companies and new loss carry-forward rules.

7.3 Additional information on the cash flow statement

Cash generated in 2011 increased by €312.2 million, compared to €2,087.3 million in 2010.
Cash includes cash and cash equivalents less bank overdrafts and short-term investments.

7.3.1 Net cash from operating activities

Operating cash flow before cost of net debt and after income taxes amounted to €2,119.7 million as at 31 December 2011, compared to €2,147.4 million as at 31 December 2010, i.e. a decline of €27.7 million primarily due to the negative income tax impact of €(25.1) million in 2011.

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

(in millions of euros)	WCR 31 Dec. 2010	WCR 31 Dec. 2011	Change
Other receivables	(371.09)	(422.34)	(51.25)
Other payables	300.69	112.75	(187.93)
Trade receivables	684.95	750.97	66.03
Tax and employee-related receivables	198.37	213.71	15.34
Tax and employee-related payables	(121.67)	(165.18)	(43.51)
Trade payables	(670.44)	(420.31)	250.13
Operating grants - assets	178.68	181.19	2.52
Operating grants - liabilities	(119.91)	(113.87)	6.03
Total	**79.6**	**136.9**	**57.4**

The rise in the WCR related to operating activities resulted in a cash outflow of €57.4 million.

7.3.2 Net cash used in investing activities

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 the rise in asset purchase costs, despite the slight improvement in disposal gains.

7.3.3 Net cash from financing activities

Net cash from financing activities concerns the following flows:
— debt issues and repayments,
— collection of investment grants,
— net financial interest paid,
— collateral received/paid in connection with hedging transactions.
The decline in the cash position was mainly due to a decrease in funds from debt issues, and less investment grants.

8. Information on related parties

The scope of entities related to RFF comprises the French State and SNCF. The impacts on the income statement and on the balance sheet are detailed below.

Relations with the French State:
In accordance with legislation applicable to companies in which the French State is the sole shareholder, 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).

Impact on net income:

(in million of euros)	31 Dec. 2011	31 Dec. 2010
Operating grant	786.2	949.7
Grant for upgrade and compliance work	118.2	135.0
Total	**904.4**	**1.084.7**

Impact on the balance sheet:

(in million of euros)	31 Dec. 2011	31 Dec. 2010
Grant for upgrade and compliance work	3,977.7	4,095.9
Operating grant receivable	11.4	8.9
Total	**3,989.1**	**4,104.8**

Relations with SNCF:
Relations between RFF and SNCF are governed by agreements. Act no. 97-135 of 13 February 1997 which created RFF provides, in Article 1, that an agreement between RFF and SNCF must set, in particular, the conditions of performance and remuneration of the management services delegated to SNCF, which include traffic and circulation management, the operation and maintenance of the technical infrastructure and network safety. To this end, RFF and SNCF signed agreement no. 98-007 on 26 October 1998. Decree no. 97-444 of 5 May 1997 stipulates that this agreement can provide, if necessary, for the signature of specific agreements of appropriate terms for the performance of the different services entrusted to SNCF. A specific agreement was thus signed for the management of platforms, passenger departure and arrival terminals and related facilities. Similarly, the agreement signed on 19 May 1999 sets out the respective obligations of RFF and SNCF for the performance of research relating to the national rail network. Two agreements govern capital investment by RFF; the first defines the conditions of combined purchases, logistics and the transport of centrally managed supplies and the second addresses services relating to these operations.

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

Main impacts of activities relating to SNCF

(in million of euros)	31 Dec. 2011	31 Dec. 2010
Produits : péages	3,196.8	2,997.3
Expenses: management agreements	2,989.0	2,977.5
Production d'immobilisations mandatée à la SNCF	2,565.2	2,335.9

9. Off-balance sheet commitments

9.1 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.

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

Collateral

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.

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:

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 2011.
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

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 2011 was €(95.3) million.

9.2 Other commitments given and received

Bank guarantees
Commitments received with respect to bank guarantees totalled €0.4 million as at 31 December 2011.

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 €108.1 million as at 31 December 2011, compared with €112.2 million as at 31 December 2010, and mainly included an agreement to sell relating to the Batignolles site in Paris for €103 million.

Commitments relating to PPP
1. GSMR
— Bank guarantee:
RFF 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 2011, RFF benefited from a guarantee for €29.6 million.

— Other commitments:
As at 31 December 2011, investment fees payable by RFF with respect to the agreement amount to €632.6 million (present value), while maintenance operation fees amount to €519.9 million. Financing receivable amounted to €525 million (present value).

2. BPL
Assets under construction to be recorded amounted to €2,194.8 million, taking into account the percentage of completion as at 31 December 2011.

(in millions of currency units)		31 Dec. 2011	MtM	31 Dec. 2010	MtM
I - Futures and options market					
Over-the-counter hedging transactions					
EUR swaps					
Specific hedges	< 1 year	1,910.0 EUR	2.3 EUR	2,276.9 EUR	0.4 EUR
	1 to 5 years	1,914.0 EUR	182.2 EUR	1,694.0 EUR	138.9 EUR
	> 5 years	3,890.6 EUR	(345.2) EUR	2,552.2 EUR	(235.7) EUR
General hedges	< 1 year	0.0 EUR	0.0 EUR	0.0 EUR	0.0 EUR
Trading transactions	< 1 year	200.0 EUR	(0.5) EUR	100.0 EUR	0.0 EUR
	> 5 years	50.0 EUR	(1.0) EUR	50.0 EUR	0.1 EUR
II - Forex transactions					
Over-the-counter hedging transactions					
EUR forward contracts:	< 1 year	0.0 AUD	0.0 EUR	0.0 AUD	0.0 EUR
		0.0 CHF	0.0 EUR	157.0 CHF	11.0 EUR
		325.0 GBP	9.3 EUR	38.0 GBP	0.6 EUR
		0.0 JPY	0.0 EUR	0.0 JPY	0.0 EUR
		2,191.0 USD	101.0 EUR	2,043.0 USD	(32.4) EUR
	1 to 5 years	–	–	–	–
	> 5 years	–	–	–	–
EUR currency swaps:	< 1 year	500.0 CHF	66.9 EUR	1.100.0 CHF	176.30 EUR
		900.0 USD	20.5 EUR	50.0 USD	(3.3) EUR
		43.0 GBP	(24.6) EUR	763.8 GBP	(109.5) EUR
		150.0 AUD	21.9 EUR	0.0 AUD	0.0 EUR
	1 to 5 years	0.0 AUD	0.0 EUR	150.0 AUD	18.7 EUR
		381.0 CHF	77.8 EUR	719.1 CHF	95.5 EUR
		504.4 GBP	(86.4) EUR	303.1 GBP	(82.5) EUR
		5,000.0 JPY	13.2 EUR	5,000.0 JPY	9.4 EUR
		300.0 HKD	(0.8) EUR	0.0 HKD	0.0 EUR
		470.0 USD	3.1 EUR	1.070.0 USD	16.8 EUR
	> 5 years	276.6 CAD	83.5 EUR	276.6 CAD	40.1 EUR
		1,945.0 CHF	488.6 EUR	1,851.9 CHF	276.5 EUR
		3,125.9 GBP	(1,273.0) EUR	3,.087.9 GBP	(1.297.2) EUR
		0.0 HKD	0.0 EUR	300.0 HKD	(1.8) EUR
		39,000.0 JPY	131.9 EUR	39,000.0 JPY	83.2 EUR
		100.0 USD	12.4 EUR	250.0 USD	3.8 EUR
III - Other off -balance sheet commitments					
Financing commitments received:					
Syndicated multi-currency loan		1,250.0 EUR		1,250.0 EUR	
Greater Paris Region loan		0.1 EUR		0.7 EUR	

The earned grant to be recorded amounted to €1,376.8 million (present value), taking into account the percentage of completion as at 31 December 2011.

3. SEA
RFF as guarantor:
The guarantee issued by RFF in favour of Caisse des dépôts-Direction des Fonds d'Epargne amounts to €757.2 million, and is effective as of July 2011. The guarantee will bear interest as of July 2011.

RFF as public sector contributor to financing:
The amount payable by RFF regarding its contribution to financing totals €1,084.3 million as at 31 December 2011.

RFF as fundraiser from third parties:
Grants not yet claimed from third-party financial backers and repaid to the concession holder amount to €2,758 million as at 31 December 2011.

Other commitments: contract early termination clauses

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

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

Cancellation clause for force majeure or unforeseen events: in the event of cancellation for force majeure or unforeseeable circumstances, RFF shall pay the concession holder a fixed compensation under the terms and principles set out in the jurisprudence of the French Council of State (Conseil d'État).
In the early termination assumptions, the financing agreement stipulates that the French State will reimburse RFF for the amount of the compensation due to the concession holder, less the value of future revenues for RFF regarding the infrastructure whose management RFF will reassume.

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

Other commitments relating to the operating period:

Grand Projet Sud Ouest ("GPSO" clause): one year following the inauguration of three high-speed lines namely, Bordeaux-Toulouse, Bordeaux-Hendaye, and Poitiers-Limoges, the concession holder shall repay RFF a portion of the traffic revenues generated the previous year by any of the aforementioned lines in operation. This repayment represents approximately 25% of the difference between the actual revenues generated and the expected theoretical revenues. Should the difference be negative, the amount payable to RFF by the concession holder is nil and no amount is owed to the concession holder by RFF.

Financial recovery clause: as of the 5th year of operations, the concession holder shall repay RFF a "financial recovery fee", corresponding to a repayment of traffic revenues based on the difference between actual and expected revenues. Should the difference be negative, the amount payable to RFF by the concession holder is nil and no amount is owed to the concession holder by RFF. The latter repays the amount of this fee to the French State and the regional authorities that are signatory to the financing agreement in proportion to their investment.

STATUTORY AUDITORS' REPORT

ON THE FINANCIAL STATEMENTS

Statutory Auditors’ report on the financial statements

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.

For the year ended 31 December 2011

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 2011, 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 public body at 31 December 2011 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 matters set out in the following notes to the financial statements:
– Notes 4 “Significant events” and 7.1.1 “Property, plant and equipment and intangible assets" to the financial statements which present the estimated impact of delays in recognising the commissioning of projects that are contracted out.
– Note 7.1.15 “Provisions for contingencies and losses” which presents the uncertainties regarding the measurement of:
- ongoing litigation regarding the flooding in Arles in December 2003;
- provisions for decontamination and environmental risks, based on currently available information regarding the assets to be treated.

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 2.1.2 “Property, plant and equipment commissioned” describes the methods used by the public body to carry out impairment tests on 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 approval and verifying the calculations made by the public body;
– Note 7.1.15 “Provisions for contingencies and losses” 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 French 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 and in the documents addressed to the members of the Board of Directors with respect to the financial position and the financial statements.

Courbevoie and Neuilly-sur-Seine, 15 March 2012

The Statutory Auditors

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