31 DECEMBER 2018

SNCF MOBILITÉS GROUP ANNUAL FINANCIAL REPORT

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SNCF MOBILITÉS GROUP

MANAGEMENT STATEMENT FOR THE ANNUAL FINANCIAL REPORT

LA PLAINE SAINT-DENIS, 27 FEBRUARY 2019,

We certify, to the best of our knowledge, that the financial statements as at December 31, 2018 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the issuer and all the companies included in the financial statements. the management report presents a true and fair view of the business, results and financial position of the issuer and all the companies included in the consolidation as well as a description of the principal risks and uncertainties we face.

GUILLAUME PEPY
THE CHAIRMAN

MATHIAS EMMERICH
EXECUTIVE VICE-PRESIDENT, PERFORMANCE

01— MANAGEMENT REPORT

IFRS. In € millions

SNCF MOBILITÉS GROUP IN 2018

SNCF Mobilités Group comprises EPIC SNCF Mobilités and its subsidiaries. EPIC is a State-owned industrial and commercial institution governed by French law. It was created pursuant to law no. 82-1153 of 30 December 1982, known as the French Orientation Law on Domestic Transport (LOTI), and succeeded the entity formerly known as "Société Nationale des Chemins de fer Français", historically established under the decree-law of 31 August 1937.

The LOTI law was amended several times and most recently by law 2014-872 of 4 August 2014 relating to rail reform in France (the "Rail Reform Law"), which came into force on 1 January 2015 and was completed by seven implementing decrees published in the Journal Officiel (French official gazette) on 11 February 2015. Decree 2015-138 of 10 February 2015 covering the purpose, mandates and by-laws of SNCF Mobilités (the "Decree") also describes the administrative organisation of SNCF Mobilités, its financial, accounting and lands management and the economic and financial control exercised by the French State over the EPIC.

The Rail Reform Law created a Public Rail Group organised into three economically integrated EPICs:

— SNCF Réseau: Réseau Ferré de France (RFF), SNCF Infra and Rail network operation and management were grouped within SNCF Réseau, and are responsible for managing, operating and developing the French rail network's infrastructure. It guarantees fair access to the network for all rail companies.

— SNCF Mobilités (formerly "Société Nationale des Chemins de Fer Français"): grouping all the business segments offering mobility services, SNCF Mobilités carries out all passenger and freight transport activities as both network operator and stations manager.

— SNCF (parent company): created on 1 December 2014 as part of the reform and responsible for the Public Rail Group's strategic management, oversight, economic coherence, industrial integration and social unity.

1. MAJOR EVENTS OF 2018

1.1 RAIL SYSTEM REFORM

Following the submission of Jean-Cyril Spinetta's report on the future of French rail transport on 15 February 2018, the French Prime Minister presented a bill on 26 February for a new rail agreement that was adopted by the French National Assembly on 17 April and by the French Senate on 5 June 2018.

Law 2018-515 of 27 June 2018 for a New Railway Pact enacted in the Journal officiel de la République française (the «New French Railway Pact" – Nouveau Pacte Ferroviaire) is based on these principles:

— Build a new SNCF Group organisation by 1 January 2020, thus transforming it into a major unified and integrated public group comprising a fully state-owned limited company (société nationale à capitaux publics), SNCF, and two national companies, SNCF Mobilités and SNCF Réseau with the following duties:

- SNCF Mobilités operates, either directly or through its subsidiaries, rail transport services and conducts the other activities set forth in its by-laws;

- The state-owned SNCF defines the organisation of the public group that it comprises with its subsidiaries to fulfil the following duties;

- The public group as a whole is responsible for (i) operating and developing, in a fair and transparent manner, the national rail network in accordance with the public service principles in order to promote rail transport in France, (ii) operating and developing, in a fair and transparent manner, passenger train stations and other service facilities relating to the national rail network, (iii) fulfilling transversal duties essential to the proper operation of the national rail system for the benefit of all the players in this system, particularly to secure the safety of persons, assets and the rail network and (iv) guarantee national and international passenger and freight transport services;

- SNCF Réseau is responsible for guaranteeing, in a fair and transparent manner, directly or through its subsidiaries, in accordance with public service principles and in order to promote rail transport in France with a view to sustainable development, regional planning and economic and social efficiency, and specifically (i) access to the rail infrastructure of the French national rail network, including the allocation of capacities and the pricing of this infrastructure and (ii) operational management of the traffic on the French national rail network.

— The French State will own the entire share capital of SNCF, whose securities will be non-transferable. SNCF will own the entire share capital of SNCF Mobilités and SNCF Réseau. The capital of these two companies will be non-transferable. SNCF, SNCF Réseau and SNCF Mobilités will be subject to the legal provisions applicable to limited liability companies (whose initial by-laws will be determined by decree in the Conseil d'État and then amended according to the rules stipulated in the French Commercial Code).

— Passenger station management activities will be centralised in an SNCF Réseau subsidiary with organisational, decision-making and financial independence.

— Amend the salary organisation while ceasing, as from 1 January 2020, to recruit personnel with railway worker status. Current employees may continue to benefit from this status. At the same time as this transformation, negotiations will be conducted in connection with the railway division.

— Secure the continuity and improve the quality, efficiency and performance of French passenger rail transport public services and guarantee its opening to competition, particularly by granting passenger rail transport public service contracts in accordance with advertising and competition rules. Accordingly, under the New Railway Pact, the French rail network can be opened to competition depending on the activity between 3 December 2019 and 24 December 2023. For example:

• for passenger rail transport services, Île-de-France Mobilités may award public service contracts relating to these services in accordance with advertising and competition rules;

• the French State may award public service contracts relating to French national passenger rail transport services in accordance with advertising and competition rules; and

• the regions may award public service contracts relating to French regional passenger rail transport services in accordance with advertising and competition rules.

Law 2018-515 of 27 June 2018 for a New Railway Pact should be completed and specified in orders adopted by the French Government and the publication of application decrees involving the aforementioned aims.

At the end of 2018, seven application decrees relating to the Law for a New Railway Pact were published (Decrees 2018-1314 / 1179 / 1275 / 1242 / 1364 / 1243 / 828), with an entry into force between December 2018 and 1 January 2020.

1.2 IMPAIRMENT REVERSALS

Impairment reversal for the TGV France and Europe CGU

The 2019-2028 strategic plan for the TGV France and Europe (excluding Eurostar and Thalys) CGU that was presented and validated by the Board of Directors on 26 July 2018 incorporated a new infrastructure fee indexation. Based on this new and more favourable trajectory, the group conducted an impairment test that resulted in the reversal of the residual impairment for €3,193 million as at 30 June 2018.

Impairment reversal for the Gares & Connexions CGU

Following the drafting of a new 2019-2028 strategic plan that presented an improved financial trajectory for the Gares & Connexions CGU, impairment reversals were also recognised for €107 million within the SNCF Gares & Connexions activity.

Since 30 June 2018, no new indications of impairment or reversal have been identified for these CGUs.

Changes in impairment losses are recognised under "Impairment losses" in the consolidated income statement for the year ended 31 December 2018. Detailed information is presented in Note 4.3 to the consolidated financial statements.

1.3 DECISION OF THE PARIS APPEAL COURT

On 31 January 2018, the Paris Appeal Court ruled against EPIC SNCF Mobilités relating to claims filed by former employees. The Group decided not to appeal. SNCF Mobilités paid these penalties in March 2018 and recognised an expense that impacted 2018 gross profit. At the same time, the provision previously set aside for the litigation was reversed in the 31 December 2018 financial statements. The net impact on the income statement was immaterial (see Note 4.5.2 to the consolidated financial statements).

1.4 STRIKE IMPACTS

On 22 March 2018, certain employees of EPIC SNCF Mobilités launched a strike action, with two days of strike action every five days for a total of 39 days from 3 April until 28 June 2018, in protest at the plans to reform the French rail system. This action had major impacts for SNCF Group customers and financial repercussions within certain group activities.

1.5 DISPOSAL OF FONCIÈRE VESTA

The SNCF Mobilités Group sold 80% of its shares in the real estate subsidiary, Foncière Vesta, held by ICF Novedis. This sale to an external investor for €659 million generated a total capital gain of €766 million, of which €153 million for the fair value remeasurement of the previously held interest. This transaction enabled the Group to reduce its net debt by €932 million. As of 31 December 2018, the Vesta entity is consolidated nder the equity method in the Group's consolidated financial statements.

Additional information is presented in Notes 4.1.5 and 4.2. to the consolidated financial statements for the year ended 31 December 2018.

1.6 NEW SEGMENT BREAKDOWN

The SNCF Mobilités Group was reorganised into 4 business units. This new segment breakdown is effective as of 1 January 2018 with the following modifications:

— The creation of a "Daily Mobilities" business unit that breaks down into two operating segments, SNCF Transilien & TER, and Keolis. Transilien and TER were previously combined within the SNCF Transilien, TER, Intercités business unit. Keolis was presented as a separate business unit and segment.

— The creation of a "Long-distance Mobilities" business unit comprising the "Voyages SNCF" operating segment that was formerly presented as a business unit and the Intercités operating segment that was previously included in the "SNCF Transilien, TER, Intercités" business unit.

SNCF Mobilités Group's activity is now organised into four business units:

— Daily Mobilities;

— Long-distance Mobilities;

— SNCF Logistics;

— SNCF Gares & Connexions.

1.7 ORDER FOR NEW RAIL ROLLING STOCK

On 26 July 2018, the Board of Directors of SNCF Mobilités approved the signing of an order for 100 next-generation TGVs with the manufacturer ALSTOM. This €3.3 billion order comprises a firm tranche for 50 TGVs, with delivery scheduled between 2023 and 2033.

The commitments underlying this order are detailed in Note 9.1.2 to the consolidated financial statements for the year ended 31 December 2018.

1.8 SIGNATURE OF A NEW CONTRACT BY THE KEOLIS SUBSIDIARY

The Keolis subsidiary was awarded a major rail operation contract in the UK. The contract signed on 4 June 2018 covers operation of the Wales and Borders rail network and the South Wales Metro as of 14 October 2018. Keolis will act as majority partner with the British company Amey, a subsidiary of the Spanish company Ferrovial. It should generate a combined revenue of €6 billion over a term of 15 years.

1.9 UNITED KINGDOM'S WITHDRAWAL FROM THE EUROPEAN UNION (BREXIT)

The United Kingdom's withdrawal from the European Union voted by referendum on 23 June 2016 will be effective as of 29 March 2019. The UK withdrawal agreement approved by the 27 EU member countries in November 2018 was widely rejected by British MPs on 15 January 2019. The Group operates passenger and freight transport activities through its subsidiaries in the UK. In 2018, it generated a consolidated revenue of €1,620 million, including €1,149 million for Eurostar, and the share of net profit from joint ventures within Keolis represented €21 million in the consolidated statement of financial position as at 31 December 2018.

The main uncertainty, which could have significant impacts depending on the final scenario, lies in the terms and conditions of the United Kingdom's exit from the European Union on 29 March 2019. Among the various scenarios are a deal Brexit, a postponed Brexit or a no-deal Brexit and, consequently, this creates an uncertainty as to the impact on the future service of Eurostar.

The ease with which passengers obtain border clearance when travelling on Eurostar lines may also be reviewed with Brexit and it may be more costly to ensure compliance with future applicable regulations.

In the event of a no-deal Brexit, Eurostar will be dependent on the actions of the governments and regulatory authorities regarding the licences, and operating agreements and procedures needed to ensure the smooth running of the rail service. These agreements mainly include border control measures, cross-border employment contracts for Eurostar personnel, operating and safety licences that are valid in the EU, as well as the regulatory and operational framework of the Eurotunnel.

The Directors and management of Eurostar have taken steps to anticipate these various issues, and are working with the relevant authorities to set up the necessary agreements and organisation to continue operations.

As the company does not possess all the key elements to guarantee service continuity in the event of a no-deal Brexit, and given the exceptional nature of the situation, it is difficult to forecast the repercussions with sufficient assurance.

The most unfavourable scenario for Eurostar could have a material impact on the value of certain assets and even on its ability to continue operations with continuity of service.

All the necessary measures have been undertaken with the relevant authorities to avoid a combination of the most unfavourable factors that would likely culminate in a lengthy suspension of activity.

Otherwise, these factors would have also impacts on Eurostar's financial situation, debt ratios (€520 million as at 31 December 2018) might no longer be met.

In the light of the uncertainties surrounding the Brexit process, the Group cannot at this stage estimate the financial impacts and repercussions on its activity. Further information is presented in Note 4.3.1 to the consolidated financial statements.

1.10 PLANNED SALE OF THE OUIBUS SUBSIDIARY

The SNCF Mobilités Group has entered into exclusive negotiations with Blablacar (BBC) to set up a strategic partnership to develop its door-to-door transport activity.

A draft agreement defining the terms and conditions of the planned partnership with Ouibus was signed with BBC on 12 November 2018.

Information on this transaction is presented in Note 4.2.3. to the consolidated financial statements.

1.11 NEW ACCOUNTING SEPARATION REQUIREMENTS

ARAFER decision 2017-101 on accounting separation rules applicable to rail companies was approved by a ministerial ruling of 4 December 2017, rendering the decision enforceable for fiscal years beginning on or after 1 January 2018.

EPIC SNCF Mobilités presented the accounting separation rules document to ARAFER on 4 June 2018, followed by a revised version on 31 October 2018, which was approved by ARAFER on 31 January 2019 (through its decision 2019-003).

This reference framework could only be partially implemented in 2018 despite the major work carried out during the year. The company is unable to estimate the possible repercussions of this situation.

2. KEY FIGURES

In € millions	31/12/2018	31/12/2017
Revenue	31,681	31,831
Gross profit	2,358	2,759
Current operating profit	798	1,369
Operating profit after share of net profit of companies consolidated under the equity method	5,002	1,705
Finance cost	-187	-290
Net profit for the year attributable to equity holders of the parent	4,502	1,136
Recurring net profit for the period attributable to equity holders of the parent [(1)]	320	895
Cash from operations	1,438	2,054
Net investments [(2)]	-1,978	-2,244
Total investments [(3)]	-3,722	-3,590
Free cash flow [(4)]	-294	184
Current operating profit after share of net profit of companies consolidated under the equity method	830	1,408
ROCE [(5)]	4.6%	7.9%
Employees	203,865	201,816

In € millions	31/12/2018	31/12/2017
Net debt	7,186	7,914

[(1)] See definition in 4. General observations on Group results.

[(2)] Net investments are calculated by adding up (in € millions):	31/12/2018	31/12/2017
cash flow statement line items:		
- Purchases of intangible assets and property, plant and equipment	-2,648	-2,482
- Investment grants received	365	315
- New concession financial assets	-1,028	-1,047
- Cash inflows from concession financial assets	1,379	1,031
finance-leased investments described in Note 4.1. to the consolidated financial statements	-46	-61
Total net investments	-1,978	-2,244

[(3)] Total investments are calculated by adding up (in € millions):	31/12/2018	31/12/2017
cash flow statement line items:		
- Purchases of intangible assets and property, plant and equipment	-2,648	-2,482
- New concession financial assets	-1,028	-1,047
finance-leased investments described in Note 4.1. to the consolidated financial statements	-46	-61
Total investments	-3,722	-3,590

[(4)] Free Cash Flow is calculated by adding up (in € millions):	31/12/2018	31/12/2017
cash flow statement line items:		
- Cash from operations after net borrowing costs and taxes	1,438	2,054
- Purchases of intangible assets and property, plant and equipment	-2,648	-2,482
- Investment grants received	365	315
- Disposals of intangible assets and property, plant and equipment	271	336
- New concession financial assets	-1,028	-1,047
- Cash inflows from concession financial assets	1,379	1,031
- Impact of change in working capital requirement	158	23
the change in tax WCR included in "Taxes paid (collected)" in the cash flow statement	-213	-17
dividends received from entities consolidated under the equity method included in "Dividends received" in the cash flow statement	30	31
finance-leased investments described in Note 4.1. to the consolidated financial statements	-46	-61
Free cash flow	-294	184

[(5)] ROCE or return on capital employed = the ratio between current operating profit after share of net profit of companies consolidated under the equity method and average capital employed.
The capital used in this calculation is the algebraic sum of equity (including non-controlling interests – minority interests) and net indebtedness. It is adjusted for asset impairment. The average with the prior year's capital employed gives the average capital employed.

3. SUBSEQUENT EVENTS

The main subsequent events are as follows:

3.1 LITIGATION REGARDING THE INVESTIGATION OF THE COMPETITION AUTHORITY IN REGARDING THE DISTRIBUTION AND EXPRESS SEGMENT

Geodis and SNCF Mobilités appealed the decision of the Competition Authority dated 22 January 2016. In its ruling of 19 July 2018, the Paris Appeal Court reduced the fine of €196 million, paid in April 2016, to €166 million (see Note 4.5.2 to the consolidated financial statements).

Geodis and SNCF Mobilités appealed on 22 July 2018 and SNCF Mobilités filed its observations on 17 December 2018. The Competition Authority did not lodge a cross-appeal within the 60-day deadline following the filing of observations. The SNCF Mobilités group did not draw any conclusions from this ruling in its 31 December 2018 financial statements.

3.2 SIGNATURE OF THE DRAFT AGREEMENTS FOR THE FUTURE SOUTH AND NOUVELLE AQUITAINE REGION AGREEMENTS

Two draft agreements for the future operation of TER services were signed with the South (for 2019-2023) and Nouvelle Aquitaine (for 2019-2024) regions on january 2019. These agreements define the TER operating terms and conditions, enhance system performance and prepares for the opening of certain TER services to competition.

3.3 ARAFER'S OPINION ON THE SNCF RÉSEAU DRR (DOCUMENT DE RÉFÉRENCE DU RÉSEAU)

ARAFER's opinion n°2019-005 on the SNCF Réseau DRR was published on 7 February 2019. This opinion only concerns regulated activities and no impact was recorded in the SNCF Mobilités Group financial statements for the year ended 31 December 2018.

GROUP RESULTS AND FINANCIAL POSITION

1. GENERAL OBSERVATIONS ON GROUP RESULTS

In € millions	31/12/2018	31/12/2017	Change 2018 vs 2017 (in M€ and in %)	
Revenue	**31,681**	**31,831**	**-150**	**-0.5%**
Infrastructure fees	-4,304	-4,431	127	-2.9%
Purchases and external charges, excluding infrastructure fees	-13,030	-12,890	-140	1.1%
Taxes and duties other than income tax	-1,117	-966	-150	15.5%
Employee benefit expense	-11,249	-11,206	-43	0.4%
Other income and expenses	376	421	-45	-10.7%
Gross profit	**2,358**	**2,759**	**-402**	**-14.6%**
Depreciation and amortisation	-1,687	-1,422	-265	18.6%
Net movement in provisions	127	32	95	295.3%
Current operating profit	**798**	**1,369**	**-571**	**-41.7%**
Net proceeds from asset disposals	751	302	449	148.5%
Fair value remeasurement of the previously held interest	170	31	140	457.2%
Impairment	3,250	-36	3,286	-9,036.1%
Operating profit	**4,969**	**1,666**	**3,303**	**198.3%**
Share of net profit of companies consolidated under the equity method	32	39	-7	-17.5%
Operating profit after share of net profit of companies consolidated under the equity method	**5,002**	**1,705**	**3,297**	**193.4%**
Net finance costs of employee benefits	7	-18	25	-138.4%
Net borrowing and other costs	-194	-272	78	-28.8%
Finance cost	**-187**	**-290**	**103**	**-35.5%**
Net profit before tax	**4,815**	**1,415**	**3,400**	**240.3%**
Income tax expense	-240	-245	5	-2.0%
Net profit from ordinary activities	**4,574**	**1,170**	**3,404**	**291.0%**
Net profit before tax of transferred operations	–	–	–	n/a
Net profit for the year	**4,574**	**1,170**	**3,404**	**291.0%**
Net profit for the year attributable to equity holders of the parent	**4,502**	**1,136**	**3,365**	**296.1%**
Net profit for the year attributable to non-controlling interests (minority interests)	73	33	39	117.7%
Recurring net profit for the year attributable to equity holders of the parent[(1)]	**320**	**895**	-575	-64.3%
Gross profit / revenue	*7.4%*	*8.7%*		
Current operating profit /revenue	*2.5%*	*4.3%*		
ROCE (see definition in key figures)	*4.6%*	*7.9%*		

(1) The Group discloses, internally and externally, a recurring net profit or loss for the year attributable to equity holders of the parent based on net profit or loss for the period attributable to equity holders of the parent adjusted for:
- impairment losses;
- transactions generating a P&L impact that is individually greater than €50 million in terms of absolute value and generally included in and/or divided up between "Fair value remeasurement of the previously held interest" and "Net proceeds from asset disposals";
- the Group's share in these various items recorded in companies accounted for under the equity method and included in "Share of net profit or loss of companies consolidated under the equity method";
- change in fair value of financial instruments included in "Net borrowing and other costs", when it exceeds €50 million in terms of absolute value;
- specific transactions involving financial instruments (restructuring, renegotiations or other) generating impacts exceeding €50 million in terms of absolute value on net borrowing costs;
- change in deferred tax assets recognised for SNCF tax consolidation entities in "Income tax expense";
- share of minority interests with regard to these various items and included in "Net profit or loss attributable to non-controlling interests (minority interests)".

This indicator better reflects net profit or loss for the year attributable to equity holders of the parent relating to the Group's recurring performance. It was calculated as follows at the year-end:

In € millions	Notes*	31/12/2018	31/12/2017
Net profit for the period attributable to equity holders of the parent		**4,502**	**1,136**
Impairment losses	4.3	-3,250	36
Impairment included in «Net movement in provisions»	4.3	42	
Included in "Fair value remeasurement of the previously held interest"	4.2.3	-153	–
Included in "Net proceeds from asset disposals"	4.1.5	-603	-120
Included in "Share of net profit of companies consolidated under the equity method"		–	–
Included in "Net borrowing and other costs" (changes in fair value)	6.1.1	-107	–
Included in "Net borrowing and other costs" (specific financial instrument transactions)		–	–
Included in "Income tax expense"	7	-111	-158
Included in "Net profit attributable to non-controlling interests (minority interests)"		–	–
Recurring net profit for the period attributable to equity holders of the parent		**320**	**895**

* The references to the notes pertain to the consolidated financial statements.

1.1 COMPARABILITY OF FINANCIAL STATEMENTS

The comparability of the 2018 results with those of 2017 was impacted by the following Group structure, foreign exchange and IFRS 15 impacts:

In € millions		Impact on changes in revenue
SNCF Transilien & TER		
	Change in 2017 Group structure [(1)]	
	Acquisition of SNCF Combustible - indirect impact	-5
	Change in 2018 Group structure	
	Sale of Itirémia	-1
	IFRS 15 impacts	**-161**
Keolis		
	Changes in 2017 Group structure [(1)]	
	Acquisition of Les Kangourous / Les Coccinelles	2
	Acquisition of Parkeren Roselare	1
	Acquisition of Keolis Santé	38
	Changes in 2018 Group structure	
	Acquisition of TRAM, SATRVAM, Santa Azur, Phocéens Cars	16
	Acquisition of Mediaco-Effia Cannes	1
	Sale of Millau Cars	-1
	Acquisition of Open Tours Group	9
	IFRS 15 impacts	**43**
	Exchange rate fluctuations	**-104**
Intercités		
	IFRS 15 impacts	-3
Voyages SNCF		
	Change in 2017 Group structure [(1)]	
	Acquisition of Akidis	12
	IFRS 15 impacts	**-40**
	Exchange rate fluctuations	**-6**
SNCF Logistick		
Geodis TFMM Ermewa & Autres	**Changes in 2017 Group structure** [(1)]	
	Sale of Compagnie des Conteneurs Réservoirs (Ermewa)	-3
	Acquisition of SNCF Combustible - indirect impact	-2
	Sale of STVA	-259
	Change in 2018 Group structure	
	Acquisition of Taylor Minster Leasing BV	4
	Exchange rate fluctuations	**-191**
Corporate		
	Change in 2017 Group structure [(1)]	
	Acquisition of SNCF Combustible	5
	Change in 2018 Group structure	
	Loss of control of Orient Express	-1
	Exchange rate fluctuations	
Total Group structure, exchange rate and IFRS 15 impacts		**-638**

[(1)] Transactions carried out in 2017 having an impact on 2017/2018 revenue trends.

1.2 2018 RESULTS

1.2.1 Revenue

Consolidated revenue of the SNCF Mobilités Group amounted to €31,681 million for the year ended 31 December 2018, for a decrease of €150 million (-0.5%) compared to 2017, attributable to:

— Group structure impacts and an IFRS 15 impact for -€338 million (see 1.1),

— a foreign exchange impact of -€300 million (see 1.1),

— an organic increase of +€488 million (+1.6%) for the Group; the changes for the segments were as follows:

SNCF Transilien & TER	**+€28 million**	**+0.4%**
Keolis	**+€512 million**	**+9.6%**
Intercités	**-€223 million**	**-24.0%**
Voyages SNCF	**+€26 million**	**+0.4%**
SNCF Gares & Connexions	**+€16 million**	**+3.2%**
SNCF Logistics	**+€168 million**	**+1.7%**

1.2.2 Gross profit

Standing at €2,358 million in 2018, gross profit declined by €402 million, or 14.6%. Gross profit margin decreased from 8.7% to 7.4% between 2017 and 2018.

In € millions	31/12/2018	31/12/2017	Change 2018 vs 2017		Change 2018 vs 2017 on a constant Group structure, accounting standard and exchange rate basis	
Revenue	31,681	31,831	-150	-0.5%	488	1.6%
Employee benefit expense	-11,249	-11,206	-43	0.4%	-190	1.7%
Purchases and external charges (excluding infrastructure fees, traction energy and fuel costs) and other income and expenses	-11,632	-11,465	-167	1.5%	-505	4.4%
Infrastructure fees	-4,304	-4,431	127	-2.9%	-32	0.7%
Traction energy and fuel prices	-1,022	-1,003	-18	1.8%	-45	4.5%
Taxes and duties other than income tax	-1,117	-966	-150	15.5%	-113	11.7%
Gross profit	2,358	2,759	-402	-14.6%	-396	-14.4%
Gross profit/revenue	*7.4%*	*8.7%*				

On a constant Group structure, accounting standard and exchange rate basis, gross profit fell by €396 million, of which €545 million relating to the strikes in the first half of 2018 (see Note 1.4 Major events of 2018).

Note that the €113 million increase in taxes and duties other than income tax was primarily due to the payment of wages tax by EPIC SNCF Mobilités since 1 January 2018.

1.2.3 Current operating profit

Current operating profit stood at €798 million, down by €571 million compared to 2017.

The revenue to current operating profit conversion rate thus fell from 4.3% in 2017 to 2.5% in 2018.

The €402 decline in gross profit was accentuated by the €265 million rise in depreciation and amortisation. Depreciation and amortisation in 2018 would have increased by €251 million had no impairment been recognised (€408 million in 2017).

However, the change in the net movement in provisions had a positive impact on current operating profit: net reversal of €127 million in 2018, compared to a net reversal of €32 million in 2017. Fiscal year 2018 was primarily impacted by the reversal of provisions for litigation involving Moroccan employees.

1.2.4 Operating profit

Operating profit increased by €3,303 million, amounting to €4,969 million.

The increase was primarily due to the **impairment** reversals for the TGV France and Europe (+ €3,193 million) and Gares & Connexions (+ €107 million) CGUs (see Note 1.2 Major events of 2018).

Net proceeds from asset disposals in 2018 were impacted in the amount of €613 million by the 80% sale of the real estate subsidiary Foncière Vesta (see Note 1.5 of Major events of 2018). The balance of the heading essentially comprises real estate disposals.

The **fair value remeasurement of the previously held interest** heading was impacted in 2018 by the loss of control of Foncière Vesta (€153 million) and Orient Express (€16 million). In 2017, this heading was mainly impacted by the takeover of RE4A that was previously consolidated under the equity method.

1.2.5 Finance cost

The €103 million decrease in finance cost between 2017 and 2018 was due to the €107 million fair value impact on an electricity derivative call/put.

1.2.6 Income tax expense

This minor change included an increase in the tax relating to the Vesta disposal capital gain, offset by the recognition of a deferred tax asset.

1.2.7 Net profit for the year attributable to equity holders of the parent

As a result of all these changes, the net profit attributable to equity holders of the parent was €4,502 million, compared to €1,136 million in 2017, after recognition of a net profit attributable to non-controlling interests (minority interests) of €73 million.

ROCE (calculated on current operating profit after share of net profit of companies consolidated under the equity method) decreased from 7.9% to 4.6%.

2. ACTIVITIES AND RESULTS BY SEGMENT

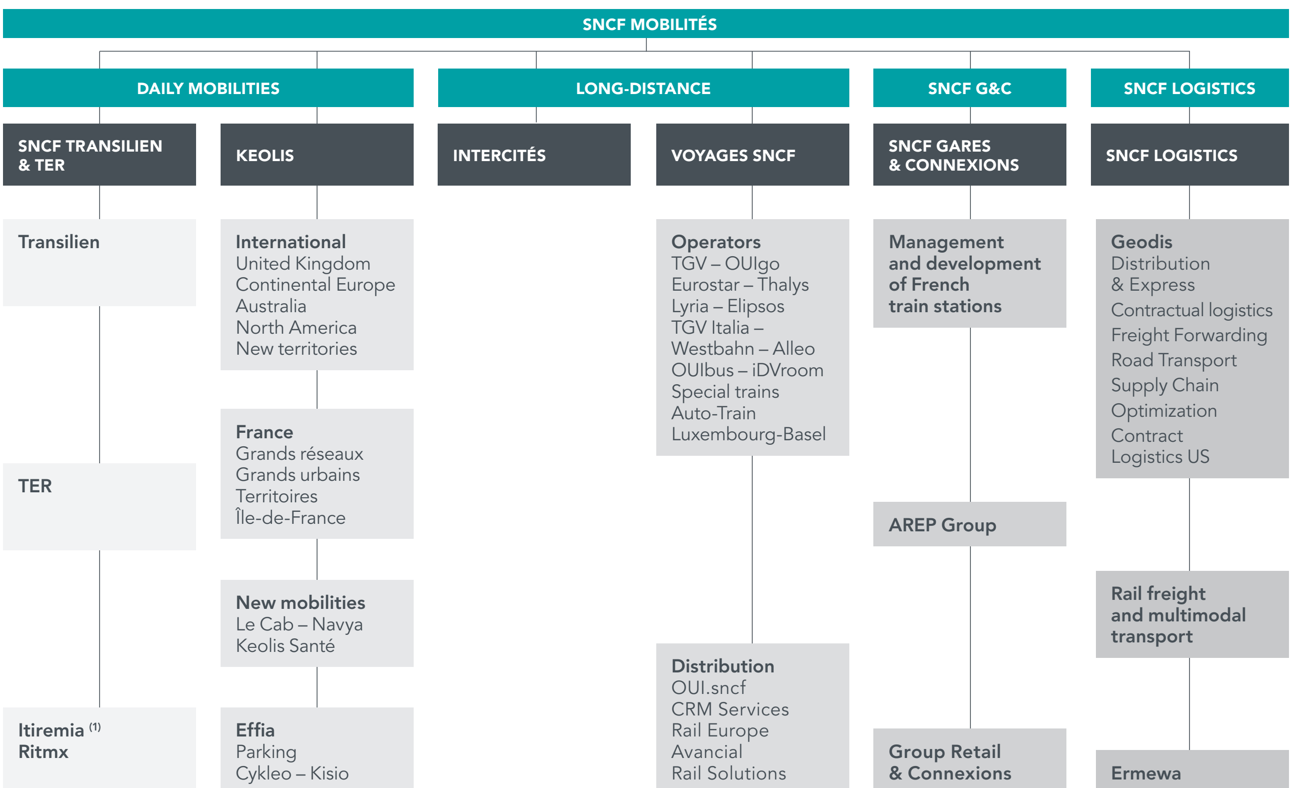
SNCF Mobilités Group's activity is now organised from 1 January 2018 into four business units backed by support functions:

— Daily Mobilities which comprises the two segments SNCF Transilien & TER and Keolis;

— Long Distance which encompasses the segments Intercités and Voyages SNCF;

— SNCF Gares & Connexions which is a segment on its own;

— SNCF Logistics which is broken down into three segments: Geodis, Rail freight and multimodal transport (TFMM) and Ermewa.



Only the main subsidiaries are presented in this organisational chart and those that follow.
[(1)] Subsidiary sold in the second half of 2018.

Contributions to revenue, gross profit, current operating profit, current operating profit after share of net profit of companies consolidated under the equity method and net investments of the Group's components break down as follows (the financial data per segment shown in the table below and the tables on the following pages are presented as a Group contribution):

In € millions	SNCF Transilien & TER	Keolis	Intercités	Voyages SNCF	SNCF Gares & Connexions	SNCF Logistics	Industrial Department	Corporate	SNCF Mobilités
External revenue	6,942	5,818	702	7,367	508	9,935	231	179	**31,681**
Gross profit	251	350	50	1,044	233	353	40	38	**2,358**
Current operating profit/(loss)	162	71	43	424	99	117	-79	-40	**798**
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	162	92	43	422	100	127	-79	-37	**830**
Net investments	-29	-166	43	-884	-246	-429	-90	-176	**-1,978**

Unless stated otherwise, the analyses of results by segment are not restated for Group structure, accounting standard and foreign exchange impacts.

SNCF Mobilités management monitors the external revenue generated by each segment (group contribution) and not the revenue generated between each segment. The revenue presented in the analyses by segment is therefore external revenue.

However, the gross profit/revenue indicator presented by segment is calculated based on revenue between segments since it is not relevant based on revenue contributed.

Revenue between segments represents the total internal and external revenue presented in Note 3.1 to the consolidated financial statements.

2.1 DAILY MOBILITIES

2.1.1 SNCF Transilien & TER

SNCF TRANSILIEN & TER	
PARENT COMPANY	**SUBSIDIARIES**
Transilien	Itiremia [(1)]
TER	Ritmx

(1) Subsidiary sold in the second half of 2018.

SNCF Transilien & TER offer local transport services, rail transport regulated services, and services covering passenger transport (Itiremia, Ritmx).

In € millions	2018	2017	Change
External revenue	6,942	7,082	-140
Gross profit	251	390	-139
Gross profit / revenue at SNCF Transilien & TER level	*3.3%*	*5.1%*	
Current operating profit	162	188	-26
Current operating profit after share of net profit of companies consolidated under the equity method	162	188	-26
Net investments	-29	-439	410

Highlights

Transilien

— On 25 May 2018, at the Viva Technology trade fair, RATP, SNCF and Île-de-France Mobilités confirmed the gradual introduction of paperless tickets. In the autumn of 2018, tests using a Smartphone to purchase and validate tickets in the Paris region transport system were launched.

— In February 2018, Île-de-France Mobilités announced the roll-out of fibre optics in all Greater Paris SNCF stations. The aim is to improve train station services such as coworking space and provide passengers with more comprehensive information in real time.

— Arrival of new rolling stock: 26 Régio2N trains, 22 Francilien trains and 13 tram-trains.

— First conclusive tests on the new operating system for new generation RER trains on the extension of line E to the west of Paris, thus enabling over one third more trains to run per hour.

TER

— Two new agreements were signed with the Bourgogne Franche Comté (July 2018) and Occitanie (April 2018) regions and the Centre-Val-de-Loire agreement was amended in June 2018.

— Nineteen new Regio2N trains and sixteen Régiolis trains were delivered in 2018.

2018 results

— Revenue

2018 revenue was down by -€140 million (-2.0%) compared to 2017. This decrease was mainly due to Group structure impacts and the adoption of IFRS 15 for -€167 million (breakdown in Note 1.1 Comparability of the financial statements).

On a constant Group structure and accounting standard basis, the revenue decline is reduced to +€28 million (+0.4%), of which an estimated strike impact of -€315 million.

The decline at Transilien (-€29 million / -1%) was primarily due to the impact of strikes on traffic income (-€60 million) and on the contributions received from Île-de-France Mobilités (-€53 million).

TER activity improved (+€59 million / +1.4%). The estimated negative impact of the strikes (-€202 million) was offset by the indexation of the agreements, the transfer of Intercités lines and the reinvoicing of the wages tax. Traffic was stable.

— **Gross profit**
Gross profit for SNCF Transilien & TER declined by -€139 million (-35.6%) between 2017 and 2018. The impact of the first-half 2018 strikes on gross profit was estimated at -€134 million. Transilien gross profit declined by €59 million (of which an estimated strike impact of €50 million). TER gross profit declined by €81 million (of which an estimated strike impact of €84 million). Excluding the strike impact, TER gross profit was impacted by favourable items, mainly relating to cost control.

— **Current operating profit**
Current operating profit declined by €26 million. The decrease in operating profit was attenuated by the net movement in provisions: a net reversal of €71 million over the period (settlement of litigation and disputes), compared to a net charge of €35 million for the year ended 31 December 2017.

— **Net investments**
Net investments for SNCF Transilien & TER declined by €410 million compared to 2017, including €260 million for TER: numerous grants for the acquisition of new rolling stock were received in advance over the period. Net investments at Transilien decreased by €156 million, mainly relating to the rise in investment grants received compared to previous year.

2019 outlook

Transilien
— Further implementation of the Rolling Stock Master Plan, concluded with Île-de-France Mobilités, with accelerated delivery of new rolling stock and ticketing upgrades (new Navigo products, widespread use of smartphones to purchase and validate tickets, replacement and modernisation of ticket turnstiles).

TER
— Will prepare for the Normandy agreement including the resumption of Intercités lines on 1 January 2020.

— Will negotiate agreements with the Nouvelle Aquitaine, Hauts-de-France and Brittany regions.

— In January 2019, the Nouvelle-Aquitaine and Provence-Alpes-Côte d'Azur regions signed a framework agreement with SNCF Mobilités that set out the principles for a new operating agreement.

2.1.2 Keolis

KEOLIS

KEOLIS International
UK
Continental Europe
Australia
North America
New territories

KEOLIS France
Grands réseaux
Grands urbains
Territoires
Île-de-France

New mobilities
Le Cab
Navya
Keolis Santé

Effia
Parking
Cycleo
Kisio

Keolis is a mass transit operator in sixteen countries worldwide. Its expertise covers all modes of transportation (train, bus, car, underground, tramway, ferries, bicycles), and the management of interconnection points (stations, airports) and parking.

In € millions	2018	2017	Change
External revenue	5,818	5,295	523
Gross profit	350	305	45
Gross profit /revenue at Keolis level	*5.9%*	*5.6%*	
Current operating profit	71	57	14
Current operating profit after share of net profit of companies consolidated under the equity method	92	82	11
Net investments	-166	-272	106

Highlights
— Keolis won its largest ever contract in Wales. On 4 June 2018, the joint venture KeolisAmey was entrusted with the operation, maintenance and renovation of the entire Wales and Borders rail network for a period of 15 years. The operations were transferred on 14 October 2018. It represents revenue of €5.7 billion over the contractual term.

— With the Shentong Metro Group, Keolis won the 5-year contract for the operation and maintenance of the future tramway in the Songgjiang district in south-west Shanghai.

— In the second half of 2018, Keolis acquired four airport transport companies from the transport group Open Tours. This acquisition represented revenue of €17 million and 380 employees.

— On 19 November 2018, the French State appointed the "Hello Paris" consortium of Keolis and RATP Dev to operate the CDG Express rail link between Paris Gare de l'Est and Paris-Charles de Gaulle airport that will begin running on 1 January 2024 ahead of the Paris 2024 Olympic Games. The agreement covers a 5-year pre-operational period (2019-2023) and 15 years of operations (2024-2038).

— Effia reported very significant growth: Le Havre DSP, Grenoble SEMOP, Limoges DSP, Nantes-Ouest DSP, CHU de Grenoble.

— In 2018, several major agreements were renewed in France and internationally, particularly in Lille (renewal for 7 years), Besançon (7 years), Tours (7 years), Orléans (6 years), Las Vegas (5 years) and Bergen (8 years).

2018 results

— Revenue

2018 revenue was up by €523 million (+9.9%) compared to 2017.

On a constant Group structure, accounting standard and exchange rate basis, Keolis revenue rose by +€512 million (+9.6%).

The Group structure and accounting standard impacts amounted to €114 million (breakdown in Note 1.1 Comparability of the financial statements), while the exchange rate impact totalled -€104 million.

Growth was primarily driven by international activity (+€420 million) following the start-up in 2017 and the full-year impact of new contracts in Australia, Continental Europe, the United States and the United Kingdom and the ongoing recovery plans for onerous contracts. Revenue in France also rose, by €92 million, due to the sound performance of Grands Réseaux and Grands Urbains (particularly the start-up of the Besançon contract and the full-year impact of the Côte Basque Adour contract). Furthermore, the full-year impact of the sanitary transport business of Keolis Santé created in 2017 generated additional revenue of +€44 million.

— Gross profit

Keolis gross profit rose by €45 million due to international activity (+€41 million), particularly the new Yarra Trams contract in Australia, the Boston contract and the Continental Europe contract.

— Current operating profit

Keolis' current operating profit improved by €14 million; the gross profit increase was partly offset by the €11 million rise in depreciation and amortisation.

— Net investments

Investments declined by €106 million. This decrease was attributable to exceptional cash inflow during the period of €100 million relating to the Lille contract (takeover of assets from the former contract upon contract renewal by the Organising Authority).

2019 outlook

— In France, Keolis will launch new networks following contract renewals (Tours, Orléans, Chambéry, Nancy and Bourg-en-Bresse) or new contract wins (Nancy and Bourg-en-Bresse) and new bus lanes (Amiens, Caen and Bayonne).

— Internationally, the group will pursue its aggressive growth strategy and focus on the countries where Keolis is present and should renew contracts due to expire. The priority remains the turnaround in profitability based on current contracts and the set-up of new agreements (Wales & Borders in the UK, the Doha underground and tramway, Hellweg Network in Germany, Greensboro in the US and the Newcastle Tramway in Australia).

— In terms of new mobilities, Keolis will continue to develop the sanitary transport activity and new tests involving "Dynamic transport on demand" and autonomous shuttles (full autonomy).

2.2 LONG DISTANCE

2.2.1 Intercités

INTERCITÉS

PARENT COMPANY

Intercités

Intercités proposes medium and long-distance transport activities in France.

In € millions	2018	2017	Change
External revenue	702	928	-226
Gross profit	50	62	-12
Gross profit /revenue at Intercités level	*6.0%*	*6.0%*	
Current operating profit	43	34	9
Current operating profit after share of net profit of companies consolidated under the equity method	43	34	9
Net investments	43	85	-42

Highlights

— Intercités set up an organisation focusing on a more standardised product and a new services project, "INTERCITÉS 2020".

— Performance enhancement measures were reinforced, mainly regarding the cost structure to limit the strike impact and maintain a balanced net profit.

2018 results

— Revenue

2018 revenue was down by -€226 million (-24.4%) compared to 2017. On a constant Group structure and accounting standard basis, revenue declined by 24%. Traffic fell by 24% with the negative impact of the strikes in the first half of 2018, the transfer of lines to TER as well as a decline in the French State's contribution and price subsidies.

— Gross profit

Gross profit for Intercités declined by -€12 million (-19.4%) between 2017 and 2018. The strikes in the first half of 2018 had a negative impact on gross profit for €24 million.

— Current operating profit

Current operating profit rose by €9 million. The level of gross profit was offset by the net movement in provisions: net reversal of €11 million as at 31 December 2018 compared to a net charge of €3 million as at 31 December 2017; depreciation and amortisation decreased by €8 million.

— Net investments

The net investments of Intercités rose by €42 million compared to 2017. The gap increased due to the lower grants received for rolling stock (delay in the collection of Regiolis grants).

2019 outlook

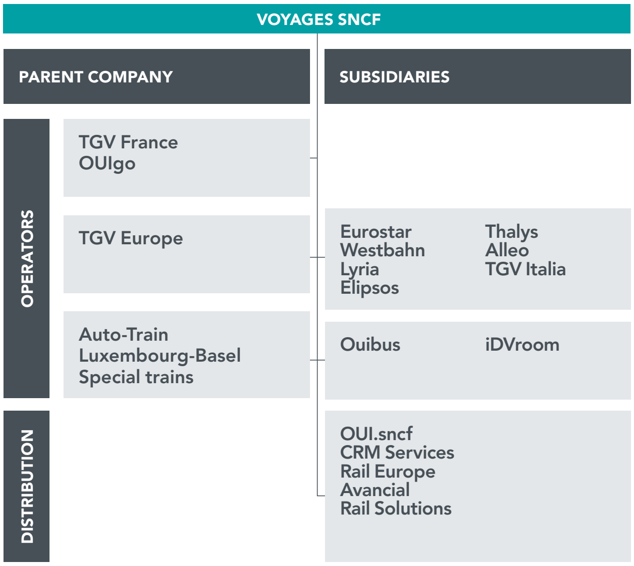
— Preparation for the opening to competition.

— Definition of a strategic marketing position for the long-distance offering in conjunction with the OUI offering & overhaul of the night lines.

— Arrival of new Coradia Liner rolling stock (Toulouse–Bayonne) and finalisation of the call for tenders for motor coaches.

— Installation of Internet on board trains (Paris–Clermont-Ferrand and Paris–Limoges–Toulouse lines).

2.2.2 Voyages SNCF



Voyages SNCF offers its customers:

— door-to-door passenger transport services in France and Europe through its TGV, OUIgo, Eurostar, Thalys, Lyria, OUIbus and iDVroom activities;

— travel-related products: train and airline tickets, car rental and hotel accommodation in particular.

In € millions	2018	2017	Change
External revenue	7,367	7,373	-7
Gross profit	1,044	1,178	-135
Gross profit / revenue at Voyages SNCF level	*13.3%*	*14.7%*	
Current operating profit	424	837	-413
Current operating profit after share of net profit of companies consolidated under the equity method	422	839	-417
Net investments	-884	-798	-86

Highlights

— In September 2018, SNCF announced that it had entered into exclusive negotiations with BlaBlaCar, as part of its strategy to provide its customers with a door-to-door offering. Passengers will soon be able to book in a few clicks through the OUI.sncf site journeys combining train, bus, and car-sharing, thereby covering all travel options from departure to arrival. Under this new partnership, it is expected that SNCF will invest in BlaBlaCar and that BlaBlaCar will acquire and develop the Ouibus activity.

— This year, Ouigo completed its 5 years of business. For 2018, Ouigo offered 37 destinations and 25 daily connections. Since 7 July, TGV Ouigo trains have been operating to and from Paris Est station and Strasbourg, Metz and Colmar. The new “Montpellier Sud de France” station was commissioned in the second half of 2018 and is used by eight daily trains to Paris and Roissy. The arrival of Ouigo at Paris Gare de Lyon and Lille Flandres stations at the year-end marked an important stage in the strategy to win new customers driven by the SNCF high-speed low-cost offering.

— SNCF has started to gradually deploy TGV InOui across France. Tests have proven successful with rising customer satisfaction. The offering will be extended to all TGV destinations by 2020.

— A direct rail link between London and Amsterdam by Eurostar was launched in the first half of 2018.

2018 results

— **Revenue**
Voyages SNCF revenue declined by -€7 million (-0.1%). This was partly attributable to:

- a Group structure and accounting standard impact of -€27 million (see Note 1.1 Comparability of the financial statements);

- a foreign exchange impact of -€6 million.

On a constant Group structure, accounting standard and exchange rate basis, Voyages SNCF revenue increased slightly by +€26 million (+0.4%). The estimated impact of the strikes in the first half of 2018 totalled -€404 million. Grande Vitesse France declined by -€82 million, as the momentum in the first quarter and second half of 2018 (ramp-up of OUIgo, sound results in the loisirs fréquence, TGV Max and pro fréquence customer segments) only partially offset the impact of the strikes. Europe increased by +€116 million due to Eurostar and Thalys.

— **Gross profit**
Gross profit declined by -€135 million, of which an estimated strike impact of -€273 million. The solid momentum of traffic income (excluding the strike impact) and the decline in the regional solidarity tax (-€24 million) did not absorb the impact of the labour conflicts and the increase in the infrastructure fees of the Sud Europe–Atlantique and Bretagne–Pays de la Loire high speed lines.

— **Current operating profit**
The €413 million decrease in the current operating profit of Voyages SNCF was partly attributable to the decline in gross profit and the increase in depreciation and amortisation for €258 million, due to the TGV impairment reversals in June 2018 with the restoration of a depreciation schedule based on zero impairment.

— **Net investments**
Net investments amounted to €884 million in 2018, compared to €798 million in 2017. The increase was mainly driven by the acquisitions of rolling stock by Eurostar and attenuated by the lesser industrial work carried out by Voyages EPIC on rolling stock.

2019 outlook

— Improvement in production fundamentals with the FIRST, H00 and Rebond régularité (punctuality improvement) programmes. Preparation for the future with the ongoing fleet optimisation:

- Consideration of principles to modernise and transform the industrial facilities;

- Definition of the 2020/2021 service.

— Cost cutting: the Grande Vitesse France (excluding infrastructure fees) seat-kilometres offered will decrease by -3.8%. 2019 is the second year of implementation for the Grande Vitesse 2020 trajectory.

2.3 SNCF GARES & CONNEXIONS

SNCF GARES & CONNEXIONS

PARENT COMPANY	SUBSIDIARIES
Management and development of French train stations	AREP Group Groupe Retail & Connexions

The purpose of SNCF Gares & Connexions is to introduce innovative services into stations, while inventing new spaces of urban mobility. Its main subsidiaries are the AREP group (architecture and urban planning) and the Retail & Connexions group (commercial development of stations).

In € millions	2018	2017	Change
External revenue	508	493	16
Gross profit	233	220	12
Gross profit / revenue at SNCF Gares & Connexions level	*15.7%*	*17.2%*	
Current operating profit	99	114	-15
Current operating profit after share of net profit of companies consolidated under the equity method	100	114	-15
Net investments	-246	-209	-38

Highlights

— The first half of 2018 was marked by the inaugurations of the Clermont-Ferrand train station, the Les Vallées train station in Île-de-France and the Laval multimodal exchange hub.

— On 14 November 2018, a 2,200m^2 workspace was inaugurated at Paris Saint-Lazare station.

— The French rail reform law, enacted on 28 June 2018, announced the centralisation of station management activities in a subsidiary with organisational, decision-making and financial independence that will be attached to SNCF Réseau as from 1 January 2020.

— In 2018, the balance of the provision for asset impairment was reversed considering the forecast improvement in the financial trajectory of SNCF Gares & Connexions.

2018 results

— **Revenue**

SNCF Gares & Connexions revenue rose by €16 million (+3.2%) mainly in line with the increase in concession income, partly offset by the impact of strikes in the first half of 2018 (decline in development services for SNCF Réseau).

— **Gross profit**

Gross profit increased by €12 million between 2017 and 2018. The increase was driven by the business concession activity and the compensation received for the transfer of the Paris Saint-Lazare customs building.

— **Current operating profit**

Current operating profit decreased by €15 million; the decrease in gross profit was curbed by the net movements in provisions: net reversal of €5 million over the period, compared to a net reversal of €13 million for the year ended 31 December 2017 and depreciation and amortisation rose by €20 million.

— **Net investments**

SNCF Gares & Connexions net investments rose by €38 million mainly for site projects (Rennes, Nantes, Montparnasse, Lyon Part-Dieu), station accessibility and building maintenance.

2019 outlook

— Preparation for the roll-out of the rail reform and attachment to SNCF Réseau in 2020.

— Ongoing studies and receipt of the "Gare du Nord 2024" SEMOP (Mixed Economy Company with a Single Operation) building permit.

2.4 SNCF LOGISTICS

SNCF LOGISTICS

DIVISIONS	PARENT COMPANY	SUBSIDIARIES
GEODIS		Geodis
ERMEWA		Ermewa Group
RAIL FREIGHT AND MULTIMODAL TRANSPORT	Fret SNCF	Naviland Cargo Captrain VFLI Lorry Rail

SNCF Logistics includes a full range of transport and freight logistics businesses.

	2018						
In € millions	**Geodis**	**TFMM**	**Ermewa**	**Other**	**Total**	**2017**	**Chg.**
External revenue	8,108	1,486	342	0	9,935	10,218	-283
Gross profit	306	-188	238	-3	353	407	-54
Gross profit / revenue at SNCF Logistics level					*3.5%*	*4.0%*	
Current operating profit/(loss)	193	-177	105	-4	117	179	-62
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	195	-174	110	-4	127	187	-61
Net investments	-112	-59	-258	-0	-429	-417	-13

Highlights

Geodis

— On 7 February 2018, Geodis obtained a Skal certification for organic produce storage at its Venlo warehouse in the Netherlands. This certification ensures that this produce is securely stored in accordance with organic standards.

— Geodis has boosted its coverage in East Africa by opening a new office in Kampala, Uganda. This new office expands the Group's global network and will focus initially on the logistics of industrial projects that are currently rapidly developing in this African region.

— The Geodis business volume rose by 2.5% compared to 2017, with a major boost in the Contractual Logistics and Freight Forwarding activities and effective sales negotiations that ensured growth in the Distribution & Express and Road Transport activities.

TFMM

— On 16 April 2018, the French Prime Minister announced a Rail Freight recovery plan.

— A joint venture between Naviland Cargo and the ports of Le Havre and Fos-Marseille was set up to launch a combined transportation service to Switzerland.

Ermewa

— The SGTL workshops in Villeneuve-le-Roi and the Ateliers de Provence in Miramas were acquired in the first half of 2018.

— Ermewa recorded a stable commercial activity for wagon and container leasing.

— In the second half of 2018, Taylor Minster Leasing joined the Ermewa Group in the container leasing activity.

2018 results

— **Revenue**

2018 revenue was down by -€283 million (-2.8%) compared to 2017. It was affected by:

• a Group structure impact for -€260 million, which is described in Note 1.1 Comparability of the financial statements;

• a foreign exchange impact for -€191 million.

On a constant Group structure and exchange rate basis, revenue rose by 1.7% (+€168 million).

Geodis reported growth of €206 million (+2.5%). All business lines are posting growth, with the exception of Supply Chain Optimization, following the downwards renegotiation of the IBM contract.

The Rail Freight and Multimodal Transport division declined by €47 million (-3.1%), with a decrease for Fret SNCF (-€83 million / -11%), offset by the growth of other Rail Transport Operators (+€25 million / +4.1%) and Multimodal Transport (+€11 million / +6.9%).

Ermewa revenue increased by €9 million.

— **Gross profit**

Gross profit fell by -€54 million, primarily due to the estimated impact of the strikes in the first half of 2018 (-€83 million) largely borne by the Rail Freight and Multimodal Transport division business.

— **Current operating profit**

The €62 million decline in current operating profit is primarily attributable to gross profit and the net movement in provisions: (net reversal of €58 million in 2018 compared to a net reversal of €63 million in 2017) and the increase in depreciation and amortisation between 2017 and 2018 for €3 million.

— **Net investments**

SNCF Logistics investments rose by €13 million compared to 2018, amounting to €429 million. The decline involved Ermewa (Macquarie operation).

2019 outlook

Geodis

— Development of the business and volume growth, chiefly in Freight Forwarding and Contract Logistics, by protecting and expanding the French domestic market, boosting coverage in Europe and developing in the United States, China and Mexico.

TFMM

— Fret SNCF: ongoing optimisation of resources by activating 5 performance levers and overheads savings.

— Rail transport: ongoing substantial business growth driven by Germany and Italy (market shares), and freight forwarders.

— Multimodal transport: ambitious growth of Naviland (Navitrucking offering); launch and ramp-up of rail motorways (Bettembourg–Perpignan–Barcelone, Calais–Le Boulou, Calais–Orbasano).

Ermewa

— Ongoing growth of the container leasing business in a context of intense price pressure.

— Increase in wagon leasing volumes with an ambitious investment programme to modernise a fleet with rising maintenance costs.

— Roll-out of the Group's digital strategy: connected wagons and trains.

3. NET INVESTMENTS AND NET DEBT

3.1 NET INVESTMENTS

In € millions	31/12/2018	31/12/2017	Change	
Net investments	-1,978	-2,244	266	-12%
Disposals	271	336	-66	-20%
Investments, net of disposals	**-1,707**	**-1,908**	**200**	**-10%**

Net investments stood at -€1,978 million as at 31 December 2018, a decrease of €266 million compared to 2017. A large part of it consists of rolling stock acquisitions, particularly Francilien trains, tram-trains, Régiolis and Regio2N trains and Océane high-speed trains.

Disposals declined by €66 million compared to 2017 and mainly involved real estate.

3.2 GROUP NET DEBT

In € millions	31/12/2018	31/12/2017	Change
Non-current debt	13,872	14,608	-736
Non-current receivables	-3,831	-4,037	206
Net non-current debt used to calculate net debt	**10,042**	**10,571**	**-529**
Current debt	3,191	4,693	-1,503
Current receivables	-6,046	-7,350	1,304
Net current debt used to calculate net debt	**-2,856**	**-2,657**	**-199**
Net debt	**7,186**	**7,914**	**-728**
Gearing (Net debt / Equity)	*0.8*	*1.5*	

Net debt stood at €7,186 million as at 31 December 2018, for a gearing (Net debt / Equity) of 0.8 (1.5 as at 31 December 2017). Net debt as a percentage of gross profit increased from 2.9 as at 31 December 2017 to 3.0 as at 31 December 2018.

Net debt was impacted by the following movements in 2018:

Opening net debt	**7,914**
Cash from operations	-1,438
Net investments	1,978
Disposals	-271
Dividends received from companies consolidated under the equity method	-30
Group structure transactions [1]	-1,092
Change in operating WCR	-158
Dividends paid	212
Change in fair value, amortised cost, translation difference	-109
Change in tax WCR	213
Other	-33
Closing net debt	**7,186**

[1] of which the Vesta transaction for -€932 million (see Note 1.5 Major events).

3.3 FINANCING SOURCES AND DEBT MANAGEMENT

Non-current and current debt decreased by €736 million and €1,503 million, respectively.

These changes were essentially due to:

— the decrease in cash and cash equivalents for -€1,445 million;

— the repayment of bonds for -€782 million.

Current and non-current debt declined by €1,304 million and €206 million, respectively.

These changes mainly stemmed from the decrease in cash and cash equivalents for -€1,453 million.

EPIC SNCF Mobilités is responsible for managing most of the Group's net debt, carrying 94% of the Group's external debt at the year-end.

The SNCF Mobilités Group's long-term debt was rated as follows by the main rating agencies:

	Long-term rating	Outlook	Report date
Standard & Poor's	AA-	Stable	29-Jun.-18
Moody's	Aa3	Stable	28-Jan.-19
Fitch Ratings	A+	Stable	13-Jul.-18

3.4 GROUP EXPOSURE TO MARKET RISKS AND TERMS OF USE OF FINANCIAL INSTRUMENTS

The management of market risks is governed by a general framework, approved by the SNCF Mobilités' Board of Directors, setting out the management principles for parent company risks that may be hedged by financial instruments.

This general framework defines the principles governing the selection of financial products, counterparties and underlyings for derivative instruments.

More specifically, the general framework defines risk limits for the management of euro and foreign currency cash balances and long-term net indebtedness.

In addition, it describes the delegation and decision-making system and the reporting and control system and its frequency (daily, twice monthly, monthly and annually).

The breakdown of the strategy implemented is described in the Capital and financing Note to the consolidated financial statements.

4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND RATIOS

In € millions	31/12/2018	31/12/2017
Goodwill	2,330	2,339
Intangible assets	1,805	1,776
Property, plant and equipment	16,725	13,546
Non-current financial assets	4,964	5,474
Equity investments	864	671
Deferred tax assets	1,358	969
Non-current assets	**28,045**	**24,775**
Operating assets	8,188	7,588
Current financial assets	1,229	1,074
Cash and cash equivalents	4,954	6,394
Current assets	**14,372**	**15,056**
Assets classified as held for sale	–	1
Total assets	**42,417**	**39,831**
Share capital	3,971	3,971
Consolidated reserves	877	188
Net profit for the year	4,502	1,136
Equity attributable to equity holders of the parent	**9,350**	**5,295**
Non-controlling interests (minority interests)	137	134
Total equity	**9,487**	**5,428**
Non-current employee benefits	1,571	1,572
Non-current provisions	998	1,164
Non-current financial liabilities	15,430	15,883
Deferred tax liabilities	399	373
Non-current liabilities	**18,398**	**18,991**
Current employee benefits	97	97
Current provisions	164	175
Operating payables	11,080	10,446
Operating liabilities	**11,341**	**10,717**
Current financial liabilities	3,191	4,693
Current liabilities	**14,531**	**15,410**
Liabilities associated with assets classified as held for sale	–	1
Total equity and liabilities	**42,417**	**39,831**
Gearing (Net debt / Equity)	*0.8*	*1.5*
Net debt / Gross profit	*3.0*	*2.9*

The Group statement of financial position recorded the following major changes in 2018:

— A €3,179 million increase in net property, plant and equipment primarily due to:

• acquisitions, net of disposals, for +€2,427 million;

• depreciation, amortisation and impairment, net of reversals, for +€1,388 million, of which impairment reversals of +€3,193 million for the TGV France and Europe CGU and +€107 million for the Gares & Connexions CGU (see Note 1.2 Major events of 2018);

— An increase in equity attributable to equity holders of the parent, which mainly includes the net profit for the period (€4,502 million), the dividend paid to EPIC SNCF (-€186 million), the change in fair value of cash flow hedges (-€5 million), the actuarial gains and losses on post-employment benefit plans (€9 million) and the change in translation differences (€23 million);

— A breakdown of financial assets and liabilities is shown in Note 6 to the consolidated financial statements.

5. FINANCIAL RELATIONS WITH THE FRENCH STATE, SNCF RÉSEAU AND LOCAL AUTHORITIES

SNCF Mobilités receives:

— public service orders (as is the case with any public service agent or supplier to the French State and local authorities) in a monopoly legislative and regulatory framework;

— operating and investment grants primarily for the activities of SNCF Transilien, TER and Intercités.

5.1 PUBLIC SERVICE ORDERS

The table below shows the EPIC Mobilités revenue generated with SNCF Réseau, Regions, Île-de-France Mobilités and the French State.

In € millions	31/12/2018	31/12/2017	Change
Asset maintenance	141	131	10
Work	59	49	10
Other services	4	4	0
Total SNCF Réseau	**204**	**185**	20
Compensation for regional rates	49	415	-366
Services for the Organising Authorities	4,826	4,577	249
Total Regions and Île-de-France Mobilités	**4,875**	**4,992**	-117
Socially-motivated prices	9	0	9
Defence	140	152	-12
Trains d'Equilibre du Territoire (TET)	247	308	-62
Total French State	**396**	**460**	-64
Total	**5,475**	**5,636**	-162

Work for SNCF Réseau mainly comprised services performed by SNCF Gares & Connexions.

5.2 GRANTS AND PUBLIC CONTRIBUTIONS OBTAINED FROM THE FRENCH STATE AND GOVERNMENT AUTHORITIES

Public contributions granted to the Group by the French State and government authorities are presented in the following table:

In € millions	31/12/2018	31/12/2017	Change
Operating grants	57	42	15
Cash inflows from concession financial assets	1,379	1,031	348
Investment grants relating to intangible assets and PP&E	365	315	50
Total	**1,801**	**1,388**	**413**

Payments received for concession financial assets and investment grants received:

SNCF Mobilités receives investment grants, primarily from local authorities, to finance its non-current assets, particularly rolling stock.

In accordance with IFRIC 12, grants received as part of a concession are presented in the statement of financial position as a deduction from intangible assets or financial assets, according to the applicable model, following the analysis of each concession agreement. With regard to concession financial assets, the grants received are considered as a means of reimbursing such assets.

In the other cases, investment grants received are deducted from intangible assets and property, plant and equipment in the balance sheet. In the income statement, they are recorded in operating profit or loss (as a deduction from depreciation and amortisation) according to the estimated economic life of the corresponding assets.

6. EMPLOYEE MATTERS

6.1 WORKFORCE

	31/12/2018	31/12/2017	Change vs 31/12/2017		Change on a constant Group structure basis vs 31/12/2017	
SNCF Transilien & TER	**44,227**	45,200	-2.2%	-974	-0.8%	-362
Keolis	**65,664**	61,070	+7.5%	4,594	+7.0%	4,245
Intercités	**2,771**	3,071	-9.8%	-300	-9.8%	-300
Voyages SNCF	**23,268**	24,460	-4.9%	-1,192	-4.9%	-1,192
SNCF Gares & Connexions	**4,056**	4,078	-0.5%	-22	-0.5%	-22
SNCF Logistics	**50,802**	49,956	+1.7%	846	+1.7%	842
Including the Geodis division	***39,869***	*39,388*	*+1.2%*	*481*	*+1.2%*	*481*
Industrial department	**11,642**	12,490	-6.8%	-847	-6.8%	-847
Corporate	**1,435**	1,491	-3.8%	-56	-3.3%	-49
Total	**203,865**	**201,816**	**+1.0%**	**2,049**	**+1.1%**	**2,315**

Changes in Group structure over the year did not significantly impact the change in the average workforce.

On a constant Group structure basis, Keolis' workforce increased by 4,245 mainly following the contract wins in France and internationally, such as in Wales with Keolis Amey (+ 2,200) or Besançon (+483).

SNCF Logistics' workforce rose by 842 on a constant Group structure basis mainly due to the new contract wins in the US.

	2018	2017	2016 restated [1]	2016 published	2015	2014	2013
Parent company	89,566	92,178	94,680	87,615	90,429	154,272	155,371
Subsidiaries	114,299	109,638	106,873	106,103	105,723	91,491	89,200
Total	**203,865**	**201,816**	**201,553**	**193,718**	**196,152**	**245,763**	**244,570**

[1] adjusted for the new calculation method according to paid workforce in accordance with ANC regulation 2016-07 of 4 November 2016.

6.2 MAIN AGREEMENTS SIGNED IN 2018

The following collective agreements were signed with representative trade union organisations (date of signature in brackets):

— agreement covering electronic voting for the elections of employee representatives in the Works Councils and employee representatives within the Public Rail Group (17/01/2018);

— collective agreement relating to the renewal of the Luncheon Vouchers system for Public Rail Group employees (18/04/2018);

— collective agreement promoting the employment of disabled workers in the Public Rail Group (30/04/18);

— amendment to the collective agreement promoting professional equality between men and women and gender diversity in the Public Rail Group (30/04/2018);

— EPIC SNCF Mobilités 2018-2020 profit-sharing agreement (26/04/18);

— collective agreement for the improvement in the housing assistance policy for Public Rail Group employees (12/10/2018);

— agreement relating to employee representation within the Public Rail Group's Central Social and Economic Committee (31/12/2018).

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

1. INTERNAL CONTROL AND RISK MANAGEMENT

As the SNCF Group project stakeholder, SNCF Mobilités presented a business plan defining its primary strategies that was updated in 2018. The plan's objective is to make the SNCF Group a world leader in passenger and freight mobility services. The Group's *raison d'être* was also confirmed: **"Give everyone the freedom to move easily while preserving the planet."**

This project is based on our fundamentals, with ongoing programmes focusing on operational excellence and involving safety (Vigirail), service quality and punctuality (H:00) and fast and accurate passenger information (FIRST), and the following three priorities:

— **Daily transport,** in order to offer better public service at a lower cost to local authorities and passengers;

— **Expanded use of digital and door-to-door solutions** to offer customers a personalised service that combines a variety of transport modes;

— **International development** with the goal of gradually reaching 40% of revenue generated.

Control measures have been introduced so as to guarantee risk management in this changing context.

1.1 THE INTERNAL CONTROL SYSTEM

1.1.1 The internal control system's fundamentals

1.1.1.1 The definition and objectives of internal control

For the SNCF Mobilités Group, the internal control system applies to the entire aforementioned Group structure and seeks to ensure:

— Compliance with laws and regulations;

— Implementation of the instructions and directions given by Executive Management;

— Proper functioning of internal processes, especially those relating to the protection of its assets;

— Reliability of financial information.

In general terms, it contributes to control over its activities, the efficiency of its operations and efficient use of its resources. Therefore, the scope of internal control is not limited to a set of procedures or to accounting and financial processes.

However, as with any control system, internal control cannot provide an absolute guarantee that the company's objectives as described above will be achieved, but rather reasonable assurance regarding the management of material risks.

1.1.1.2 The framework used

The SNCF Mobilités Group relies on a reference framework published by the AMF (French securities regulator) in January 2007 and updated in July 2010. This reference framework identifies five components:

— An organisational structure with a clear definition of responsibilities, suitable resources and competencies that is supported by appropriate information systems, procedures, tools and practices;

— In-house dissemination of relevant and reliable information;

— A risk management system to identify, analyse and manage the main risks identified;

— Control activities proportionate to the challenges;

— Ongoing monitoring of the internal control system.

1.1.2 Internal control and risk management procedures

As one of the internal control system's objectives is to prevent and manage the risks arising from the company's activity, the SNCF Mobilités Group has opted to coordinate the work carried out by internal control, risk management and internal audit.

1.1.2.1 The internal control system

The SNCF Mobilités Group has defined the organisation of internal control. The governance principles are as follows:

— The Direction Générale de l'Audit et des Risques (DGAR) (Audit and Risk Directorate), in its role as ultimate administrator, manages the overall system for the SNCF Group scope by determining the general guidelines. It also assesses the common tools and methods it provides to the players involved;

— The Internal Control Department, reporting to the SNCF Mobilités Finance Department, coordinates the overall system in conjunction with the Business Line Internal Control Managers who are responsible for internal control within their scope.

Accordingly, a roadmap was signed by the CFO of SNCF Mobilités and co-signed by the Director of the DGAR within EPIC SNCF that reports directly to the Co-Chair, who responsible for the SNCF Group's administrative governance. It is based on five focal points:

— Internal control design, organisation and coordination;

— Definition of process management terms and conditions;

— Consolidation of the control environment;

— Assessment of the management of key control points;

— Reporting.

In order to guarantee a reasonable level of assurance regarding operations management, the SNCF Mobilités Group relies on a network of managers and correspondents who steer internal control in the various entities.

The SNCF Mobilités Group's Internal Control Steering Committee, created in 2015, meets with the internal control managers on a periodic basis. This committee is coordinated and steered by the SNCF Mobilités Finance Department. This involves the preparation of roadmaps by Activity based on the roadmap defined by the DGAR.

Using the internal control tool, self-assessment campaigns can be conducted for all the SNCF Mobilités Group entities. The tool can also be used to define an internal control checkpoints database that covers all the processes featuring in the AMF reference framework implementation guide, as well as the various "control environment" components. In addition, based on the results, and in line with the process benchmarks, collective and individual actions plans can be defined and best practices shared.

The summary of recommendations presented to the Audit and Risk Committee by the statutory auditors as part of their internal control work is followed up by the Finance Department, and a report is presented to the Committee.

1.1.2.2 The risk management system

The overall organisation of risk management is based on the "three lines of defence model" as defined by the French Audit and Internal Control Institute (IFACI) and the French Business Assurance and Risk Management Association (AMRAE):

— The first line of defence consists of each entity's management chain;

— The second line of defence comprises transversal support tools that encourage best practices;

— The third line of defence is shaped by internal audit, which independently assesses the level of risk management.

Each Division, Activity, Business Line or Department is responsible for managing the risks within its scope. The head of each entity appoints, generally from among management committee members, a risk manager in charge of coordinating the risk management system in compliance with the Group's common methodological principles.

For SNCF Mobilités, the risk manager adopts a position within each Division/Activity/Business Line that is coordinated by the Audit and Risk Directorate.

The mapping of major risks by entity is prepared and updated annually by the network of risk managers within the SNCF Mobilités Group entities. The consolidated mapping of the SNCF Mobilités Group's major risks is formalised by the DGAR and submitted to the Executive and Audit and Risk Committees of SNCF Mobilités.

Each major risk is assigned to a sponsor who is a member of the SNCF Mobilités Group's Executive Committee. The sponsor must ensure that risks are correctly analysed and assessed and the action plans are properly coordinated.

1.1.2.3 The internal audit system

With respect to the shared functions cited in Article 5 of Decree 2015-137 dated 10 February 2015, SNCF Mobilités concluded an agreement concerning the performance of audit operations at the DGAR, whose certification by the IFACI since June 2006 was renewed in 2015.

The audit plan is based on a risk approach. It is drawn up with the Audit and Risk Directorate in conjunction with SNCF Mobilités Managers, approved by the Executive Committee and submitted to the SNCF Mobilités Group Audit and Risk Committee.

In 2018, twenty-four operations were performed, including eight covering information system security. Reports along with recommendations for improvement were submitted to the managers concerned. They are systematically covered in a DGAR memo which is sent to the Chairman of the SNCF Mobilités Group's Board of Directors. Compliance audits are also carried out via the audit plan.

The results of the compliance audits and self-assessment campaigns are discussed with the SNCF Mobilités Group's auditors.

1.1.3 Control environment

1.1.3.1 Institutional control environment

SNCF Mobilités operates in a complete institutional control environment related to its status as a public company and parent to a sizeable group of companies.

SNCF Mobilités is subject to the control of:

— The French Court of Auditors;

— The French Government Commissioner;

— The French Economic and Financial Verification Mission for Transport (MCEFT);

— The French Government Shareholding Agency (APE);

— Its line ministries (transport, budget and economy);

— The French Rail and Road Regulatory Body (ARAFER);

— The French High Committee for the National Rail Transport System, an information and consultation body for stakeholders regarding the major issues of the national rail transport system;

— The French Network Operators' Committee, a standing consultation and cooperation body between the national rail network manager, SNCF Réseau, and users;

— The French public institution of railway safety (EPSF);

— The French securities regulator (AMF);

— The Banque de France (BDF).

The accounts of the SNCF Mobilités Group are audited by two statutory auditors appointed by the French Minister of Economy and Finance, following consultation with the Board of Directors' Audit and Risk Committee. Each subsidiary is audited by at least one of the two statutory auditors. The mandate of the statutory auditors was renewed in 2014.

The various participants cited above are tasked with verifying that SNCF Mobilités' obligations are met, particularly in the area of accounting and finance.

SNCF Mobilités is also subject to controls in connection with its activities as an operator in the passenger rail transport services sector on the part of transport organising authorities (Île-de-France Mobilités, regional councils, etc.). These controls cover the material and financial conditions governing the performance of services.

1.1.3.2 The SNCF Mobilités control environment

The directives system
The directives system was set up within SNCF Mobilités to provide the EPIC stakeholders with all the rules, recommendations and information they require to conduct their activity. The system is also available to other EPICs of the SNCF Group.

Organisation of operational and functional responsibilities
SNCF Mobilités Group reviewed the breakdown of its operating segments as from 1 January 2018 in line with the changes in its organisation.

The Group is now organised into four business units and eight segments: "Daily Mobilities" comprising two segments SNCF Transilien & TER and Keolis; "Long distance" comprising two segments Intercités et Voyages SNCF; "SNCF Gares & Connexions" as a separate business unit and segment and "SNCF Logistics" made up of three segments Geodis, TFMM and Ermewa Group.

The eight aforementioned operating segments are regularly examined by the SNCF Mobilités Executive Committee in order to assess their performance and allocate resources. Comparative information has therefore been restated. These segments, which target different customers and sell separate products and services, are as follows:

— SNCF Transilien and TER: local transport services, rail transport regulated services (TER, Transilien), and additional services covering passenger transport (Itiremia, Ritmx);

— Intercités: medium-distance transport activities in France;

— Voyages SNCF: door-to-door passenger transport services in France and Europe (TGV, OUIgo, Eurostar, Thalys, Lyria, iDVROOM, etc.) and distribution of travel-related products;

— SNCF Gares & Connexions: dedicated to the development and operation of all stations and the non-discriminatory welcome of all operators;

— Geodis: a European operator with a worldwide scope which proposes management solutions covering all or part of the logistics chain (Supply Chain Optimization, Freight Forwarding - air and sea, Contract Logistics, Distribution & Express, Road Transport);

— Rail freight and multimodal transport: activities of rail transport operators, combined transport operators and freight forwarders carried out by several companies (Fret SNCF, VIIA, Naviland Cargo and Forwardis);

— Ermewa Group: long-term management and leasing of rail transportation equipment (specialised wagons, tank containers);

— Keolis: in charge of mass transit in sixteen countries worldwide. Its expertise covers all modes of transportation (train, bus, car, underground, tramway, ferries, bicycles, sanitary transport), and the management of interconnection points (stations, airports) and parking.

These segments rely on common support functions (Corporate and the Industrial Department), which combine the holding company activities of SNCF Participations, the service provider activities of SNCF Mobilités Group (equipment and other transversal services) and certain operating subsidiaries.

Certain processes for EPIC SNCF, EPIC SNCF Réseau and EPIC SNCF Mobilités are pooled within the SNCF Group in accordance with the Rail Reform Law and implementing decrees. This mainly involves the following services: steering, group support, HR, medical and employee services, work environment, accounting, information systems and real estate.

Conduct and integrity rules
The objective of the SNCF Mobilités Ethics approach, which is patterned after that of the SNCF Group, is to define individual and collective professional conduct criteria and create the SNCF Mobilités Group's ethical identity based on these values.

This approach is based on the SNCF Group's ethics charter, which was approved following deliberation by the EPIC SNCF Supervisory Board on 3 November 2016. The charter describes the five ethical values and the eleven resulting principles of conduct. These principles should be known by all employees, whatever their status and function, and guide their professional conduct on a daily basis, particularly on anti-corruption, protection of the Group's human capital, compliance with competition law and anti-fraud.

The rules of conduct with regard to integrity were strengthened in 2018 through the widespread dissemination of an anti-corruption code of conduct applicable to all SNCF Mobilités employees. The code of conduct, which was drafted by the Ethics and Conduct Office, with the participation of the SNCF Mobilités Legal and Compliance Department, defines and illustrates the different types of conduct to avoid as they may represent acts of corruption or influence peddling.

Pursuant the recommendations of the French Anti-Corruption Agency (AFA), the Ethics and Conduct Office continued its efforts in 2018 to disseminate the code of conduct to make it enforceable on all employees. It has been included in a support framework applicable to SNCF Mobilités, among other entities. The interest in the framework is that it will enforce the code of conduct's unquestionable authority, as failure to meet its requirements may result in disciplinary sanctions.

The code of conduct, which is available on the intranet, can also be downloaded using an application that can be accessed on any professional smartphone and certain tablets. This application called My Ethic was designed and developed in 2018 by the Ethics and Conduct Office. It provides group employees with fact sheets that outline risk situations and offer advice and recommendations on the best conduct to adopt.

1.2 MANAGEMENT OF MAIN RISKS

1.2.1 Operating risks relating to safety and security

1.2.1.1 Risks relating to rail safety and occupational health and safety

The SNCF Group is developing a safety policy whose objective is to ensure:

— For customers and the community, a service with the expected level of safety;

— For its partners and personnel, a guarantee of safety in their procedures.

SNCF Mobilités is fully engaged in the General Safety policy implemented by the Public Rail Group, which seeks to attain safety excellence and serve as an acknowledged international reference for both occupational and operational safety.

The purpose of this policy is to:

— Ensure the highest level of safety;

— Affirm that beyond being the top priority, safety is a company value;

— Introduce a renewed safety culture;

— Draw inspiration from best practices in rail and other industrial sectors.

The six focal points of the P.R.I.S.M.E safety policy are applied within SNCF Mobilités.

1. Develop a Proactive behaviour so that employees effectively contribute to the continuous improvement system by signalling any incidents and precursors of which they are aware to their supervisors;

2. Introduce Risk management to prioritise actions and focus energies;

3. Manage Interfaces between the entities so as to work in a safety chain in which each link is essential and connected, including partners and subcontractors;

4. Simplify procedures and documentation so as to guarantee systematic application by the operators while giving meaning to the action;

5. Create Managerial conditions so that employees are personally involved in their actions and decisions, and at their level of responsibility, to reduce accident risk (severity and occurrence) to a maximum;

6. Develop the most innovative tools and Equipment to provide each employee with a work environment and technological resources that are safe.

To ensure simplified and tightened safety management, the Public Rail Group's General Director of Safety reports directly to the SNCF EPIC Management Board and the chairmen of SNCF Réseau and SNCF Mobilités. Safety coordination thus improves interface safety.

In 2018, the Chairmen of the EPIC SNCF, and the Chairmen and CEOs of SNCF Mobilités and SNCF Réseau signed the European Rail Safety Culture Declaration initiated by the ERA (European Union Agency for Railways). This declaration demonstrates the commitment of European rail company leaders in terms of promoting a positive safety culture and raising the awareness of all industry players. A positive safety culture reinforces the effects of the Safety Management System by improving its capacities and efficiency.

In 2018, the Chairmen of the EPIC SNCF Management Board, the Chairmen and CEOs of SNCF Mobilités and SNCF Réseau and the members of the three Executive Committees reaffirmed their commitment to an integrated safety policy covering both the workplace and operations. This commitment is based on the Public Rail Group's General Safety policy: to attain safety excellence and serve as an acknowledged international reference for both occupational and operational safety.

Rail operational safety

SNCF Mobilités respects and values the regulatory obligations defined by the States where it conducts its activities. The organisation and management it sets up to meet these obligations are subject to the approval of the corresponding national safety authorities (in France, the French public institution of railway safety - EPSF) for the issue of safety certificates for rail company activities. Safety systems, sub-systems and mechanisms are defined and designed with a safety requirement that is specific to SNCF Mobilités and in compliance with national and European regulatory frameworks. Their commissioning is authorised by the corresponding national safety authorities.

SNCF Mobilités has a Safety Management System that covers the scope of its rail operations. This System was submitted to the EPSF, which issued a safety certificate to SNCF Mobilités on 25 June 2015. It was renewed for five years as of 1 July 2016.

SNCF Mobilités prepares an annual safety report in connection with the safety certificate that is transmitted to the EPSF by no later than 30 June the following year. The EPSF assembles the annual reports of all the rail companies and infrastructure managers to prepare an annual safety report on the French National Rail Network (RFN) by 30 September the following year. This report is passed on to the European Union Agency for Railways.

In addition, SNCF Mobilités continues to play a major role in ensuring that safety requirements are met when there are changes at the European level, while contributing to the development of rail transport.

In order to comply with its regulatory obligations, the SNCF Mobilités Group entities involved in rail activity have developed specific measures.

The organisation and management of the company's operational safety, including roles of transporter and Entity Responsible for Maintenance, are defined in a national directive that is observed by the relevant SNCF Mobilités Group entities, and specifically the Ermewa subsidiary.

The safety management system is continuously adapted to benefit from identified areas of progress and take into account service realities and changes, as well as regulatory developments.

A specific closure process ensures the quality of the safety policy implementation. Specifically, the process comprises:

— Strict and regular skills and aptitude checks for the 70,000 employees involved in safety, in compliance with the 7 May 2015 order relating to essential safety tasks;

— Procedure application and management quality audits;

— Structured feedback at all levels: institutional, regional, national.

In addition to the measures specific to the SNCF Mobilités Group, EPIC SNCF performs shared services for SNCF Mobilités, among other entities, as cited in Article 5 of decree 2015-137.

Within EPIC SNCF, two departments contribute to the risk management system relating to rail operational safety:

— **The SNCF Safety Directorate** – whose main tasks are to:

• Coordinate the PRISME programme and contribute to the renewal of the Public Rail Group's safety practices and culture;

• Carry out random inspections, guarantee risk response for the company as a whole, identify low-level signals and anticipate risks and provide warning. To achieve these tasks, it relies on the Safety Channel tool.

— **The Safety Audit Department, a DGAR entity,** whose main task is to **constantly assess** the level of safety in the establishments and various entities of SNCF Mobilités and specifically the performance of safety operational procedures and the quality of their **management** from a **compliance** perspective.

SNCF Mobilités has concluded an agreement for the performance of safety audits with the aforementioned Safety Audit Department, which has been ISO 9001:2008 certified by AFNOR. The number of audits and the entities concerned are determined as part of the annual planning, which is based on an audit plan defined under the contractual authority of SNCF Mobilités that extends over two years for national audits and four years for regional audits. These directive audits are included in the audit plans presented to the SNCF Mobilités Audit and Risk Committee.

This mainly involves:

— **National operational safety audits (ASNO),** which are periodic compliance audits;

— **Thematic safety audits** which, under the sponsorship of the Product, Activity or Business line managers of the establishments, assess the effectiveness of preventive or corrective measures initiated following national audits, and process, site or product compliance;

— **Personnel safety audits concurrently with ASNOs;**

— **Design audits,** which assess the aptitude of a system or the capacity of a product or process to satisfy the mandated safety requirements and objectives.

In 2018, the SNCF Safety Directorate set up platforms to manage risks and simplify documentation with a view to accelerating and expanding the safety transformation:

— The purpose of the "Risks" platform is to implement a safety policy based on risk analyses, founded on the principle of preparing, supporting and using "butterfly loops" when faced with menaces as part of the PRG risk mapping.

— The "Simplification" platform is intended to produce, based on the priorities identified in the PRG, an operational documentation that is simplified, electronic and structured according to universal principles.

Safety Directorate is organizing the second edition of the safety train. The train will criss-cross France from 27 November 2018 to 1 March 2019, meeting 14,000 rail workers at 56 stops. This measure is intended to raise the awareness of SNCF employees regarding rail risks relating to occupational health and safety.

Occupational health and safety

The Public Rail Group has launched an ambitious programme for the managerial transformation of occupational health and safety, based on substantial management actions to reduce the severity and frequency of work accidents. It has begun work on developing occupational health and safety leadership.

«Rules that save" were defined for all employees with certain specificities adapted to certain business lines. They will serve to mitigate and protect against the most common major risks.

Discussions are underway to distribute leaflets containing a maximum of 10 "rules that save" per market segment (5 standard rules and 5 rules specific to the business segment) to each external firm working in railway rights-of-way.

The Safety Audit Department also includes a national Occupational Health and Safety audit division, which regularly assesses, in the establishment itself, the quality of the management and operational control of risks with regard to occupational health and safety. This approach is rolled out under the sponsorship of each of the three Public Rail Group's EPICs. The audit and evaluation method is in line with the requirements of the French Labour Code, which facilitates the use of the audit findings. It is thus possible to perpetuate the use of the results and strengthen occupational health and safety management over the long term.

The SNCF Mobilités Occupational Health and Safety policy is driven by Multi-year Prevention Guidelines and rolled out annually in the form of action and result targets in each of the Division and Activity Directorates, which see to its implementation in the establishments and related entities on the same hierarchical level. These guidelines serve as a base for the preparation of Safety Action Plans for the Divisions, Activities and Business Lines and their establishments, mainly reflected in:

— Occupational Health and Safety Action Plans;

— Annual programmes covering Occupational Risk Prevention and the Improvement of Working Conditions.

The SNCF Mobilités occupational health and safety policy is managed by the SNCF Mobilités Safety Department in concert with the Divisions, Activities and Business Lines, overseen by coordination and steering bodies and in tandem with the Safety Directorate.

The organisation and management of the Health and Safety process are defined in the EPIC Mobilités guidelines "Occupational Health and Safety – mandates, responsibilities and general management principles."

These guidelines present the Safety management delegations for all the Divisions, Activities and Business Lines of SNCF Mobilités. They organise and steer occupational risk prevention, determine objectives, implement prevention measures and verify efficiency for their scope of activity.

The establishment Directors assume the employer's responsibilities within the meaning of the French Labour Code. They are responsible for the implementation of Occupational Health and Safety management, compliance with the French Labour Code, cross-cutting enforcement measures, and national documents published by SNCF Mobilités, or the Activity or Business Line to which the establishment belongs.

Road safety
The SNCF Mobilités Group has positioned itself as a major player in passenger and freight road transport. Faced with growing volumes of passenger road traffic, the rise in incivilities and the hazards of road travel, safety has become a major challenge for the road activity managed by SNCF Voyageurs, SNCF Logistics and Keolis.

As part of its risk management policy, fatal road traffic accidents have been identified as the major risk of the road transport activity.

The analysis of this risk in terms of the transport and freight logistics activity was characterised by risk mapping and consideration of the risk exposure factors and control focal points. To support the satisfactory results of this analysis, an approach geared towards continuous improvement or specific actions at the local level is implemented.

As part of the work on the passenger transport scope:

— Safety management action plans are in place;

— Regarding road passenger transport activities, the subcontracting process is subject to a supplier selection procedure incorporating operating safety criteria.

The consolidation of management practices, the prevention of fatal road traffic accidents involving passengers or third parties and the gathering of feedback were pursued and reinforced at Keolis. Prevention measures continued to increase the wearing of seat belts in school buses. Keolis responded to a project call with ANATEP and BVA (MAIF foundation). The NUDGE method was tested in 2018 to modify behaviours.

1.2.1.2 Fire safety risks
The organisation and management of fire safety within SNCF Mobilités is formalised in two national frameworks, which specify the mandates and responsibilities of the various players that manage fire safety issues, whether they are part of the responsibility chain or act as experts or advisors.

In addition to the technical and regulatory requirements relating to building construction and maintenance, property fire safety requires significant management involvement in order to achieve the following objectives:

— Ensure there are safety measures to counter the risks of fire and panic for all persons occupying sites regardless of their function;

— Protect property, optimise risk management and anticipate the conditions in which the company's activities can continue under any circumstances, so as to guarantee service continuity and avoid financial losses;

— Limit the risks of fire spreading to third parties and damage to the environment.

Each Activity, Domain, Department, Region and Establishment Director is responsible, as an employer or operator, as the case may be, for the property fire safety of the premises within his or her scope of responsibility. Directors are mainly responsible for implementing directives, and appointing a fire safety manager, and a national fire safety correspondent, who acts as intermediary for SNCF Immobilier and SNCF Gares & Connexions. At each half-yearly property fire safety review, the Director presents an update covering the fire safety management of his or her entity.

1.2.1.3 Personal and property safety risks
The scope of safety risks ranges from incivilities to terrorist attacks. Their consequences vary in nature:

— loss of human lives, in the event of an attack;

— aggression of customers, personnel or shoppers in stations;

— economic:

• loss of revenues, relating to fraud, either directly, or by the disaffection of customers who consider that travelling with fraudsters is a matter of annoyance if not insecurity;

• deterioration or even destruction of facilities (attacks, cyber-attacks, vandalism);

• damage to SNCF Mobilités' image, which can also be a precursor to revenue losses if the rail system seems unable to protect against delinquency and the terrorist risk.

The terrorist threat level remains high throughout the country and potential operating methods are diversifying once again.

In view of these threats, the Security Department's response in 2018 specifically covered:

— the reinforcement of canine explosive detection resources. There are 24 canine teams; the aim is have around thirty. Handling abandoned items using canine teams maintains a high level of safety and avoids calling on bomb disposal experts and the related consequences (security perimeters, traffic stoppage);

— a very strong commitment by station personnel and train crews to better apply the abandoned item procedure;

— the launch of the company security plan to supplement the directive security approach (application of government plans) with a managerial component designed to ensure the adoption of conduct by personnel that is most conducive to security. This approach will be rolled out in full cooperation with the SNCF Mobilités and SNCF Réseau security contacts;

— the monitoring of measures to defend against ramming vehicles in the most vulnerable stations;

— the ongoing increase in requests for opinion from the French Minister of the Interior on the compatibility of employee conduct with jobs defined as sensitive in the Conseil d'État decree adopted in accordance with the Savary Law.

1.2.2 Information system risks
SNCF Mobilités Group operations rely heavily on information systems. A security failure or breach in one of the systems could damage the Group's reputation and have a negative impact on its financial performance.

The acceleration of the company's digital transformation has undeniably created performance levers and opportunities, but this has been accompanied by the growing dependence of the Group's business lines and activities on information systems, which accentuate the impacts of a major system failure on operational production and therefore the security risks of these information and telecom systems.

Added to this "IS dependency" phenomenon is a substantial reinforcement of the national and European regulatory framework that obliges companies, including the SNCF Group, to implement sustained compliance initiatives in regard to their critical systems and data, and specifically personal data.

With respect to cyber-security governance, the SNCF Group has made this issue a top priority since 2015 through its ISS (Information System Security) management committee, which is regularly informed of the such risks and steers the major projects relating to this problem using a multi-year ISS master plan.

The ISS rules are governed by the SNCF Group's information system security policy, which defines cyber security principles that are articulated in a general framework, with the aim of developing risk management based on a principle involving continuous improvement, anticipation of ISS business developments according to the transformation of SNCF business lines and legal and regulatory compliance. In 2018, these rules were revised to adapt to the development of cyber-attack threats and the Group's digital transformation.

To implement these directives, the Group Information System Security Officer (ISSO) coordinates a network of ISSOs positioned in the three EPICs and their subsidiaries. Each ISSO manages his or her cyber security activity through an annual analysis of ISS risks, proposes actions and defines the resources needed to reduce these risks. He or she monitors the related action plans within his or her scope.

Control of corporate cyber security falls within the scope of the ISS supervisory function reporting to the Audit and Risk Department, which implements a yearly controls plan covering the cyber security of the business line activities, and conducts technical tests to ensure application compliance and the effectiveness of the IS security operational rules within the Group scope. Any discrepancies give rise to corrective action plans coordinated by the competent ISSOs.

In 2018, the SNCF Group boosted its detection and remediation capability by developing the computer emergency response team (CERT) and equipping its IS operational security centre. Furthermore, an ambitious programme to modernise ISS departments was initiated in a 3-year strategic plan.

Awareness-raising actions for users and project managers were conducted so that cyber security best practices are widely communicated and become a daily reality. Several information campaigns on ISS risks and best service practices were conducted in 2018 as part of the "Attitude 3D" programme. The programme was recognised by the profession via the awareness-raising prize awarded by the Economic Intelligence School. In addition, the IS usage charter has been updated and widely disseminated within the Group.

1.2.3 Energy-related risks

The energy sector is undergoing significant changes and the Group has rolled out an ambitious Energy policy driven by the Energy Department which reports to the Performance Department.

Two objectives were set for 2025:

— Improve energy performance (consumption/activity) by 20%;

— Improve carbon performance (GHG emissions/activity) by 25% between 2015 and 2025.

The risks for the Group vary in nature:

— Economic: uncertainty over energy prices and higher taxes;

— Business: licence to operate and inter and intramodal competition;

— Political: greater territorial expectations regarding the energy transition;

— Environmental and health: more stringent regulations to meet climate change and air quality challenges;

— Technological: changes regarding energy carriers and players.

An Energy Strategic Committee determines Energy policy directions and conducts arbitrations.

The Energy Department steers this policy through its own initiatives and the coordination of a network of **Energy Advisors** based in each of the Group's operational entities. The actions are conducted for the three ways in which energy is used: Heavy traction (Rail, Tram, Tramway), Road transport (Freight, Passenger and service vehicles) and Buildings.

With respect to the related challenges and risks, several actions are under way to accelerate the SNCF Mobilités shift towards "Responsible" energy, including: consumption management and reduction, creation of a renewable energy production and self-consumption programme, research covering solutions by usage to withdraw from fossil energies, and purchasing security and greening with SNCF Énergie.

Headed by the Energy Department Director, SNCF Énergie optimises energy coverage and purchases (electricity and gas).

SNCF Énergie's risk governance is based on a Risk Committee whose purpose is to steadily control the level of risk and –where necessary– validate the risk mitigation methods considered by line managers.

This is a supervisory body and the SNCF Énergie line managers are authorised to define how they implement their actions in accordance with the recommendations and limits/requirements imposed by the Risk Committee. It supports the other corporate governance bodies but does not supersede any of them.

This supervisory body is made up of the following persons:

— A member responsible for management pricing: SNCF Énergie Executive Management;

— A member responsible for operational management: SNCF Énergie Front Office manager;

— A member in charge of finance who can measure and direct the financial impacts of the activity: SNCF Énergie Financial Management;

— Several shareholder and customer representatives who can assess and qualify risk taking with regard to SNCF Énergie's activity (currently the Risk Committee members who are not part of SNCF Énergie are: SNCF Mobilités Group Executive Vice-President for Performance, SNCF Mobilités Group Chief Financial Officer, SNCF Mobilités Group Financing and Treasury Director, SNCF Mobilités Group Purchasing Director and SNCF Mobilités Group Energy Director).

The role of the Risk Committee is to:

— Define and adapt the Risk Management Policy;

— Ensure that the SNCF Énergie Risk Management Policy is validated by the governance bodies;

— Determine price and volume limits (coverage rate) to be taken into account for each year of delivery;

— Validate risk mitigation solutions in the event of limit overruns (validation of one-off overruns, correction or even modification of limits);

— Validate the set-up of new operations, taking into account the various risk factors that such operations could generate. Therefore, a purchase/resale transaction was concluded during financial year 2018.

A decision report is prepared for each Risk Committee meeting. Risk Committee decisions may be immediately enforced by SNCF Énergie.

1.2.4 Strategic risks

SNCF Mobilités operates in an environment under full institutional control related to its status as a public company (State-owned industrial and commercial institution incorporated under French law) and parent to a sizeable group of companies. Its activities require numerous administrative authorisations that can be difficult to obtain, or, when obtained, can be subject to conditions that may become considerably more stringent. SNCF Mobilités is therefore generally exposed to legislative, regulatory and government policy changes that could have a significant impact on its legal status. It is also exposed to other similar changes that can generate labour instability or legal uncertainty that may impact demand for its products or services and have negative repercussions on its activities or business.

The future departure of the United Kingdom from the European Union may have a negative impact on the SNCF Mobilités Group, particularly for the Eurostar lines operated by EIL which is attached to the Longue-Distance Voyages SNCF business line. Negotiations have begun to determine the future terms of the relationship between the United Kingdom and the European Union, particularly the terms of commercial trade between the United Kingdom and the European Union. The Brexit impact will depend on the UK's future agreements to retain access to EU markets, either during the transition period or on a more permanent basis. Brexit may have a negative impact on the European and world economy and market conditions, and may generate instability in international financial and foreign exchange markets, and in particular pound sterling or euro volatility. Furthermore, Brexit may give rise to legal uncertainty and even contradictory laws and regulations.

Changes in the French Republic's rating or outlook could also have repercussions for SNCF Mobilités.

Pursuant to the rail reform law of 4 August 2014, a strategic framework agreement (*Public Rail Group framework agreement*) was signed between SNCF and the French State on 20 April 2017. Updated every three years for a ten-year term, this framework agreement includes operating agreements (also called "performance contracts") between SNCF Mobilités and the French State, and between SNCF Réseau and the French State.

In accordance with Article L. 2141-3 of the French Transport Code, SNCF Mobilités then signed a ten-year performance contract (multi-year performance contract between the French State and SNCF Mobilités) (updated every three years) with the French State on 20 April 2017. This contract sets out objectives mainly involving service quality, a financial trajectory, public rail service development and regional planning. The financial trajectory included in this performance contract reiterates that of the 2017-2026 strategic plan prepared in this context in the second half of 2016.

SNCF Mobilités cannot guarantee that the performance contract will not change in the future, and will not comprise more restrictive requirements, particularly of a financial nature, compared to those currently incumbent upon it. Furthermore, this financial trajectory may also be called into question by several factors of uncertainty. Among the various factors mentioned in the performance contract are:

— The impacts of current or future discussions on changes in the Voyages and Intercités business models;

— The transposition of the fourth Rail Package that will define the procedures for the sector's opening to competition that will have a potential impact on SNCF Mobilités' various activities, thereby adding to what is currently contained in the performance contract financial trajectory. SNCF Mobilités may no longer be able to maintain its market share and generate margin growth, with impacts on its strategy and earnings. Each activity has therefore launched customer loyalty and winback programmes depending on its market characteristics.

The contract specifies that the trajectory may be updated once this situation has been stabilised.

Any transport incidents or accidents are likely to tarnish SNCF Mobilités' image. Other risks involving SNCF Mobilités' activities (including outside the transport sector in the strictest sense) that may damage its reputation were also identified. Any business loss resulting from damage to SNCF Mobilités' reputation could have a negative impact on its operating income and financial position.

As a regulated activity, SNCF Gares & Connexions must regularly obtain approval from ARAFER for the Document de Référence des Gares that sets the rates for the services t delivers. Accordingly, the financial situation partly depends on the decisions rendered by this regulator.

The main focal points of Law 2018-515 of 27 June 2018 for a New Railway Pact are presented in Note 1.1 Major events of 2018.

Consequently, SNCF Mobilités will be the subject of major changes under the New Railway Pact, resulting in various reorganisations and reorientations for the Group and may significantly impact its activities and/or financial position, including the SNCF Mobilités rating, with the understanding that the form, scope and timetable of this reform cannot be fully determined or anticipated. The discussions under way covering the New Railway Pact's consequences could also generate social instability or legal uncertainty that could affect the overall activities and financial performances of SNCF Mobilités. In addition, the uncertainties concerning the financial position and future of Gares & Connexions could have a negative impact on the Group's activity and results.

1.2.5 Financing risks

The SNCF Mobilités Finance Department is responsible for managing the Group's financing risk. It defines and implements the policy that deals with financing, cash management and the management of risks that may be hedged by financial instruments. It guarantees the company's financial interests vis-a-vis public and private third parties, banks and financial markets. It is also responsible for most of the financing and cash management functions of the subsidiaries.

Market risk is managed by the Financing and Treasury Department, which reports to the SNCF Mobilités Finance Department, within a general framework covered in a document approved by the Audit and Risk Committee on 19 November 2013 and the SNCF Mobilités Chairman that primarily focuses on interest rate, foreign currency, counterparty and liquidity risks.

The general principles for the management of risks that may be hedged by financial instruments focus on the use of plain cash products.

Weekly, quarterly, monthly (for the attention of the Financing and Treasury Director and/or CFO) and annual (for the attention of the Audit and Risk Committee and the Board of Directors) reports are prepared to verify compliance with the main management rules and monitor the activity's economic performance. Inspectors reporting to the Financing and Treasury Department check procedural compliance and report data.

In the course of its activities, SNCF Mobilités may be exposed to financial risks:

— Interest rate risk: certain SNCF Mobilités Group debts bear interest at floating rates that are generally indexed to a market benchmark index such as the EURIBOR. Any interest rate hike would increase its financing costs and the cost of refinancing its current debt or obtaining new means of financing. The SNCF Mobilités Group uses derivative instruments to actively manage its interest rate risk and minimise its impact. It also monitors interest rate fluctuations. However, should the SNCF Mobilités Group fail to minimise these fluctuations, they may have a negative impact on its financial position and operating income;

— Foreign currency risk: the SNCF Mobilités Group operates internationally and is exposed to the foreign exchange risk arising from transactions denominated in foreign currencies, mainly USD and GBP. Foreign currency risk exists when future sales transactions or recognised assets or liabilities are denominated in a currency that differs from the functional currency of the company that carries out the transaction. For the SNCF Mobilités Group, foreign currency risk mainly involves USD and GBP sales. The SNCF Mobilités Group may also be exposed to exchange rate fluctuations in connection with foreign investments. The SNCF Mobilités Group uses derivative instruments to hedge or limit the risk of currency fluctuation relating to these transactions. There is no guarantee that future exchange rate fluctuations will not have a major negative impact on SNCF Mobilités Group's activities, financial position or operating income;

— Risk relating to marketable securities: the SNCF Mobilités Group invests a portion of its assets in securities issued by various companies, government bonds and monetary funds. The failure by one of these companies or governments to make repayments according to the planned schedule for these securities or a significant decline in their market value and/or equity market volatility could have a major negative impact on the SNCF Mobilités Group;

— Liquidity risk: the SNCF Mobilités Group carefully manages liquidity risk by ensuring that it has sufficient liquidities and negotiable securities depending on SNCF Mobilités' current financing agreements. The financial markets may nevertheless encounter periods of liquidity shortage or volatility. If the SNCF Mobilités Group is unable to access the financial markets or other financing sources at competitive rates over an extended period, its financing costs may increase and it may have to reassess its strategy. Any of these events could have a major negative impact on SNCF Mobilités Group's activities, financial position or operating income;

— Counterparty risk: the SNCF Mobilités Group is exposed to credit risk due to its relations with banks, other credit institutions and its clients. The credit risk with credit institutions stems from the deposits or derivative instruments held with such companies. The SNCF Mobilités Group manages this risk by limiting its relations to companies which satisfy a minimum rating and have internal procedures. The control and signalling procedures adopted by SNCF Mobilités for its counterparty risk exposure were strengthened in 2008 and SNCF Mobilités did not suffer any impact at that time.

Generally, SNCF Mobilités cannot guarantee full coverage, especially in the event of major interest and exchange rate fluctuations. Interest rate risk is, however, limited by the substantial proportion of fixed-rate bonds in its bond portfolio.

1.2.6 Compliance risks

1.2.6.1 Legal and insurance risks

The SNCF Mobilités Legal and Compliance Department manages legal and compliance risks as part of its duties that mainly involve protecting the SNCF Mobilités Group's interests and securing its activities by providing support, advice and expertise.

The SNCF Mobilités Legal and Compliance Department is responsible for providing legal advice and monitoring SNCF Mobilités' litigation proceedings.

It is mainly assisted by the Group Legal Department that forms part of EPIC SNCF, particularly the legal expertise centre whose role is to carry out common legal tasks for the entire SNCF Group, whether in transversal legal areas (labour law, insurance, property law, legal documentation) or locally through regional legal delegations.

The SNCF Mobilités Legal and Compliance Department ensures the management and consistency of the SNCF Mobilités legal policy within the legal divisions of SNCF Mobilités' Activities and Domains.

More specifically, the SNCF Mobilités Legal Department is responsible for the following duties:

— Ensuring legal needs specific to the SNCF Mobilités Group's governance;

— Supporting and safeguarding in legal terms the operating activities of SNCF Mobilités;

— Identifying, anticipating and preventing legal risks and managing litigation involving SNCF Mobilités;

— Coordinating the services provided by the SNCF Legal Expertise Centres for SNCF Mobilités;

— Ensuring the backing of the SNCF Mobilités Business Commitment Committee when legally analysing files;

— Coordinating the business of the legal divisions within SNCF Mobilités Group Activities and Domains and its subsidiaries;

— Coordinating and rolling out the SNCF Mobilités Group compliance programme in line with the various SNCF Mobilités Group and PRG players.

It covers the following legal scopes: business law, company law, contract law, national and international contract law, complex contractual arrangements, financing transactions, collective proceedings, out-of-court settlements, set-up of mandates and delegations of authority, national and international law, group accidents, civil and criminal liability, criminal proceedings, rail transport policies, anti-fraud, safety, rail operation safety, competition and regulations, healthcare and work safety, employer responsibility, environment, personal data law and the roll-out of the SNCF Mobilités Group compliance programme pursuant to:

— Law 2016-1691 of 9 December 2016 on transparency, the fight against corruption and modernisation of economic life (Sapin II Law);

— EU regulation 2016/679 of the European Parliament and Council of 27 April 2016 (GDPR);

— International sanctions;

— Competition law.

This Compliance activity's organisation was one of the measures initiated by the SNCF Mobilités Legal Department in 2017 and under deployment in 2018.

The SNCF Mobilités Legal and Compliance Department coordinates the network of Legal Directors within the SNCF Mobilités Group Activities and Domains for whom it mainly provides advice and expertise.

To coordinate the treatment of litigation within the SNCF Group, the SNCF Mobilités Legal Department contributes to the Group Legal Committee (GLC), bringing together the Legal Directors of the three EPICs under the coordination of the SNCF Group Legal Director who works within EPIC SNCF.

The SNCF Mobilités Legal and Compliance Department:

— also coordinates the network of Compliance and Personal Data correspondents of the SNCF Mobilités Group Activities and Domain and that of the SNCF Mobilités subsidiaries;

— participates in the Compliance Committee's transversal body within the PRG presided by the CFO and the Finance and Strategy Director of SNCF.;

— is a member of the PRG Ethics Committee.

— The duties carried out by the SNCF Mobilités Legal and Compliance Department in 2018 include: Advice and support as contract manager for the Group Purchasing Department to secure SNCF Mobilités' procurement procedures and the PRG multi EPIC contracts, and for SNCF Mobilités' project managers to monitor contracts and to further update the corresponding legal documents and deeds with respect to regulatory changes;

Drafting of a SNCF Mobilités major legal risk mapping which was presented to the Audit Committee.

Legal risks are also managed in assignments relating to dispute management, contract risk control and insurance policy.

In 2018, **the contract litigation** activity monitored by the SNCF Mobilités Legal and Compliance Department recorded three pre-contractual summary proceedings, three claims proceedings relating to procurement (Tarn-et-Garonne type £of appeal) and six new litigations relating to the fulfilment of contracts, bringing the number of current litigations to 16.

The SNCF Mobilités Legal and Compliance Department also focuses on civil liability or criminal litigation involving SNCF Mobilités entities or employees, as well as the group accidents at Brétigny, Denguin, Saint Aunes, Eckwersheim and Millas in conjunction with the SNCF Group Legal Department.

Contract Risk Control and Quality Department
Contract risk control has been contractualised with EPIC SNCF for the shared assignments specified in Decree 2015-137. The SNCF Mobilités Group obtains the preliminary opinions of the Contract Risk Control and Quality Department for market transactions and contractual commitments that are similar to public contracts. This shared function reports to the Group Legal Department. The Contract Risk Quality Department provides assurance that the procedures for awarding a public contract or other contracts are fair, the financial terms and conditions obtained are acceptable and the contractual clauses safeguard the interests of the SNCF Mobilités Group.

Insurance
Regarding insurance, the SNCF Mobilités Group entities are covered on the market for major risks challenging their civil liability or impacting their assets. This risk coverage extends to the operating losses arising from damage to their assets.

SNCF Mobilités has assigned the management of its insurance to EPIC SNCF under the shared services agreement pursuant to application decree 2015-137. All insurance policies are therefore subscribed in the name and on behalf of the SNCF Mobilités Group by EPIC SNCF. These form part of the SNCF Group insurance policy managed by the Risk and Insurance Department within the SNCF Group Legal Department at EPIC SNCF.

The insurance policy is assigned to the Risk and Insurance Department in order to optimise coverage at Group level and contain costs while benefiting from competitive pricing conditions and a better guarantee due to the mutualisation within SNCF Group.

The main insurance schemes covering SNCF Mobilités Group entities are:

— The "Major Risk Civil Liability" scheme, renewed via a call for tenders on 1 October 2014;

— The "Automobile Fleet" scheme, renewed via a call for tenders on 1 January 2015;

— The "Construction Civil Liability" scheme, reorganised on 1 January 2015 to take into account the Rail Reform;

— The "Property Damage" scheme, renewed via a call for tenders as from 1 January 2017 for a period of 3 years, renewable over 2 more years.

Similarly, claims management was assigned to EPIC SNCF under a services agreement. This involves a regional network of 8 interregional General Insurance divisions incorporated into the Group Legal Department, responsible for the amicable management of claims and basic responses to insurance queries.

In addition to the mechanisms existing within the SNCF Mobilités Group, a reinsurance captive, "SNCF Re", was created in 2012 in order to reinsure part of the SNCF Group's damage risks. This transfer of risks safeguards SNCF Group earnings with coverage and deductibles tailored to its specific financial capacities and risks, while curbing the rate increases requested by insurers who see a decline in their share of potential risk.

1.2.6.2 Non-compliance risks

In order to improve consistency regarding compliance questions and the actions to be taken in this area, the SNCF Management Board decided to create a Compliance Committee within the SNCF Group on 19 February 2018. This Committee comprises the heads of the PRG and of Keolis and Geodis.

Within SNCF Mobilités, the Compliance Department, attached to the Legal and Compliance Department and working with the Ethics Department, is tasked with rolling out the Sapin II law compliance programme within SNCF Mobilités and its subsidiaries, designing and steering the SNCF Mobilités compliance programme relating to vigilance, respect for international sanctions and embargoes, competition law, favouritism, the illegal supply of workers, and personal data. In addition, each Activity/Domain has appointed a Compliance correspondent.

Risks of non-compliance with competition and regulation rules
The SNCF Mobilités Group strives to set up focal points regarding competition rules and regulation mechanisms. The SNCF Group Ethics Charter therefore promotes compliance with laws governing competition and regulation.

Training, information and awareness-raising initiatives concerning competition and regulation laws are undertaken in the company's different Activities and Domains, either at random or pursuant to the commitments undertaken with the French Competition Authority regarding the Voyages activity. These training and awareness-raising initiatives focus on the applicable legal rules and how the company must cooperate if subject to an inspection by a regulatory authority. The Audit and Risk Department conducts one-off audits to check compliance with competition law principles.

To ensure fair treatment for rail operators, numerous initiatives are rolled out internally and in conjunction with ARAFER to enforce sectoral law, particularly accounting separation rules, service facility access and the confidentiality of the information that service facility operators have to manage during their assignments.

In this respect, it bears mentioning how EPIC depends on the rates determined according to the legal framework and discussions between ARAFER and SNCF Réseau for the operation of the national rail network.

To cover the risk of a major breach in competition regulations in France and worldwide, Geodis set up a "competition framework" issued to all its employees and available on the Geodis Intranet. This framework is included in the Ethics Charter which, in turn, is incorporated in the Internal Regulations.

The competition framework comprises a good practices guide and the necessary rules of conduct that each employee must always observe, including in situations of doubt.

In particular, this guide prohibits any exchange of anti-competition information between companies operating in the same market and highlights the risks for the company should it undertake such practices.

This framework serves as a base for a global compliance programme comprising training initiatives and a whistle-blowing procedure. This programme is monitored by an Ethics and Compliance Director, who reports directly to the Geodis General Secretary.

Keolis strives to be exemplary in terms of business ethics and legal and regulatory compliance. The Keolis group policy is defined by the business conduct ethics guide and the procedures specific to the tendering response procedure. The guide lists the requirements and issues involved in observing free and lawful competition under the legal and regulatory framework governing the Group's entities. In this context, the Keolis Group has drafted factsheets to assist employees with their activities and set up a regulatory watch, taking into account the necessary need for vigilance.

Risks relating to the Sapin II law
The SNCF Mobilités Group continued to roll out its anti-corruption and compliance programme as recommended by the SAPIN II law.

Corruption risks were mapped and those populations exposed to such risks were identified by all SNCF Mobilités activities and domains and an SNCF Mobilités summary mapping was validated by the Executive Committee on 16 July 2018.

To assess the risk of corruption and influence peddling involving suppliers, customers and intermediaries, the Ethics and Conduct Office proposed 4 due diligence questionnaire models to its activities and subsidiaries, covering virtually all contracts likely to be entered into with these third parties. Furthermore, with the assistance of the Group Purchasing Department, it began listing several suppliers likely to carry out reputation checks regarding the integrity of natural persons or legal entities.

The awareness-raising sessions organised by the Ethics and Conduct Office were maintained and the training for those employees most exposed to risks of corruption and influence peddling continued at a fast pace.

In developing its business internationally, SNCF Mobilités is required to carry out activities in numerous countries which could increase the risk of practices that are prohibited or contrary to the code of ethics.

Finally, in 2018, the SNCF Group was subject to an inspection by the French Anti-Corruption Agency (AFA) and is awaiting the publication of its report.

SNCF Logistics, which is exposed to this risk in connection with its activities, drafted a corruption risk mapping as early as 2017 for each Division and Business Line, and assessed the maturity of existing anti-corruption mechanisms.

In 2018, the divisions continued to roll out their compliance programme in line with the risks identified in their mapping. These enhancement and monitoring initiatives will continue in 2019, particularly prevention measures through training for those most exposed.

In 2013, the Keolis Group launched its compliance programme. This programme breaks down into three components: strict compliance with free and lawful competition, prevention of corruption and fraud and the protection of personal data. In 2016, Keolis mapped its corruption risks, thereby anticipating one of the Sapin II Law measures. The group also rolled out an e-learning programme in 2016 for all its executives that was renewed and expanded in 2018. Compliance initiatives are covered in an annual assessment prepared by the Ethics & Compliance Director and presented to the Ethics & Compliance Committee. Following this presentation, where necessary, a Compliance programme improvement plan is drafted for implementation in the following year.

Customer data protection risks
The General Data Protection Regulation (GDPR) which came into effect on 25 May 2018 marks a turning point in personal data protection. The reasoning behind the applicable regulation has changed: it is no longer based on a logic whereby preliminary formalities must be completed for the supervisory authority (CNIL) but on the principle that the players themselves should be made more accountable for their actions. To coordinate the personal data compliance scheme, SNCF Mobilités appointed a Data Protection Officer (DPO) in May 2018. The new provisions strengthen the rights

of individuals over their data and impose requirements together with substantial penalties in the event of a breach (up to 4% of global annual revenue). The project team carried out its work based on CNIL methodology. SNCF Mobilités has begun to overhaul its procedures to ensure the traceability and compliance of its personal data processing and the SNCF Mobilités legal mapping is being finalised.

Risks relating to insider trading

Insider trading rules and prohibited practices for management changed with the entry into force on 3 July 2016 of the Market Abuse Regulation ("MAR2") to which SNCF Mobilités is bound as an issuer of financial instruments. Insiders are prohibited from using or disclosing non-public information over the period during which the information they hold regarding SNCF Mobilités remains non-public. SNCF Mobilités considers the Group financial report to be insider information. A list of permanent insiders is drawn up based on access to and knowledge of the consolidated financial statements.

Any non-compliance will incur administrative and financial sanctions (maximum amount of €5 million) for natural persons and criminal sanctions (up to 5 years in prison and/or a fine of up to €100 million). The Finance Department's internal control division retains the insider list, notifies insiders that they are registered on the list and informs those relevant persons of their duty to comply with Black-out Periods.

1.2.6.3 Environmental and climate risks

There are many types of environmental risk: water and marine life pollution, soil pollution, air pollution, neighbourhood nuisances (noise, dust, odours, waste, etc.), impacts on biodiversity or overconsumption of resources. They may arise in the course of operating activities, projects or even through involvement with contractual service providers. These risks may have various economic and image-based impacts. Risk identification is based on environmental analyses that are required in connection with the set-up of environmental management systems (EMS) within the various entities.

Environmental management is defined within the Public Rail Group by a dedicated framework which specifies the roles and responsibilities of the various PRG entities in a context marked by the increasing environmental responsibility of companies. These responsibilities are also present in the delegations of authority for managers.

The resulting organisation is based on the principles of the international standard ISO 14001 and therefore incorporates a global management system for operational and organisational missions. For each institution, Environmental Management Systems are rolled out according to procedures tailored to each business line or geographical area. For industrial sites, the ISO 14001 certification is required by each business line.

To address the risk of non-compliance with environmental regulations and standards (current or future): drafting of collective procedures, methods and tools which are disseminated within the PRG, based on support frameworks involving the inclusion of environmental issues in engineering contracts, operation of Installations Classified for Environmental Protection and "Water Act" facilities in and around railway rights-of-way or environmental management of multi-occupied sites, and the sharing of tools and methods involving environmental risk analysis, environmental incident rating and environmental performance assessment.

The Sustainable Development Department within SNCF EPIC contributes to the monitoring of the PRG's environmental management. It coordinates the environmental network through general committees for the PRG and specific committees: training, water, circular economy/waste, etc.

Certain transversal processes are managed at Group level such as strategic and regulatory monitoring, employee training and work on environmental competencies and environmental data sharing and archiving using common SNCF Group IT tools.

Climate risks

The SNCF Group is already bearing the consequences of the intensity, frequency and various impacts of climate change on its rolling stock (breakdowns, accelerated obsolescence, etc.), equipment and infrastructures (asset impairment, etc.), with direct financial, service quality and customer satisfaction repercussions. Today's technical choices are decisive in addressing the fragility risk looming over infrastructures, stations and rolling stock, since they commit the company over several decades given the life of investments.

The consequences of climate change on rail operations are the subject of two studies that were launched in 2016 with a consultant specialising in climate/energy issues. The first study defines national climate change indicators, based on a weather-sensitivity analysis of rail operations covering several years. The second seeks to identify the consequences of climate change on the Transilien scope, from the customer's point of view and with respect to rail operations in their own right. The adaptation recommendations will inform future projects.

The growing concern with greenhouse gas emissions and climate disruption, the basis of the signing of the Paris Agreement of 12 December 2015 as part of COP21, could result in new regulations in these areas (low emission zones in particular). The latter could require SNCF Group to reduce, modify and/or initiate operations, meet new compliance obligations for its facilities and /or equipment, with a potentially negative impact, and /or create opportunities for its activities and financial position, including operating income and cash flows.

Natural disasters or extreme weather conditions, whether or not due to climate change, may have a negative impact on SNCF Mobilités' operations and financial performance. Such events may lead to physical damage to assets, temporary closure of the transport infrastructure, temporary lack of suitable labour, temporary revenue loss and temporary or long-term shortage of products and services from suppliers. These factors may cause other disruptions and have a negative impact on operations and financial performance.

1.2.6.4 US tax reform risks

The US tax reform finalised at the end of 2017 came into force on 1 January 2018.

It introduces certain positive changes such as the reduction in the federal corporate income tax from 31% to 21% (to which is added each State tax).

It also introduces several constraints such as the decrease in the limits for tax losses (from 100% to 80%), a limit in the deduction of financial expenses and the potential taxation of intragroup flows.

Given that the Geodis tax group in the U.S. is characterised as loss-making, the drop in the federal corporate tax to 21% (emblematic measure of the tax reform) only impacts the valuation of deferred tax assets relating to the group's tax loss carry-forwards.

The Base Erosion and Anti-abuse Tax (BEA Tax) is the main negative measure impacting Geodis and more largely SNCF in terms of payments to foreign affiliates that are deemed to be "erosive." The BEA Tax generates uncertainties for Geodis in terms of invoicing methods for subcontracting within the FF.

However, as the IRS has yet to publish the texts specifying the procedures for calculating and applying the BEA Tax, the corrective measures likely to impact the organisation of the models used to invoice these cross-border flows have not yet been defined.

Ensuring that the tax expense is legally compliant and properly managed is likely to change our organisation, particularly for the treatment of cross-border flows: we are awaiting clarification from the U.S. tax authorities regarding certain points and, specifically, the definition to be adopted for cost of goods.

1.2.7 Purchasing and Supplier risks

The Group Purchasing Department's coordination of the Purchasing function is based on a process of risk analysis, prioritisation and management by major market segment. Accordingly, the Purchasing function assists the Group in its transformation to:

— Guarantee the Purchasing fundamentals:

• Sustainable performance for all criteria (financial, quality, safety, CSR, etc.);

• Control purchasing risks, guarantee the compliance and regularity of purchasing acts.

— Guide the transformation strategy:

• Support the activities in their quest for innovation;

• Ensure consistency vis-a-vis suppliers, by managing the supplier relationship;

• Guarantee a top-level service while gaining in productivity.

In terms of risk management, three priority focal points have been formulated:

— Compliance with the various applicable regulations: public procurement principles, competition rules, SAPIN II law, GDPR;

— Observance of ambitious "Corporate Social Responsibility" (CSR) commitments: roll-out of supplier CSR charters, new risk mapping for CSR purchasing by segment, pursuit of the multi-pronged evaluation of key and strategic suppliers;

— Management of the digital transformation of stakeholder businesses involved in the purchasing process.

These actions are aiding the delivery of the financial, organisational and strategic aspects of the purchasing performance plan.

The 2018 roll-out of a new purchasing information system, group wide since it includes the management of both external (suppliers) and internal (project managers, finance, market users, etc.) processes and relations, will contribute to purchasing security and performance.

Internal Control operations within Purchasing rely on the AMF framework. The central purchasing entities conduct annual risk reviews and adapt their internal control plans.

The renewal of the Supplier Relations and Responsible Purchasing Label was audited in 2018. A self-assessment campaign for the purchasing entities (+ 250 purchasing units) was also carried out in 2018.

1.2.8 Risks relating to SNCF Immobilier's activities

In accordance with the rail reform law 2014-872 of 4 August 2014, SNCF Immobilier was set up to pool together all the shared functions relating to the management, development and valuation of the Public Rail Group real estate assets (excluding assets assigned to stations and infrastructures). It forms part of EPIC SNCF.

SNCF Immobilier is currently responsible for the entire SNCF Mobilités real estate process which has formalised contractually all the services carried out on its behalf (proprietary maintenance, administrative and accounting follow-up of invoices, contractual formalisation of divestments, etc.) and was organised in order to fulfil the objectives of its strategic plan.

SNCF Immobilier rolled out its internal control system by implementing self-assessment strategies in its subsidiaries, Regional Property Departments and the Île-de-France Property Department.

In connection with risk management, SNCF Immobilier analyses the main risks relating to its activity and rolls out action plans.

1.2.9 Risks relating to the sector's technical complexity

SNCF Mobilités operates in a technically complex sector. Unforeseen technical problems may result in service disruption and a fall in the punctuality of rail transport services. A decline in punctuality could hinder service quality, thus resulting in a loss of clients which could have a direct impact on financial performance.

1.2.10 Risks relating to the Public Rail Group's social cohesion

The Public Rail Group human resources department has an HR risk mapping which is regularly updated. It is analysed during the discussions with the PRG HR department managers. Risks are managed in relation to the company's major challenges by distinguishing between the major transversal risks shared with the Group (loss of managers, occupational health and safety, opening to competition, resources trajectory) and HR risks:

— relating to the conduct of major HR projects (review of employee representative bodies, management of personnel use, management of excess staff); or

— structural risks unique to the HR function (recruiting process, loss or absence of competencies, professionalisation of HR players, etc.).

2. INTERNAL CONTROL RELATING TO THE PREPARATION AND TREATMENT OF FINANCIAL AND ACCOUNTING INFORMATION

2.1 DEFINITION, OBJECTIVES AND SCOPE

Financial and accounting internal control covers the processes which supply accounting data: production of financial information, accounts closing and reporting measures.

The application scope of the internal control procedures relating to the preparation and treatment of financial and accounting information includes the parent company and all the subsidiaries in the consolidated financial statements ("the Group"). The control procedures are tailored to the size and activities of the various entities.

2.2 FINANCIAL AND ACCOUNTING ORGANISATION MANAGEMENT PROCESS

2.2.1 General organisation

SNCF Mobilités Group financial and accounting information is produced by the Finance Department. It coordinates the SNCF Mobilités Group accounts closing with the help of the head office, division and subsidiary financial and accounting departments.

Consolidated reporting is prepared on a monthly basis (except in January and July). An interim financial report comprising a set of condensed financial statements is published as of 30 June followed by a limited review report by the group auditors. Full audited financial statements for the year ended 31 December are also published.

The quality of the half-year and annual financial statements is backed by the audited 31 May and 30 November pre-closings.

The EPIC's accounting entities and subsidiaries have the necessary expertise for:

— Bookkeeping, for headings whose accounting is not shared within accounting shared services centres;

— Formalised review of their accounts, and the production of their individual financial statements (where necessary) and financial reporting for the Group.

The Divisions coordinate the financial and accounting tasks of the subsidiaries and accounting entities within their scope, particularly by transmitting the instructions issued by the Finance Department. The Divisions also produce an income statement, balance sheet, statement of changes in equity and the corresponding analyses. These components are the divisions' financial reporting base for the SNCF Mobilités Corporate entity and give rise to monthly management reviews (except for January and July results).

The Statutory Auditors notify the Division and activity finance departments of the audit, limited review and internal control and audit procedures that they have carried out within the subsidiaries and accounting entities and share any recommendations issued and audit matters with them. A summary of the major internal control recommendations is prepared for the Finance Department and presented to the December Audit and Risk Committee. At the same time, the Finance Department presents a summary on the follow-up of measures implemented in response to the major recommendations.

Pursuant to the rail reform law 2014-872, separate financial statements are prepared and published. These separate financial statements comprise a balance sheet and income statement in order to distinguish between service facilities and station management activity (SNCF Gares & Connexions), passenger transport activities and passenger transport activities covered by a public service agreement, freight rail transport activity (Fret SNCF), other activities, the eliminations of internal flows between these separate activities and a total corresponding to the EPIC SNCF Mobilités financial statements.

In its decision 2019 -003 of 31 January 2019 published on 7 February 2019, ARAFER approved the accounting separation rules of EPIC SNCF Mobilités.

Furthermore, separate IFRS management accounts are prepared every year by the EPIC SNCF Mobilités activities/domains. At minimum, they comprise a balance sheet and income statement and are covered by a statutory auditors' attestation.

Furthermore, SNCF Mobilités has a formalised commitment process involving a representation letter from the divisions' CFOs and financial managers on the faithful representation and fairness of the financial information they produce.

The Finance Department is responsible for the final production of the SNCF Mobilités parent company financial statements and the SNCF Mobilités Group consolidated financial statements. It ensures compliance with prevailing accounting standards and may request adjustments to the financial statements produced by the Divisions.

The Finance Department conducts the IFRS consolidation of the SNCF Mobilités Group in the BFC consolidated software package and uses a reconciliation procedure implemented via the Internet portal Fenics to manage intragroup transactions.

2.2.2 SNCF Group shared functions

Since 1 July 2015, following the roll-out of the rail reform, EPIC SNCF Mobilités has outsourced the accounting treatment of a certain number of accounting processes to SNCF. These tasks are managed by the Optim'Services Accounting Production Department and SNCF Immobilier.

These processes concern Trade Payable Accounting, Payroll and Social Security Accounting, Trade Receivable Accounting relating to shared processes, Expense Claim Accounting and real estate accounting. These shared departments record accounting entries directly in the SNCF Mobilités financial statements.

2.2.3 Standards and chart of accounts

The SNCF Mobilités Group publishes its consolidated financial statements in accordance with IFRS.

These standards are broken down into a set of accounting rules and methods (the "standards manual"). This manual applies to all group entities and is constantly updated. The rules and methods are regularly updated, taking into account the changes in IFRS standards and interpretations. The Accounting Standards and Projects department within the Finance Department constantly monitors new standards under preparation and coordinates its standards-setting correspondents.

The standards manual is then broken down into operational procedures per division.

The Accounting Standards and Projects department was responsible for the implementation of new standards IFRS 9 Financial Instruments, IFRS 15 Revenue from contracts with customers and IFRS 16 Leases, with the assistance of the standard-setting correspondents.

Project and steering committees and a project unit dedicated to the operational implementation of IFRS 16 were set up to better apply these new standards to the Group consolidated financial statements from 1 January 2019.

2.2.4 Management tools

SNCF Mobilités relies on a management cycle whose objective is to determine and monitor the level of economic and financial ambition per business and activity. The businesses and activities then apply the objectives within their scope by steering their own entities (subsidiaries, EPIC institutions, etc.).

Executive Management, assisted by management control within the SNCF Mobilités Finance Department, coordinates the process using various management process components. This process includes:

— The strategic plan which defines the Group's 5-year and 10-year strategies and relies on a financial model designed to coordinate key financial indicators. The division strategic plans are reviewed and used to set objectives, particularly in terms of profitability, investment financing and changes in net financial debt;

— The Y+1 budget, reviewed in November/December, and approved by the Board of Directors before 31 December, which determines the objectives for the following year;

— An annual forecast in the autumn which is used to update the current year budget data and serves as a basis for the following year's budget;

— Monthly management reviews used to continuously monitor changes in the performances of businesses and activities ensure that they meet their set objectives.

2.3 FINANCIAL AND ACCOUNTING INFORMATION REPORTING

In coordination with EPIC SNCF, the SNCF Mobilités Finance Department monitors the SNCF Mobilités Group's financial reporting requirements, and keeps up-to-date with financial information and standards compliance obligations.

These requirements are met using the closing instructions transmitted by the SNCF Mobilités Finance Department to the entities, specifying the key process dates and the substantive procedural requirements relating to the financial statements and management reports.

In 2013, a collaboration tool was set up in order to facilitate exchanges with its various contacts and centralise the documentation relating to the standards and consolidation manual within the SNCF Mobilités Group.

The SNCF Mobilités Finance Department centralises and monitors the reports sent by the SNCF Mobilités Group entities to produce the Group's financial statements in accordance with accounting standards.

The financial information published by the SNCF Mobilités Group is available at the website www.sncf.com, including the SNCF Mobilités Financial Report and the EPIC SNCF Mobilités company financial statements. This information falls within the SNCF Group's economic and financial communication charter.

SNCF Mobilités also has the following three share issue programmes, for which the base prospectuses and updates can be consulted online at the following address: https://www.sncf.com/sncv1/fr/finance/amf.

— Euro Medium Term Notes (EMTN) programme;

— Negotiable European Commercial Paper (NeuCP);

— Euro Commercial Paper programme (ECP).

In addition to the tasks performed by the SNCF Mobilités Finance Department, the SNCF Finance Department coordinates the financial reporting of the three EPICs and monitors the financial reporting requirements of the SNCF Group.

Chairman of the Board of Directors

CHALLENGES AND OUTLOOK

Preparation for the arrival of rail competition should continue in 2019 with the activation of three levers:

— The first aims to optimise the quality of the services offered by SNCF Mobilités, while strengthening the measures focusing on rail fundamentals. In 2019, projects will be in keeping with those already initiated in 2018, with PRISME for safety, H00 for punctuality and FIRST for passenger information.

— The second aims to enhance competitiveness by rolling out ambitious performance plans.

— The third focuses on innovations proposed to our clients to guide them in offers and services as well as technologies.

Breakdown by business line (2019 outlook)

Transilien will enter into the last year of the 2016-2019 agreement with Île-de-France Mobilités. In terms of production, Transilien will reinforce scheduling tools and seek to improve passenger information (H00, FIRST). The arrival of new rolling stock and the upgrade of ticketing will accelerate in 2019.

In 2019, **TER** will take over the Intercités lines in Hauts-de-France. This will also be the year for the renewal of the Nouvelle Aquitaine, Hauts-de-France, Bretagne and PACA agreements and preparation of the Normandie 2020 agreement. In anticipation of future competition, the activity will prepare responses to future calls for tender. Gaining market share will also remain a major priority in 2019.

Keolis expects to pursue its international sales growth with defensive calls for tender (Sweden, Netherlands, Australia) and several contract start-ups, mainly in the UK (Wales & Borders) and Doha. In France, Keolis will operate new contracts (particularly Tours, Orléans, Chambéry and Bourg-en-Bresse). EFFIA will continue its digital development, maintain its BtoB sales strategy and roll out its BtoC approach. Finally, Keolis will carry out new autonomous shuttle tests and continue to expand Keolis Santé.

Intercités will transfer its Hauts-de-France lines to TER in 2019 and prepare for the transfer of the Normandy lines in 2020. It will enhance production quality (via PRISME – H00 – FIRST – Dupont de Nemours). Internet access will continue to be rolled out in trains (Paris – Clermont-Ferrand and Paris – Limoges – Toulouse lines).

Voyages SNCF will continue to roll out the FIRST, H00 and Rebond programmes to improve its production fundamentals. Fiscal 2019 will be the second year of implementation for the Grande Vitesse 2020 trajectory with the ramp-up of Ouigo and the roll-out of TGV inOui. At the same time, Voyages SNCF will be preparing for the future with the fleet optimisation and a goal to reduce the cost of seat-kilometres offered.

SNCF Gares & Connexions will prepare for its transfer to SNCF Réseau under the rail reform.

Geodis will sustain its growth through a robust sales strategy focusing on Freight Forwarding and Contractual Logistics, despite an environment that remains volatile. Geodis will develop its digital offering with the launch of the Upply platform.

Ermewa plans to expand its international business and develop its maintenance workshop and container leasing activities. The digital strategy will be rolled out on connected wagons and trains.

Rail transport operators will pursue their growth, principally in Germany and Italy. Ambitious growth is expected for Naviland and rail motorways. Fret SNCF will continue to optimise its resources in a context marked by a moderate rise in traffic income.

02— REPORT ON CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

1. THE BOARD OF DIRECTORS

1.1 BOARD COMPOSITION

Following the implementation date of the rail system reform and pursuant to implementation decree 2015-138, the Board comprised 18 members including, in addition to the SNCF Management Board chairman:

— 4 representatives of the French State;

— 2 persons chosen by the French State on the basis of their competencies;

— 5 persons chosen by SNCF to represent it;

— 6 employee representatives.

They are appointed for a five-year term of office.

The appointment as SNCF Management Board Chairman carries with it the appointment as Chairman of the SNCF Mobilités Board of Directors (Art. L. 2102-9 of the rail reform law 2014-872 of 4 August 2014).

The Government Commissioner or, in his absence, the Assistant Government Commissioner, the head of the Transport Economic and Finance Control Office or his representative and the Secretary of the Joint Labour-Management Committee have an advisory seat on the Board of Directors.

The Board Secretary and certain Executive Committee members attend Board meetings. At the request of the Chairman and depending on the agenda, certain SNCF managers or their representatives also attend Board meetings.

Diversity policy
In accordance with Law 2011-103 of 27 January 2011 on the balanced representation of men and women within Boards of Directors or Supervisory Boards and professional equality, 40% of the members of the SNCF Mobilités Board of Directors are women in compliance with the target set by the Copé-Zimmermann law.

Furthermore, a large majority of Board members (72%) have proven professional experience in one of the company's business sectors.

Four Board members have proven competencies in CSR, two of whom have acquired extensive knowledge thanks to their certification as Director from the French Institute of Directors and Sciences Po.

These indicators demonstrate the proactive diversity policy instilled by the Chairman regarding the composition of the SNCF Mobilités Board of Directors.

List of Board members, their terms of office and functions:
In accordance with Order 2017-1162 of 12 July 2017 on the various simplification and clarification measures regarding corporate reporting requirements, all the terms of office and functions exercised in all companies by each corporate officer during the year are presented as follows:

French State representatives:

— Guillaume PEPY

Date of appointment to the Board of Directors: 25 February 2008

• Chairman of the SNCF Management Board,
• Chairman of the SNCF Mobilités Board of Directors,
• Independent Director of Suez.

— François-Régis ORIZET

Date of appointment to the Board of Directors: 16 July 2015

• Deputy Chairman,
• French State representative appointed at the recommendation of the Transport Minister,
• Member of the French General Council for the Environment and Sustainable Development,
• Government commissioner for the Grand port maritime de Guyane,
• President of environmental authority operations in Martinique, Guadeloupe and Saint-Pierre et Miquelon.

— Nicole GONTIER

Date of appointment to the Board of Directors: 16 July 2015

• French State representative appointed at the recommendation of the Sustainable Development minister,
• Member of the French General Council for the Environment and Sustainable Development,
• Coordinator of the Paris Regional General Inspectorate Operation – Paris Regional Inspection Operation.

— Solenne LEPAGE

Date of appointment to the Board of Directors: 29 November 2012

• French State representative appointed at the recommendation of the Economy Minister,
• Director of holdings – Agence des participations de l'État,
• Director of ADP,
• Director of Air-France KLM,
• Director of RATP.

— Sophie MANTEL

Date of appointment to the Board of Directors: 16 July 2015

• French State representative appointed at the recommendation of the Budget Minister,
• Department Head, Assistant to the Budget Director – French Ministry of the Economy, Finance and Employment
• Government commissioner on the Board of Directors of la Française des Jeux,
• Director of PMU,
• Director of La Poste,
• Director of Naval Group (formerly DCNS).

Directors chosen by the French State on the basis of their competencies:

— Marc DEBRINCAT

Date of appointment to the Board of Directors: 25 February 2008

• Appointed as representative of the users of passenger or freight rail transport
• Legal Director of FNAUT
• Partner at SAS Relations Urbaines, architectural and urban planning agency, Lyon.

— Philippe SEGRETAIN

Date of appointment to the Board of Directors: 16 July 2015

• Appointed for his expertise in the protection of the environment and mobilities.

Directors chosen as SNCF representatives:

— Béatrice COSSA-DUMURGIER

Date of appointment to the Board of Directors: 27 October 2017

• Chief Executive Officer, Personal Investors, BNP Paribas,
• Chair of Sharekhan, stockbroker, Mumbai,
• Director of Banca Nazionale del Lavoro, Italy.

— Mercedes ERRA

Date of appointment to the Board of Directors: 16 July 2015

• Co-founder of BETC,
• Executive Chairwoman of Havas Worldwide,
• Chair of the Boards of Directors of the Museum of Immigration History and the Palais de la Porte Dorée since 2012,
• Co-Chair of the French Committee of Human Rights Watch,
• Leader of the project to promote the Strategic Committee of the "Advertising" sector,
• Vice-Chair of the Board of Directors of the French National Commission for UNESCO,
• Director of Accor Group, Fondation du Collège de France, Fondation France Télévisions, Fondation Elle, Théâtre du Châtelet and Opéra-Comique.

— Christophe FANICHET

Date of appointment to the Board of Directors: 23 January 2017

• Advisor to the Chairman of the SNCF Management Board.

— Marie SAVINAS

Date of appointment to the Board of Directors: 29 July 2016

• SNCF Chief Human Resources Officer.

— Laurent TREVISANI

Date of appointment to the Board of Directors: 29 July 2016

• SNCF Executive Vice-President,
• Member of the GROUPE KEOLIS S.A.S. Supervisory Board,
• Director of VSC GROUPE,
• Member of the ORIENT EXPRESS Supervisory Board,
• Member of the SNCF-C6 Executive Committee,
• Member of the ECOMOBILITE VENTURES Strategic Committee,
• Member of the GEODIS SA Supervisory Board,
• Director of EUROSTAR INTERNATIONAL LIMITED.

Directors appointed by employees:

— Laurent COOPER

Date of appointment to the Board of Directors: 16 December 2015

• Employee representative (sponsored by CGT).

— Pascal LANZILLOTTI

Date of appointment to the Board of Directors: 11 March 2013

• Employee representative (sponsored by CFDT),
• Director on the Boards of Directors of SICF and Novedis.

— Véronique MARTIN

Date of appointment to the Board of Directors: 11 March 2013

• Employee representative (sponsored by CGT).

— Thierry MARTY

Date of appointment to the Board of Directors: 11 March 2013

• Employee representative (sponsored by UNSA-Ferroviaire),
• Director of Rails & Histoire (French Railway History Association).

— Xavier PORTAL

Date of appointment to the Board of Directors: 16 December 2015

• Employee representative (sponsored by CGT),
• Director on the Boards of Directors of SICF and Novedis.

— Eric SANTINELLI

Date of appointment to the Board of Directors: 1 August 2018

• Employee representative (sponsored by SUD Rail).

1.2 BOARD DUTIES AND POWERS

Pursuant to Article 14 of Decree 2015-138 of 10 February 2015 on the duties and by-laws of SNCF Mobilités, the Board of Directors defines the SNCF Mobilités general policy and determines the strategies for the Group represented by SNCF Mobilités and its subsidiaries in accordance with the requirements of the performance contract signed with the French State.

The Board has the following authorities:

— "It determines the general structure of the State-owned institution and the group that it represents with its subsidiaries";

— "It decides on the acquisition, extension or disposal of financial investments, as well as the creation or disposal of subsidiaries." It appoints, at the Chairman's recommendation, the SNCF Mobilités representatives on the Boards of Directors of its subsidiaries";

— "It approves general policies and general business and investment programmes, forecast income and expense reports, the parent company financial statements and the consolidated financial statements of the Group represented by SNCF Mobilités and its subsidiaries";

— "It determines, subject to the provisions of Book V of Decree 2015-138 of 10 February 2015, the general conditions for concluding contracts and agreements and the general rules on the use of cash and reserves";

— "It adopts the business plan and approves the performance contract mentioned in Article 5 of the aforementioned decree";

— "It authorises, under terms and conditions that it shall determine, the conclusion of agreements provided for by Article 6 of Decree 2015-137 of 10 February 2015 on the duties and by-laws of SNCF and the Transport Economic and Finance Control Office";

— "It approves the annual report";

— "It authorises, under terms and conditions that it shall determine, the conclusion of loans, contracts, agreements and mandates, acquisitions, classifications, declassifications, disposals, exchanges and constructions of buildings, temporary occupation of the public land managed by SNCF Mobilités, acquisition or sale of leases to all properties; more generally, it sets out the conditions in which SNCF Mobilités manages its assets, in line with the strategies defined within the public rail group; it accepts or refuses donations or bequests";

— "It is kept informed of the business plans of the subsidiaries which are more than 50% owned directly or indirectly by SNCF Mobilités; it is kept up-to-date on these companies' general business and investment programmes, their budgets and accounts". The Board of Directors may delegate to its Chairman, with the option to sub-delegate, some of its powers, provided that he or she acts within the framework of the institution's programmes and the limit of the expenses recorded in its budgets, and reports on management to the Board".

The Board also delegated some of its powers to the Director of Stations in accordance with Article 25 of Decree 2015-138 of 10 February 2015.

1.3 BOARD OPERATING PROCEDURES

The SNCF Mobilités Board of Directors holds at least six ordinary shareholders' meetings per year. It may also hold an extraordinary shareholders' meeting, at the request of the Government Commissioner, the majority of Board members or at the initiative of its Chairman.

Pursuant to Article 18 of Decree 2015-138 of 10 February 2015 on the duties and by-laws of SNCF Mobilités, the agenda and the documents needed to understand the matters on which the Board of Directors has been called to deliberate are sent to the directors and Government Commissioner at least ten days prior to the date of the meeting. If this deadline is not observed, the matter can only be kept on the agenda with the approval of the Government Commissioner.

During the nine ordinary and extraordinary shareholders' meetings held in 2018, the following topics were submitted:

Strategy:

— 2025 Group project;

— Approach covering the SNCF Group's strategic directions and work programme for the preparation of a strategic project;

— Presentation of the international strategy;

— Presentation of the SNCF Data strategy;

— New draft Group strategy and financial appendix;

— New economic trajectory for SNCF Voyages;

— Updated TGV financial model and consequences for asset valuation;

— Geodis strategic plan.

Finances, accounts, budget:

— 2019 budget;

— Presentation and approval of the 2017 parent company and consolidated financial statements;

— Presentation of SNCF Mobilités' financial statements as at 30 June 2018;

— Documents stipulated in the Law of 1 March 1984 on preventing business difficulties;

— Payment of group profit-sharing for the year ended 31 December 2017;

— Terms and conditions for the payment of the SNCF Mobilités dividend to SNCF;

— Group financing: setting of annual limits on the powers of the Chairman with regard to financing and the granting of guarantees, endorsements and securities.

Investments, development and disposals:

— 2020 TGV market;

— TGV Duplex renovation programme;

— Designation of the preferred candidate for the "Gare Paris Nord 2024" SEMOP (Mixed Economy Company with a Single Operation) and start of exclusive negotiations with this candidate, and framework agreement to be concluded with said candidate;

— Contractual package relating to the Paris Austerlitz project;

— Issue relating to the planned sale of Ouibus and the investment of SNCF Voyages Développement in Bla Car (Comuto SA);

— Renegotiation of the 2019-2023 military contract with the French Ministry of the Armed Forces;

— Maintenance framework agreement for SNCF Réseau.

— Information regarding the progress of the Vesta real estate project;

— Bercy-Charenton upgrade (sale).

Agreements:

— Update on the TET agreement and amendment to review the TET agreement;

— Renewal of the Bourgogne Franche-Comté TER agreement;

— Renewal of the Occitanie TER agreement;

— Framework agreement prior to the renewal of the Nouvelle Aquitaine TER agreement.

— Review of the Centre-Val de Loire TER agreement;

— Review of the TER situation in the PACA Region.

Operations:

— Regular updates on the safety of operations and on the initiatives of the Safety Working Group;

— Presentation of the 2017 annual safety report;

— Regular follow-up covering the implementation of the Rob.In (Robustness and Information) programmes.

Sustainable development, accessibility and ethics:

— Presentation of the Ethics and Conduct Office 2017 activity report;

— Presentation of the Group's policy regarding the employment of disabled workers and accessibility for disabled passengers.

Human Resources:

— Company-level bargaining topics and timetable.

The Board also examined the following files:

— Mediator's report;

— SNCF Mobilités legal risk mapping;

— Cooperation agreement between SNCF Mobilités and SNCF Réseau for the operation of SNCF Réseau trains.

Finally, the Chairman informed the Board of the main events involving the SNCF Mobilités Group on a monthly basis.

For each meeting, it has an operating report containing information relating to EPIC production quality and the analysis of products, earnings and financial position of the company and the SNCF Mobilités Group.

1.4 SPECIALISED COMMITTEES

The SNCF Mobilités Board of Directors has five committees and a commission responsible for preparing the decisions submitted to the Board and completing its information:

The Audit and Risk Committee is responsible for reviewing the annual and half-year financial statements, risk mapping, the annual internal audit work programme and the report on corporate governance, internal control and risk management. It met seven times to discuss the following files:

— Presentation and approval of the 2017 parent company and consolidated financial statements and presentation of closing technical points;

— Presentation of SNCF Mobilités' financial statements as at 30 June 2018;

— Report on Corporate Governance for the year ended 31 December 2017 provided by Order no. 2017-1162 of 12 July 2017;

— 2019 budget;

— Documents stipulated in the Law of 1 March 1984 on preventing business difficulties;

— Payment of group profit-sharing for the year ended 31 December 2017;

— Terms and conditions for the payment of the SNCF Mobilités dividend to SNCF;

— SNCF Mobilités legal risk mapping;

— Activity report of the Audit and Risk Department;

— Information on SNCF Mobilités' internal control;

— Treasury report and activity on the financial markets in 2017;

— Changes in 2019 management rules;

— Changes in accounting standards;

— 2017 insurance and claims report;

— Framework agreement relating to inter-EPIC services;

— Anticipated unwinding of State Street leases;

— Update of the 2019 audit plan and risk mapping;

— Update on Information Systems Security and cyber-risk insurance;

— Adoption of Article 17 of the Sapin II Law: update on the implementation of the eight corruption risk prevention measures;

— Statutory Auditors' 2018 audit plan;

— Statutory Auditors' fees;

— 2018 Statutory Auditors' report on internal control;

— 2018 balance sheet and pre-approval of the budget for services other than statutory audit services for 2019.

The Contracting Committee is consulted on contractual commitments involving contracts and their amendments which amount to more than €15 million for service agreements and €40 million for supply and engineering work contracts, including when they arise from a framework agreement. In 2018, the Committee met twelve times to rule on the reliability of procedures and the economic conditions governing contracts:

— 12 files falling under the competence of the Board of Directors;

— 31 files falling under the competence of the Chairman or the relevant Executive Committee member.

Were presented for information purposes:

— The list of contracts falling below the Commission's referral thresholds;

— Update on the framework agreements;

— The Company's responsible purchasing policy;

— Half-yearly information on the RERNG contract;

— Maintenance contract for tri-current TGV Rs at the SNCB Forest workshop.

The Passenger and Digital Transformation Committee is responsible for monitoring agreements between SNCF Mobilités, local authorities and public institutions, and more generally all passenger and digital problems. It met eight times in 2018 to discuss the following files:

— New economic trajectory for SNCF Voyages;

— Updated TGV financial model and consequences for asset valuation;

— Presentation of the SNCF Data strategy;

— Renewal of the Occitanie TER agreement;

— Renewal of the Bourgogne Franche-Comté TER agreement;

— Review of the Centre-Val de Loire TER agreement;

— Framework agreement prior to the renewal of the Nouvelle Aquitaine TER agreement;

— Review of the TER situation in the PACA Region;

— Amendment to extend the Limousin TER agreement;

— Update on the TET agreement and amendment to review the TET agreement;

— STIF-SNCF Mobilités financing agreement for the acquisition of 36 Francilien trains;

— Île-de-France Mobilités – SNCF Mobilités agreement for the acquisition of DUALIS trains for the T13 Express (10 trains) and T12 Express (22 trains) tram-trains;

— Financing agreement with Île-de-France Mobilités for the renovation of Transilien rolling stock;

— Financing agreement with the Centre-Val de Loire Region for the acquisition of 11 Regio 2N trains;

— Financing agreement with the Hauts de France Region for the acquisition of 19 Regio 2N trains;

— TGV Duplex renovation programme;

— Update on the planned acquisition of rolling stock for the RER B line;

— SNCF-SNCB partnership agreement;

— Cooperation agreement between SNCF Mobilités and SNCF Réseau for the operation of SNCF Réseau trains;

— Maintenance framework agreement for SNCF Réseau.

The Transport and Logistics Committee is responsible for reviewing the activity and strategies of the SNCF Logistics Division. It met six times to discuss the following files:

— SNCF Logistics and rail freight transport division operating report;

— Update on Akiem;

— Presentation of the Geodis platform;

— Update on the development of Fret SNCF;

— Update on rail motorways;

— Geodis strategic plan.

The Tenders Committee is responsible for reviewing and issuing an opinion on the commercial offerings presented by SNCF Mobilités according to the thresholds defined by the Board of Directors in terms of business contracts in its delegation of authority to the Chairman and by Group companies, prior to their approval by the respective governance bodies. For the latter, only major files that may have an impact on the strategy of subsidiaries are reviewed.

The Tenders Committee met twice in 2018 to deliberate on the following files:

— Call for tenders relating to the West Coast / HS 2 franchise in the UK;

— Keolis' response to the call for tenders for the Buenos Aires contract.

The Appointments and Remuneration Committee is informed of and reviews the plan to replace Executive Committee members and the general principles applied to determine their compensation. The Appointments and Remuneration Committee submits to the Board of Directors a list of persons to be put forward to the SNCF Supervisory Board for the appointment of directors representing SNCF, as stipulated in Article 9 of Decree 2015-138 on the duties and by-laws of SNCF Mobilités. It met once to discuss the following files:

— New organisational chart;

— Composition of the SNCF Mobilités Executive Committee and compensation terms of its members.

2. DELEGATION OF AUTHORITY SYSTEM

The SNCF Mobilités delegation of authority system is based on the following chain:

— The Board of Directors delegates some of its powers –with the option to sub-delegate– to its Chairman and, for station management, the Director of Stations;

— The Board of Directors' Chairman then delegates some of its powers to the Executive Vice-President for Performance, the General Director for Safety, the TER CEO, the SNCF Voyages and Transilien CEOs and the SNCF Logistics CEO, with the option to sub-delegate. The delegations granted by the Board of Directors and the Chairman as well as those granted by his deputies are published in the SNCF Mobilités Official Gazette available on the website sncf.com in the Group profile section (order of 25 June 2015).

Within the subsidiaries, the responsibilities and commitment limits rely on a system comprising delegations of authority, including commitment and mission statement authorities.

Furthermore, SNCF Mobilités has set up a system for the approval and monitoring of commitments. The purpose of this system is to better manage and monitor these commitments and provide an integrated vision. It covers the contracts (public contracts, commercial contracts, etc.), investments, partnerships, agreements and financial assistance of SNCF Mobilités and the companies over which it exercises control in accounting terms.

Four types of committee were set up:

— The Business Commitments Committee;

— The Transversal Commitments Committee;

— The Division or Activity Commitments Committees;

— The Real Estate Commitments Committee which rules on transactions involving the SNCF Mobilités Group's assets proposed by SNCF Immobilier.

3. MULTI-YEAR PERFORMANCE CONTRACT BETWEEN THE FRENCH STATE AND SNCF MOBILITES

This Performance Contract governing the SNCF Mobilités strategies for the period 2017-2026 was approved by the Board of Directors on 16 December 2016 and signed on 20 April 2017.

Article L 2141-3 of the French Transport Code, amended by the Law 2015-990 of 6 August 2015, provides for the conclusion of a ten-year agreement between SNCF Mobilités and the French State. This contract specifically determines the objectives assigned to the Company in terms of service quality, financial trajectory, public rail service and rail freight development, regional planning, and response to the transport needs of the population and economic players. It defines seven strategic objectives that SNCF Mobilités should follow in the performance of its duties over the contractual period:

1. **Give** absolute priority to rail safety;

2. **Enhance** the competitiveness of passenger transport services in terms of adapting the offering, service quality and costs;

3. **Modernise** stations to offer better service quality and contribute to the development of intermodality and urban redevelopment;

4. **Continue** the turnaround in freight;

5. **Develop** human capital;

6. **Contribute** to energy transition and sustainable mobility;

7. **Control** the financial trajectory.

This contract was adjusted for the financial trajectory to take into account the government announcements made in the first half of 2018 in connection with the draft new PRG strategies presented at the 26 July 2018 Board of Directors' meeting.

Chairman of the Board of Directors

4. COMPANY OFFICER COMPENSATION

With regard to company officer compensation, the EPICs fall within the scope of Article 3 of decree 53-707 of 9 August 1953 on the French State's control over national public companies, as amended by decree 2012-915 of 26 July 2012. This decree sets out the terms and conditions for determining and publishing company officer compensation:

— their gross compensation is capped;

— the compensation and benefits of any kind relating to their activity as well as any compensation or benefits payable or likely to be payable in the event of a cessation of activity or a change in their position or subsequent thereto, are verified;

— decisions or approvals from competent ministers are made public.

The company officer compensation shown in the table below corresponds to the gross taxable compensation. Directors carry out their duties free of charge.

As at 31/12/2018					Amounts paid			Amounts due		
In € thousands	Fixed compensation	Annual variable compensation	Deferred/ multi-year variable compensation	Exceptional compensation	Benefits in kind	Sub-total	Termination benefit	Non-compete benefit	Supplementary pension	Total
Pépy Guillaume										
Board Chairman										
Due										
Paid	450				1	451				
Total compensation						451				451

As at 31/12/2017					Amounts paid			Amounts due		
In € thousands	Fixed compensation	Annual variable compensation	Deferred/ multi-year variable compensation	Exceptional compensation	Benefits in kind	Sub-total	Termination benefit	Non-compete benefit	Supplementary pension	Total
Pépy Guillaume										
Board Chairman										
Due										
Paid	450				1	451				
Total compensation						451				451

03— ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

In € millions	Notes	31/12/2018	31/12/2017
Revenue	3	31,681	31,831
Purchases and external charges	3	-17,334	-17,321
Employee benefit expense	3	-11,249	-11,206
Taxes and duties other than income tax	3	-1,117	-966
Other operating income and expenses	3	376	421
Gross profit (/loss)		**2,358**	**2,759**
Depreciation and amortisation	4.1.4	-1,687	-1,422
Net movement in provisions	4.5	127	32
Current operating profit (/loss)		**798**	**1,369**
Net proceeds from asset disposals	4.1.5	751	302
Fair value remeasurement of the previously held interest	4.2	170	31
Impairment losses	4.3	3,250	-36
Operating profit (/loss)		**4,969**	**1,666**
Share of net profit (/loss) of companies consolidated under the equity method	4.2	32	39
Operating profit (/loss) after share of net profit (/loss) of companies consolidated under the equity method		**5,002**	**1,705**
Net borrowing and other costs	6.1	-194	-272
Net finance costs of employee benefits	5.3	7	-18
Finance cost		**-187**	**-290**
Net profit (/loss) before tax from ordinary activities		**4,815**	**1,415**
Income tax expense	7	-240	-245
Net profit (/loss) from ordinary activities		**4,574**	**1,170**
Net profit/(loss) from discontinued operations, net of tax		0	0
Net profit (/loss) for the year		**4,574**	**1,170**
Net profit (/loss) for the year attributable to equity holders of the parent		**4,502**	**1,136**
Net profit (/loss) for the year attributable to non-controlling interests (minority interests)		73	33

The share capital comprises a contribution from the French State and not shares. Furthermore, the Group does not fall within the scope of IAS 33 "Earnings per share." For these two reasons, no earnings per share was calculated or presented in the Group consolidated financial statements.

Notes 1 to 10 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions	Notes	31/12/2018	31/12/2017
Net profit for the year		**4,574**	**1,170**
Other comprehensive income:			
Change in foreign currency translation		14	-144
Tax on change in foreign currency translation		1	-6
		15	**-150**
Change in fair value of cash flow hedges	6	-13	63
Tax on change in fair value of cash flow hedges		3	-6
		-9	**57**
Change in fair value of hedging costs	6	-10	0
Tax on change in fair value of hedging costs		0	0
		-10	**0**
Change in value of available-for-sale assets		0	10
Tax on change in value of available-for-sale assets		0	0
		0	**10**
Share of recyclable other comprehensive income of companies consolidated under the equity method		10	-27
Total recyclable other comprehensive income/(loss)		**6**	**-110**
Actuarial gains and losses arising from employee defined benefit plans	5	21	-4
Tax on actuarial gains and losses arising from defined benefit plans		-15	-5
		6	**-9**
Change in value of equity instruments at fair value through equity		-3	0
Share of non-recyclable other comprehensive income of companies consolidated under the equity method		0	0
Total non-recyclable other comprehensive income/(loss)		**3**	**-9**
Total comprehensive income for the year		**4,583**	**1,051**
Total comprehensive income attributable to equity holders of the parent		**4,527**	1,020
Total comprehensive income attributable to non-controlling interests (minority interests)		56	31

Notes 1 to 10 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED ASSETS

In € millions	Notes	31/12/2018	31/12/2017
Goodwill	4.2	2,330	2,339
Intangible assets	4.1	1,805	1,776
Property, plant and equipment	4.1	16,725	13,546
Non-current financial assets	6	4,964	5,474
Equity investments	4.2	864	671
Deferred tax assets	7	1,358	969
Non-current assets		**28,045**	**24,775**
Inventories and work-in-progress	4.4	663	682
Operating receivables	4.4	7,525	6,906
Operating assets		**8,188**	**7,588**
Current financial assets	6	1,229	1,074
Cash and cash equivalents	6	4,954	6,394
Current assets		**14,372**	**15,056**
Assets classified as held for sale	4.2	0	1
Total assets		**42,417**	**39,831**

CONSOLIDATED EQUITY AND LIABILITIES

In € millions	Notes	31/12/2018	31/12/2017
Share capital	6.4	3,971	3,971
Consolidated reserves		877	188
Net profit (/loss) for the year attributable to equity holders of the parent		4,502	1,136
Equity attributable to equity holders of the parent		**9,350**	**5,295**
Non-controlling interests (minority interests)	6.4	137	134
Total equity		**9,487**	**5,428**
Non-current employee benefits	5	1,571	1,572
Non-current provisions	4.5	998	1,164
Non-current financial liabilities	6	15,430	15,883
Deferred tax liabilities	7	399	373
Non-current liabilities		**18,398**	**18,991**
Current employee benefits	5	97	97
Current provisions	4.5	164	175
Operating payables	4.4	11,080	10,446
Operating liabilities		**11,341**	**10,717**
Current financial liabilities	6	3,191	4,693
Current liabilities		**14,531**	**15,410**
Liabilities associated with assets classified as held for sale	4.2	0	1
Total equity and liabilities		**42,417**	**39,831**

Notes 1 to 10 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € millions	Share capital	Actuarial gains and losses arising from employee defined benefit plans	Equity instruments at fair value through equity	Group translation reserves	Cash flow hedge	Hedging costs	Debt instruments at fair value through equity	Available-for-sale assets	Reserves before taxes of transferred operations	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests (minority interests)	Total equity
Equity published as at 31/12/2016	**3,971**	**-358**	**–**	**-138**	**-204**	**–**	**–**	**3**	**0**	**1,178**	**4,453**	**130**	**4,582**
Net profit for the year	–	–	–	–	–	–	–	–	–	1,136	1,136	33	1,170
Other comprehensive income/(loss)	–	-17	–	-132	51	–	–	10	–	-27	-116	-2	-118
Total comprehensive income/(loss)	**–**	**-17**	**–**	**-132**	**51**	**–**	**–**	**10**	**–**	**1,110**	**1,020**	**31**	**1,051**
Dividends paid	–	0	–	–	–	–	–	–	–	-110	-110	–	-110
Dividends of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	-19	-19
Capital transactions	–	–	–	–	–	–	–	–	–	0	0	4	4
Changes in scope, non-controlling interests and non-controlling interest purchase commitments*	–	1	–	1	-0	–	–	-0	–	-82	-81	-12	-94
Other changes	–	-0	–	–	7	–	–	–	–	6	13	-0	13
Equity published as at 31/12/2017	**3,971**	**-375**	**–**	**-269**	**-146**	**–**	**–**	**13**	**0**	**2,101**	**5,295**	**134**	**5,428**
Impact of changes in accounting method	–	–	-64	–	3	–	-0	-13	–	75	1	1	1
Equity restated as at 01/01/2018**	**3,971**	**-375**	**-64**	**-269**	**-143**	**–**	**0**	**-0**	**–**	**2,176**	**5,296**	**134**	**5,430**
Net profit for the year	–	–	–	–	–	–	–	–	–	4,502	4,502	73	4,574
Other comprehensive income/(loss)	–	9	-2	23	-5	-10	-0	–	–	10	26	-17	9
Total comprehensive income/(loss)	**–**	**9**	**-2**	**23**	**-5**	**-10**	**-0**	**–**	**–**	**4,511**	**4,527**	**56**	**4,583**
Dividends paid	–	-0	0	–	–	–	–	–	–	-186	-186	-	-186
Dividends of subsidiaries	–	0	–	–	–	–	–	–	–	–	–	-26	-26
Capital transactions	–	–	–	–	–	–	–	–	–	0	0	0	1
Changes in scope, non-controlling interests and non-controlling interest purchase commitments*	-0	-0	–	0	-0	–	–	–	–	-256	-255	-26	-282
Other changes	–	3	-0	–	-1	–	–	–	–	-35	-32	-0	-33
Equity published as at 31/12/2018	**3,971**	**-363**	**-66**	**-246**	**-149**	**-10**	**-0**	**-0**	**–**	**6,211**	**9,350**	**137**	**9,487**

* Of which changes in Eurostar and THI Factory non-controlling interest purchase commitments mainly.
** Restated for the changes outlined in Note 1.2.2.

Notes 1 to 10 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In € millions	Notes	31/12/2018	31/12/2017
Net profit for the year	IS [1]	**4,574**	**1,170**
Eliminations:			
share of net profit/(loss) of companies consolidated under the equity method	IS [1]	-32	-39
deferred tax expense (income)		-379	-146
depreciation, amortisation, impairment losses and provisions		-1,669	1,468
revaluation gains/losses (fair value)		-116	-52
net proceeds from disposals and gains and losses on dilution		-939	-347
Cash from operations after net borrowing costs and taxes		**1,438**	**2,054**
Eliminations:			
current income tax expense (income)		619	392
net borrowing costs		307	303
dividend income		-2	-3
Cash from operations before net borrowing costs and taxes		**2,362**	**2,747**
Impact of change in working capital requirement		158	23
Taxes paid (collected)		-833	-409
Dividends received		32	34
Cash flow from operating activities		**1,720**	**2,395**
Acquisitions of subsidiaries, net of cash acquired		-55	-121
Disposals of subsidiaries, net of cash transferred		669	182
Purchases of intangible assets and property, plant and equipment	4.1	-2,648	-2,482
Disposals of intangible assets and property, plant and equipment		271	336
New concession financial assets		-1,028	-1,047
Cash inflows from concession financial assets	3.3	1,379	1,031
Purchases of financial assets		-8	-27
Disposals of financial assets		-8	10
Changes in loans and advances		459	108
Changes in cash assets		164	228
Investment grants received		365	315
Cash flow used in investing activities		**-441**	**-1,467**

In € millions	Notes	31/12/2018	31/12/2017
Cash from equity transactions		16	-4
Issue of debt instruments		319	1,810
Repayments of borrowings net of the SNCF Réseau and Public Debt Fund (PDF) receivables (3)		-1,266	-393
Net borrowing costs paid		-313	-296
Dividends paid to Group shareholders	Chg. in eq. (2)	-186	-110
Dividends paid to non-controlling interests	Chg. in eq. (2)	-26	-19
Increase/ (decrease) in cash borrowings		-1,445	-49
Increase/(decrease) in derivatives		0	-2
Cash flow from financing activities	**6**	**-2,900**	**936**
Effects of exchange rate fluctuations		-3	-29
Impact of changes in accounting policies		-10	0
Impact of changes in fair value		1	0
Increase (decrease) in cash and cash equivalents		**-1,634**	**1,835**
Opening cash and cash equivalents		6,132	4,297
Closing cash and cash equivalents		4,498	6,132

(1) Consolidated income statement
(2) Consolidated statement of changes in equity
(3) Of which cash inflows of €5 million for the SNCF Réseau receivable (€6 million in 2017) and €0 million for the PDF receivable (€0 million in 2017).

Notes 1 to 10 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes 1 to 10 are an integral part of these consolidated financial statements.

All amounts are in millions of euros (€ millions), unless stated otherwise. As the Group has elected not to round off figures, there may be minimal differences.

1. ACCOUNTING STANDARDS BASE

Pursuant to Article L. 2141-10 of the French Transport Code of 28 October 2010 (which supersedes Article 25 of the French Orientation Law on Domestic Transport (LOTI) of 30 December 1982), SNCF Mobilités, a State-owned industrial and commercial institution, "is subject to the financial management and accounting rules applicable to industrial and commercial companies." It keeps its accounting books and records in accordance with prevailing legislation and regulations in France.

The consolidated financial statements for the year ended 31 December 2018 were approved by the Board of Directors on 27 February 2019.

The terms "SNCF Mobilités Group", "Group" and "SNCF Mobilités" designate the parent company EPIC Société Nationale des Chemins de fer Français and its consolidated subsidiaries. The State-owned institution (EPIC) or SNCF Mobilités, "EPIC", "EPIC Mobilités", "Mobilités" and "EPIC SNCF Mobilités" refer solely to the parent company.

1.1 APPLICATION OF IFRS

Pursuant to European Regulation 1606/2002 of 19 July 2002, the consolidated financial statements of SNCF Mobilités Group for the year ended 31 December 2018 have been prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) and adopted by the European Union as at this date. The IFRS framework as adopted in the European Union may be consulted on the European Commission website:
http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

The basis of preparation for the 2018 consolidated financial statements detailed in the following notes is the result of:

— standards and interpretations of mandatory application for fiscal years commencing on or before 1 January 2018, as described in a grey inset in each note to the financial statements;

— elected accounting options and exemptions applied in the preparation of the 2018 financial statements. These options and exemptions are described in the notes to the financial statements concerned.

As the Group has elected not to round off figures, there may be minimal differences.

1.1.1 Standards and interpretations applicable to consolidated financial statements for financial periods beginning on or after 1 January 2018

Amendments to standards and interpretations as well as the new standards published and applicable as of 1 January 2018 that more specifically concern the Group's consolidated financial statements are as follows:

Standard or interpretation	Summarised description	Expected impacts
IFRS 15 "Revenue from contracts with customers"	This new standard proposes a single revenue recognition model applicable to all types of customer contracts, regardless of the entity's business segment. This model, which follows five key steps, is based on the transfer of control, which may be over time or at a point in time. The notion of the transfer of risks and rewards is no longer predominant. Revenue is recognised on the promised supply of goods or services for the amount of the consideration expected in exchange.	see Note 1.2 to the 2018 consolidated financial statements.
IFRS 9 "Financial instruments"	This standard replaces the current IAS 39 on financial instruments. The three topics covered are the classification and measurement of financial instruments, a methodology for the impairment of financial assets and hedge accounting.	see Note 1.2 to the 2018 consolidated financial statements.

1.1.2 Standards and interpretations not adopted in advance for the preparation of 2018 consolidated financial statements

The Group has not opted for the early application of the other standards and interpretations that must be applied to fiscal years starting on or after 31 December 2018, regardless of whether they were adopted by the European Commission.

In particular, the Group did not adopt the following standards for its 2018 consolidated financial statements:

Standard or interpretation	Summarised description	Expected impacts	Date of adoption (period beginning as of)
IFRS 16 "Leases"	This new standard covers the recognition of leases and will replace the current IAS 17. It establishes principles for the recognition by lessees of all leases with a term of 12 months or more as finance leases by offsetting a non-current asset (right-of-use asset) against a lease liability. Accounting by lessors remains similar to that set forth in IAS 17.	Analysis and identification ongoing (1). Simplified retrospective method adopted. Preponderance of property leases.	IASB: 01/01/2019 with possible early adoption as at 01/01/2018 EU: 01/01/2019 Group: 01/01/2019
IFRIC 23 "Uncertainty over income tax treatments"	The purpose of this interpretation is to clarify the accounting treatment and valuation method for income tax risks in accordance with IAS 12 "Income taxes." It does not apply to the interest and penalties arising from reassessments of income tax and other taxes and duties covered by IFRIC 21 "Levies."	Impacts under analysis. Simplified retrospective method adopted.	IASB: 01/01/2019 with possible early adoption as at 01/01/2018 EU: 01/01/2019 Group: 01/01/2019

(1) Regarding the application of IFRS 16 as at 01/01/2019, the Group identified the lease types, revealing a preponderance of property leases followed by rolling stock leases. In 2018, focus was mainly given to:

— rolling out a lease monitoring and valuation tool pursuant to the standard;

— tailoring information collection and reporting processes and systems;

— managing change with the various stakeholders;

— measuring the following financial impacts:

• lease expense eliminated from purchases and external charges for around €1 billion;

• expected increase in financial liabilities of between €3.5 billion and €4.5 billion.

The amount of commitments given for operating leases does not reflect the opening IFRS 16 liability amount. The main variances identified involve discounting of cash flows, current finance lease liabilities and optional periods.

The data required to accurately estimate the impacts arising from the first-time adoption of IFRS 16 is still being collected, bearing in mind that the aforementioned amount depends on the assumptions used for the discount rate and lease terms (lease extension or early cancellation options should be included in the liability calculation if it is reasonably certain that they will be exercised at the lease term).

For the transition, the Group plans to adopt the following simplification measures applicable to each lease:

— exclusion of initial direct costs from the measurement of right-of-use assets;

— adoption of the most recent IAS 37 measurement for onerous contracts to determine if a leased asset has lost any value instead of performing an impairment test;

— no restatement of leases which expire in the 12 months following the date of first-time adoption.

Furthermore, as permitted by the standard, IFRS 16 will not be applied to contracts that the Group had not previously identified as containing a lease in accordance with IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease."

Finally, it should be noted that the Group already recognises deferred taxes for the restatement of finance leases pursuant to IAS 17. This practice is sustained with the coming into force of IFRS 16

1.2 CHANGES ADDED TO THE FISCAL PERIOD AND COMPARATIVE FISCAL PERIODS

The changes in accounting treatment concern the adoption as of 1 January 2018 of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments".

The transition methods used by the Group and the reconciliations of reported data and data before application of the new standard in the consolidated financial statements for the year ended 31 December 2018 are outlined below.

1.2.1 Adoption of IFRS 15 "Revenue from contracts with customers"

The core principle of IFRS 15 is to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It replaces IAS 18 "Revenue", IAS 11 "Construction contracts" and their interpretations.

For its first-time adoption as of 1 January 2018, the Group opted for the retrospective approach with practical expedients, whereby the cumulative effect of the transition impacts on equity are recognised at the date of application without restating comparative periods.

The main impacts on the consolidated financial statements are listed hereunder:

Points identified	Accounting treatment	Impacts
Variable considerations allocated to customers	Certain variable considerations allocated to customers, particularly under Voyages guarantees, are recorded as an adjustment to revenue following the adoption of IFRS 15. These items were previously presented under operating expenses.	Presentation impact on revenue in the amount of -€40 million for the year ended 31 December 2018 offset by a reverse impact on Purchases and external charges. No impact on gross profit or opening equity.
Considerations payable to customers	Certain amounts paid to customers were previously recorded in operating expenses. Pursuant to IFRS 15, should these amounts not be representative of a distinct service received from the customer, they shall be treated as a reduction in the sale price of the services provided by the Group and deducted from revenue.	Presentation impact on revenue for the year ended -€175 million as at 31 December 2018 offset by a reverse impact on Purchases and external charges. No impact on gross profit or opening equity.
Rebilling of expenses	Pursuant to IAS 18, Keolis' entities offset taxes rebilled to the OA in the income statement, and presented a net impact in "Taxes and duties other than income tax." Under IFRS 15, the entity is considered as the "principal" in its relationship with the French tax authorities. The expenses incurred for the tax payable to the French tax authorities are presented in "Taxes and duties other than income tax." As an offset, the income from the rebilling of taxes is recognised in "Revenue."	Presentation impact on revenue in the amount of +€34 million for the year ended 31 December 2018 offset by a reverse impact on Taxes and duties other than income tax. No impact on gross profit or opening equity.

1.2.2 Adoption of IFRS 9 "Financial instruments"

IFRS 9 sets out the requirements for the classification and measurement of financial instruments, impairment of financial assets for expected losses and hedge accounting. It replaces IAS 39 "Financial instruments – recognition and measurement."

The Group has applied the standard using the retrospective approach, taking into account the following considerations:

— with regard to the measurement and impairment of financial instruments, the Group opted not to restate the comparative data from previous years, as authorised by the standard. As at 1 January 2018, the transition impacts were therefore recognised directly in equity;

— with regard to the accounting treatment of hedging costs, the Group adopted the new provisions prospectively;

— for the most part, the hedging relationships observed pursuant to IAS 39 as at 31 December 2017 remained qualified as at 31 December 2018 in accordance with the criteria set out in IFRS 9.

The adoption of IFRS 9 had no major impact. The main impacts are listed below:

Points identified	Accounting treatment	Impacts
Classification and measurement of loans and receivables	The loans and receivables held by the Group were analysed with regard to their contractual characteristics and how they are managed (business model). For the most part, these assets are considered as basic (SPPI) and covered by the "Hold to Collect" business model. They continue to be measured at amortised cost. The loans convertible into shares held by Keolis were reclassified as financial assets at fair value through profit or loss since they are not considered as basic (non-SPPI).	Presentation impact in the net indebtedness table (see Note 6): Reclassification of loans convertible into shares from "financial assets at amortised cost" to "financial assets at fair value through profit or loss" for €4 million. No impact on opening equity. At the transition date, the nominal value of the convertible loans represents a reasonable estimate of their fair value. As at 31 December 2018, part of these bonds was converted into shares. Impact on the finance cost for the period in the amount of +€2 million following the change in their value.
Classification and measurement of non-consolidated securities	IFRS 9 sets out two methods for measuring equity instruments. Measurement by default consists in valuing them at fair value through profit or loss. As part of a permanent exemption under the standard, they may be measured at fair value through equity. A method is chosen for each security. Under IAS 39, unconsolidated securities were classified as "available-for-sale assets", and measured at fair value through recyclable equity. Pursuant to IFRS 9, unconsolidated securities held by the Group over the long term and not for sale are measured at fair value through non-recyclable equity. The other non-consolidated securities held by the Group are measured at fair value through profit or loss. This choice is mainly based on the management guidance and intentions adopted for each portfolio.	Presentation impact in the net indebtedness table (see Note 6): Reclassification on the transition date of unconsolidated securities from "Available-for-sale assets" to "Investments in equity instruments at fair value through profit or loss" for €49 million and to "Investments in equity instruments at fair value through equity" for €180 million. Impact of the reclassification within opening equity from recyclable reserves to retained earnings for -€4 million and to non-recyclable reserves for +€17 million. Impact on the finance cost for the period in the amount of -€14 million.
Classification and measurement of shares in venture capital funds	The shares held by SNCF Participations in venture capital funds (FPCI and FCPR) and classified as "available-for-sale assets" under IAS 39 are considered as debt instruments pursuant to IAS 32. In accordance with IFRS 9, these fund shares were measured at fair value through profit or loss as they did not meet the SPPI criteria.	Presentation impact in the net indebtedness table (see Note 6): Reclassification on the transition date of the venture capital fund shares from "Available-for-sale assets" to "Debt securities at fair value through profit or loss" for €22 million.
Classification and measurement of financial liabilities	The measures adopted for the classification and measurement of financial liabilities in accordance with IAS 39 remain unchanged following the application of IFRS 9. The impact relating to the change in the accounting treatment of renegotiated financial liabilities was not recognised in the consolidated financial statements as it is immaterial.	No impact. The classifications and measurement methods adopted pursuant to IAS 39 are maintained following the application of IFRS 9: measurement at amortised cost or under the fair value through profit or loss option (see Note 6).
Impairment of trade receivables	The Group's trade receivables include receivables with public authorities or institutions that present a negligible credit risk. Furthermore, the Group has estimated the expected losses on trade receivables, using the simplified model set out in IFRS 9 (estimate of losses at maturity). The estimate is based on the ratio between losses on irrecoverable receivables and revenue at the transition date over a five-year period, reflecting a normal operating cycle for the Group's activities.	The impact on the consolidated financial statements was immaterial.
Impairment of other loans and receivables	Other loans and receivables held by the Group mainly comprise the Public Debt Fund receivable, EPIC SNCF and SNCF Réseau receivables, former lease receivables and "construction assistance loans". These loans and receivables fall under the general impairment model set forth in IFRS 9 that consists in estimating expected losses in one year. To assess the level of expected losses on these financial assets, the Group set up a monitoring process based on counterparty ratings, past repayment data or the estimated level of risk according to the CDS or legal status.	The analyses carried out by the Group resulted in an immaterial impact due to a counterparty credit risk deemed as negligible.
Impairment of non-consolidated securities	Under IFRS 9, equity instruments can no longer be impaired. Impairment losses recognised in previous years were reclassified to non-recyclable equity in respect of the instruments for which this valuation method was adopted.	Impact of the reclassification within opening equity from "retained earnings" to "non-recyclable reserves" for €80 million.

Points identified	Accounting treatment	Impacts
Accounting treatment of hedging costs	Pursuant to IFRS 9, the accounting treatment of hedging costs has changed. For designated instruments, changes in fair value of hedging costs are now recognised in recyclable equity instead of net finance cost under IAS 39 regarding fair value hedges. The date for recognition in profit or loss is determined in line with the hedged item. At Group level, the hedging costs impacted by this new treatment are foreign currency basis spread impacts (FCBS), covered by cross currency swaps matched to foreign currency financing, in addition to the time value of the options. As this treatment was adopted prospectively, no accounting entry was recorded on the transition date for this new treatment. As of the adoption date, changes in value of FCBS and the time value of the options are recognised in recyclable equity and their actual cost is recognised in profit or loss consistently over the term of the hedging relationship (time period related approach).	Impact on closing equity of +€3 million as at 31 December 2018 for the hedging costs relating to fair value hedging transactions. The hedging cost relating to cash hedging transactions, already recognised in recyclable reserves in IAS 39, totalled -€13 million.

1.2.3 Reconciliation of published data and data prepared under former standards

The impacts arising from the adoption of IFRS 15 mainly involve the presentation of the income statement. They were immaterial for the consolidated statement of financial position, consolidated statement of comprehensive income and the consolidated cash flow statement.

The impacts arising from the adoption of IFRS 9 mainly resulted in a reclassification within equity as at 1 January 2018 and were identified in the consolidated statement of changes in equity in the consolidated financial statements.

In € millions	Published financial statements 31/12/2018	IFRS 15 impacts	Financial statements for the year ended 31/12/2018 under the former standards
Revenue	31,681	181	31,862
Purchases and external charges	-17,334	-215	-17,549
Employee benefit expense	-11,249		-11,249
Taxes and duties other than income tax	-1,117	-34	-1,083
Other operating income and expenses	376		376
Gross profit	**2,358**	**0**	**2,358**

1.3 ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the Group accounts, management must make estimates, as numerous items included in the consolidated financial statements cannot be valued precisely. The accounting estimates used for the 31 December 2018 financial statements were prepared under the current context of uncertainty regarding business outlooks. Management is required to revise its estimates in the event of a change in circumstances on which they are based or as a result of new information or further experience. As such, the estimates adopted on 31 December 2018 may be materially modified and subsequent actual results may differ materially from these estimates based on different assumptions or conditions.

These estimates and assumptions primarily concern:

— Determination of goodwill
Business combinations are accounted for using fair value estimates of the assets acquired and liabilities assumed and previously held equity investments in a step acquisition are remeasured at fair value. Goodwill is the difference between the acquisition price plus the value of the previously held equity investments and the fair value of the acquired assets and liabilities.

— Impairment of non-financial assets
The Group performs impairment tests at least once a year on goodwill balances and intangible assets with an indefinite life. In addition, the Group assesses at each balance sheet date whether there is any indication that a non-financial asset (intangible assets or property, plant and equipment with a finite life) may have lost value, necessitating the performance of a test.

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

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

— Recognition of deferred tax assets
A deferred tax asset is recognised when it is probable that the Group will generate future taxable profits against which unused tax savings may be offset. The Group's ability to recover these tax assets is analysed based on its business plan, contingencies relating to the economy and the uncertainties surrounding markets in which the Group is active. Deferred tax assets are adjusted upward or downward should there be any material change in future Group tax results, the adjustment being offset in the income statement. This adjustment would mainly be offset in the income statement.

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

Amounts recorded for site decontamination are based on the best possible estimate resulting from year-end assessments and take into account valuations for known risks currently being assessed (see Note 4.5).

Amounts recorded for the dismantling of rolling stock containing asbestos correspond to the estimated dismantling costs at the end of the equipment life. These costs are determined based on the prices invoiced by scrap metal dealers and asbestos removers and the target prices of the most recent calls for tender. A change in these costs would be passed on to the amounts recorded.

— **Derivative financial instruments**
The Group uses assumptions to measure the fair value of its derivative instruments. The recognition and measurement principles are described in Note 6.3.

1.4 BASIS OF CONSOLIDATION

1.4.1 Entities under control, joint control or significant influence

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

Practically speaking, control is presumed to exist where the Group holds 50% or more of the voting rights in an entity (total of existing voting rights and potential voting rights which are substantially exercisable before the holding of management body meetings) or where the Group can:

— control over half the voting rights pursuant to an agreement with other investors;

— manage the financial and operating policy of the entity pursuant to a contract;

— appoint or dismiss the majority of the members of the Board of Directors or an equivalent management body;

— control the majority of the voting rights at meetings of the Board of Directors or an equivalent management body.

All material transactions between the controlled companies are eliminated.

The profit or loss of subsidiaries is divided between the Group and the non-controlling interests based on their percentage interest even if this results in the recording of negative non-controlling interests.

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

The following are equity-accounted:

— joint arrangements qualified as joint ventures under IFRS 11, meaning that they solely give rights to the net assets of an entity;

— entities in which the Group exercises significant influence over financial and operating policies, but which it does not control (associates) under IAS 28. Significant influence is presumed to exist where the Group holds an interest of 20% or more.

The results of companies acquired or disposed of during the fiscal year are included in the consolidated income statement of the Group from the date control is acquired up to the date of transfer of control.

The financial statements of the companies included in the scope of consolidation are drawn up to 31 December 2018 and restated to comply with Group accounting policies. All internal profits and losses between controlled companies are fully eliminated and those between companies accounted for under the equity method are eliminated according to the percentage interest held.

A list of the main subsidiaries, joint ventures, joint operations, and associates and the factors used to assess control in certain entities is presented in Note 10.

1.4.2 Translation of the financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries whose functional currency is not the euro are translated into euros using the period-end exchange rate method:

— balance sheet accounts are translated at the year-end rate of exchange;

— income statement items are translated at the average annual rate of exchange;

— translation differences arising on the retranslation of opening balance sheet items (movement between opening and closing exchange rates) and income statement items (movement between average and closing exchange rates) are taken to "Translation differences" under other comprehensive income in consolidated equity. Likewise, foreign exchange differences arising from the translation of receivables and payables that are part of the net investment in a foreign subsidiary are also recorded in "Translation differences" in consolidated equity. They are recorded in profit or loss upon removal of the net investment.

2. MAJOR EVENTS

2.1 MAJOR EVENTS OF 2018

2.1.1 Rail system reform

Following the submission of Jean-Cyril Spinetta's report on the future of French rail transport on 15 February 2018, the French Prime Minister presented a bill on 26 February for a new rail agreement that was adopted by the French National Assembly on 17 April and by the French Senate on 5 June 2018.

Law 2018-515 of 27 June 2018 for a New Railway Pact enacted in the *Journal officiel de la République française* (the "New French Railway Pact" – Nouveau Pacte Ferroviaire) is based on these principles:

— Build a new SNCF Group organisation by 1 January 2020, thus transforming it into a major unified and integrated public group comprising a fully state-owned limited company (société nationale à capitaux publics), SNCF, and two national companies, SNCF Mobilités and SNCF Réseau with the following duties:

• SNCF Mobilités operates, either directly or through its subsidiaries, rail transport services and conducts the other activities set forth in its by-laws;

• the state-owned SNCF defines the organisation of the public group that it comprises with its subsidiaries to fulfil the following duties;

• the public group as a whole is responsible for (i) operating and developing, in a fair and transparent manner, the national rail network in accordance with the public service principles in order to promote rail transport in France, (ii) operating and developing, in a fair and transparent manner, passenger train stations and other service facilities relating to the national rail network, (iii) fulfilling transversal duties essential to the proper operation of the national rail system for the benefit of all the players in this system, particularly to secure the safety of persons, assets and the rail network and (iv) guarantee national and international passenger and freight transport services;

• SNCF Réseau is responsible for guaranteeing, in a fair and transparent manner, directly or through its subsidiaries, in accordance with public service principles and in order to promote rail transport in France with a view to sustainable development, regional planning and economic and social efficiency, and specifically (i) access to the rail infrastructure of the French national rail network, including the allocation of capacities and the pricing of this infrastructure and (ii) operational management of the traffic on the French national rail network.

— the French State will own the entire share capital of SNCF, whose securities will be non-transferable. SNCF will own the entire share capital of SNCF Mobilités and SNCF Réseau. The capital of these two companies will be non-transferable. SNCF, SNCF Réseau and SNCF Mobilités will be subject to the legal provisions applicable to limited liability companies (whose initial by-laws will be determined by decree in the Conseil d'État and then amended according to the rules stipulated in the French Commercial Code);

— passenger station management activities will be centralised in an SNCF Réseau subsidiary with organisational, decision-making and financial independence;

— amend the salary organisation while ceasing, as from 1 January 2020, to recruit personnel with railway worker status. Current employees may continue to benefit from this status. At the same time as this transformation, negotiations will be conducted in connection with the railway division;

— secure the continuity and improve the quality, efficiency and performance of French passenger rail transport public services and guarantee its opening to competition, particularly by granting passenger rail transport public service contracts in accordance with advertising and competition rules. Accordingly, under the New Railway Pact, the French rail network can be opened to competition depending on the activity between 3 December 2019 and 24 December 2023. For example:

• for passenger rail transport services, Île-de-France Mobilités may award public service contracts relating to these services in accordance with advertising and competition rules;

• the French State may award public service contracts relating to French national passenger rail transport services in accordance with advertising and competition rules; and

• the regions may award public service contracts relating to French regional passenger rail transport services in accordance with advertising and competition rules.

Law 2018-515 of 27 June 2018 for a New Railway Pact should be completed and specified in orders adopted by the French Government and the publication of application decrees involving the aforementioned aims.

At the end of 2018, seven application decrees relating to the Law for a New Railway Pact were published (Decrees 2018-1314 / 1179 / 1275 / 1242 / 1364 / 1243 / 828), with an entry into force between December 2018 and 1 January 2020.

2.1.2 Impairment reversals

Impairment reversal for the TGV France and Europe CGU

The 2019-2028 strategic plan for the TGV France and Europe (excluding Eurostar and Thalys) CGU that was presented and validated by the Board of Directors on 26 July 2018 incorporated a new infrastructure fee indexation. Based on this new and more favourable trajectory, the group conducted an impairment test that resulted in the reversal of the residual impairment for €3,193 million as 30 June 2018.

Impairment reversal for the Gares & Connexions CGU

Following the drafting of a new 2019-2028 strategic plan that presented an improved financial trajectory for the Gares & Connexions CGU, impairment reversals were also recognised for €107 million within the SNCF Gares & Connexions activity.

Since 30 June 2018, no new indications of impairment or reversal have been identified for these CGUs.

Changes in impairment losses are recognised under "Impairment losses" in the consolidated income statement for the year ended 31 December 2018. Detailed information is presented in Note 4.3 to the consolidated financial statements.

2.1.3 Decision of the Paris Appeal Court

On 31 January 2018, the Paris Appeal Court ruled against EPIC SNCF Mobilités relating to claims filed by former employees. The Group decided not to appeal. SNCF Mobilités paid these penalties in March 2018 and recognised an expense that impacted 2018 gross profit. At the same time, the provision previously set aside for the litigation was reversed in the 31 December 2018 financial statements. The net impact on the income statement was immaterial (see Note 4.5.2 to the consolidated financial statements).

2.1.4 Strike impacts

On 22 March 2018, certain employees of EPIC SNCF Mobilités launched a strike action, with two days of strike action every five days for a total of 39 days from 3 April until 28 June 2018, in protest at the plans to reform the French rail system. This action had major impacts for SNCF Group customers and financial repercussions within certain group activities.

2.1.5 Disposal of Foncière Vesta

The SNCF Mobilités Group sold 80% of its shares in the real estate subsidiary, Foncière Vesta, held by ICF Novedis. This sale to an external investor for €659 million generated a total capital gain of €766 million, of which €153 million for the fair value remeasurement of the previously held interest. This transaction enabled the Group to reduce its net debt by €932 million. As of 31 December 2018, the Vesta entity is consolidated under the equity method in the Group's consolidated financial statements.

Additional information is presented in Notes 4.1.5 and 4.2. to the consolidated financial statements for the year ended 31 December 2018.

2.1.6 New segment breakdown

The SNCF Mobilités Group was reorganised into 4 business units. This new segment breakdown is effective as of 1 January 2018 with the following modifications:

— the creation of a "Daily Mobilities" business unit that breaks down into two operating segments, SNCF Transilien & TER, and Keolis. Transilien and TER were previously combined within the SNCF Transilien, TER, Intercités business unit. Keolis was presented as a separate business unit and segment;

— The creation of a "Long-distance Mobilities" business unit comprising the "Voyages" business unit comprising the "Voyages SNCF" operating segment that was formerly presented as a business unit and the Intercités operating segment that was previously included in the "SNCF Transilien, TER, Intercités" business unit.

SNCF Mobilités Group's activity is now organised into four business units:

— Daily Mobilities

— Long-distance Mobilities

— SNCF Logistics

— SNCF Gares & Connexions

2.1.7 Order for new rail rolling stock

On 26 July 2018, the Board of Directors of SNCF Mobilités approved the signing of an order for 100 next-generation TGVs with the manufacturer ALSTOM. This €3.3 billion order comprises a firm tranche for 50 TGVs, with delivery scheduled between 2023 and 2033.

The commitments underlying this order are detailed in Note 9.1.2 to the consolidated financial statements for the year ended 31 December 2018.

2.1.8 Signature of a new contract by the Keolis subsidiary

The Keolis subsidiary was awarded a major rail operation contract in the UK. The contract signed on 4 June 2018 covers operation of the Wales and Borders rail network and the South Wales Metro as of 14 October 2018. Keolis will act as majority partner with the British company Amey, a subsidiary of the Spanish company Ferrovial. It should generate a combined revenue of €6 billion over a term of 15 years.

2.1.9 United Kingdom's withdrawal from the European Union (Brexit)

The United Kingdom's withdrawal from the European Union voted by referendum on 23 June 2016 will be effective as of 29 March 2019. The UK withdrawal agreement approved by the 27 EU member countries in November 2018 was widely rejected by British MPs on 15 January 2019. The Group operates passenger and freight transport activities through its subsidiaries in the UK. In 2018, it generated a consolidated revenue of €1,620 million, including €1,149 million for Eurostar, and the share of net profit from joint ventures within Keolis represented €21 million in the consolidated statement of financial position as at 31 December 2018.

The main uncertainty, which could have significant impacts depending on the final scenario, lies in the terms and conditions of the United Kingdom's exit from the European Union on 29 March 2019. Among the various scenarios are a deal Brexit, a postponed Brexit or a no-deal Brexit and, consequently, this creates an uncertainty as to the impact on the future service of Eurostar.

The ease with which passengers obtain border clearance when travelling on Eurostar lines may also be reviewed with Brexit and it may be more costly to ensure compliance with future applicable regulations.

In the event of a no-deal Brexit, Eurostar will be dependent on the actions of the governments and regulatory authorities regarding the licences, and operating agreements and procedures needed to ensure the smooth running of the rail service. These agreements mainly include border control measures, cross-border employment contracts for Eurostar personnel, operating and safety licences that are valid in the EU, as well as the regulatory and operational framework of the Eurotunnel.

The Directors and management of Eurostar have taken steps to anticipate these various issues, and are working with the relevant authorities to set up the necessary agreements and organisation to continue operations.

As the company does not possess all the key elements to guarantee service continuity in the event of a no-deal Brexit, and given the exceptional nature of the situation, it is difficult to forecast the repercussions with sufficient assurance.

The most unfavourable scenario for Eurostar could have a material impact on the value of certain assets and even on its ability to continue operations with continuity of service.

All the necessary measures have been undertaken with the relevant authorities to avoid a combination of the most unfavourable factors that would likely culminate in a lengthy suspension of activity.

Otherwise, these factors would have also impacts on Eurostar's financial situation, debt ratios (€520 million as at 31 December 2018) might no longer be met.

In the light of the uncertainties surrounding the Brexit process, the Group cannot at this stage estimate the financial impacts and repercussions on its activity. Further information is presented in Note 4.3.1 to the consolidated financial statements.

2.1.10 Planned sale of the Ouibus subsidiary

The SNCF Mobilités Group has entered into exclusive negotiations with Blablacar (BBC) to set up a strategic partnership to develop its door-to-door transport activity.

A draft agreement defining the terms and conditions of the planned partnership with Ouibus was signed with BBC on 12 November 2018.

Information on this transaction is presented in Note 4.2.3. to the consolidated financial statements.

2.1.11 New accounting separation requirementsy

ARAFER decision 2017-101 on accounting separation rules applicable to rail companies was approved by a ministerial ruling of 4 December 2017, rendering the decision enforceable for fiscal years beginning on or after 1 January 2018.

EPIC SNCF Mobilités presented the accounting separation rules document to ARAFER on 4 June 2018, followed by a revised version on 31 October 2018, which was approved by ARAFER on 31 January 2019 (through its decision 2019-003).

This reference framework could only be partially implemented in 2018 despite the major work carried out during the year. The company is unable to estimate the possible repercussions of this situation.

2.2 SUBSEQUENT EVENTS

The main subsequent events are as follows:

2.2.1 Litigation regarding the investigation of the Competition Authority in the Distribution and Express segment

Geodis and SNCF Mobilités appealed the decision of the Competition Authority dated 22 January 2016. In its ruling of 19 July 2018, the Paris Appeal Court reduced the fine of €196 million, paid in April 2016, to €166 million (see Note 4.5.2 to the consolidated financial statements).

Geodis and SNCF Mobilités appealed on 22 July 2018 and SNCF Mobilités filed its observations on 17 December 2018. The Competition Authority did not lodge a cross-appeal within the 60-day deadline following the filing of observations. The SNCF Mobilités group did not draw any conclusions from this ruling in its 31 December 2018 financial statements.

2.2.2 Signature of the draft agreements for the future South and Nouvelle Aquitaine region agreements

Two draft agreements for the future operation of TER services were signed with the South (for 2019-2023) and Nouvelle Aquitaine (for 2019-2024) regions on January 2019. These agreements define the TER operating terms and conditions, enhance system performance and prepares for the opening of certain TER services to competition.

2.2.3 ARAFER's opinion on the SNCF Réseau DRR (Document de Référence du Réseau)

ARAFER's opinion n°2019-005 on the SNCF Réseau DRR was published on 7 February 2019. This opinion only concerns regulated activities and no impact was recorded in the SNCF Mobilités Group financial statements for the year ended 31 December 2018.

3. GROSS PROFIT

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

Revenue recognition principles are described in Note 3.2.

Expenses directly relating to operating activities primarily include purchases, subcontracting costs, other external services, employee costs, taxes and duties other than income tax, asset disposals related to the activity (property, plant and equipment within the operating cycle sold in connection with the renewal of production facilities, primarily transport equipment) and other miscellaneous items. All charges to employee-related provisions and, specifically, charges relating to employee commitments (excluding the finance cost), are included in "Employee benefits expense".

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

3.1 SEGMENT REPORTING

3.1.1 Determination of segments presented

SNCF Mobilités Group reviewed the breakdown of its operating segments as from 1 January 2018 in line with the changes in its organisation. The Group is now organised into four business units and eight segments: "Daily Mobilities" comprising two segments SNCF Transilien & TER and Keolis; "Mobilités Longue distance" comprising two segments Intercités et Voyages SNCF; "SNCF Gares & Connexions" as a separate business unit and segment and "SNCF Logistics" made up of three segments Geodis, TFMM and Ermewa Group.

The eight aforementioned operating segments are regularly examined by the SNCF Mobilités Executive Committee in order to assess their performance and allocate resources. Comparative information has therefore been restated.

These segments, which target different customers and sell separate products and services, are as follows:

— SNCF Transilien and TER: local transport services, rail transport regulated services (TER, Transilien), and additional services covering passenger transport (Itiremia, Ritmx);

— Keolis: in charge of mass transit in sixteen countries worldwide. Its expertise covers all modes of transportation (train, bus, car, underground, tramway, ferries, bicycles), and the management of interconnection points (stations, airports) and parking;

— Intercités: medium-distance transport activities in France;

— Voyages SNCF: door-to-door passenger transport services in France and Europe (TGV, OUIgo, Eurostar, Thalys, Lyria, OUIbus, iDVROOM, etc.) and distribution of travel-related products;

— SNCF Gares & Connexions: dedicated to the development and operation of all stations and the non-discriminatory welcome of all operators;

— Geodis: a European operator with a worldwide scope which proposes management solutions covering all or part of the logistics chain (Supply Chain Optimization, Freight Forwarding - air and sea, Contract Logistics, Distribution & Express, Road Transport, Contract Logistics US);

— Rail freight and multimodal transport: activities of rail transport operators, combined transport operators and freight forwarders carried out by several companies (Fret SNCF, VFLI, Naviland Cargo, Captrain and Lorry Rail);

— Ermewa Group: long-term management, maintenance, repair and leasing of rail transportation equipment (specialised wagons, tank containers, locomotives, mainline locomotives or shunters).

These last three sectors make up the SNCF Logistics business line.

These segments rely on common support functions (Corporate and the Industrial Department), which combine the holding company activities of SNCF Participations, the service provider activities of SNCF Mobilités Group (equipment, real estate functions and other transversal services) and certain operating subsidiaries.

3.1.2 Segment indicators

The main balance sheet and income statement indicators monitored by Management for each segment are as follows:

— external revenue, after elimination of all transactions with the Group's other segments;

— gross profit;

— net investments comprising cash flows relating to concession financial assets and acquisitions of intangible assets and property, plant and equipment (less investment grants), plus new finance-leased assets.

The accounting methods adopted for the preparation of financial data for each segment are those used in the preparation of the consolidated financial statements. The internal revenue presented below is made up of transactions between segments, eliminated in an Inter-business unit line item for purposes of reconciliation with the Group consolidated financial statements.

3.1.3 Information by segment

					31/12/2018
In € millions	**External revenue**	**Internal revenue**	**Revenue**	**Gross profit**	**Net investments**
SNCF Transilien & TER	**6,942**	**748**	**7,690**	**251**	**-29**
Keolis	**5,818**	**118**	**5,936**	**350**	**-166**
Intercités	**702**	**132**	**833**	**50**	**43**
Voyages SNCF	**7,367**	**471**	**7,837**	**1,044**	**-884**
SNCF Gares & Connexions	**508**	**978**	**1,486**	**233**	**-246**
Geodis	8,108	58	8,166	306	-112
TFMM	1,486	92	1,578	-188	-59
Ermewa Group	342	71	413	238	-258
Other	0	0	0	-3	0
Intra-business unit eliminations	0	-105	0	0	0
SNCF Logistics	**9,935**	**116**	**10,052**	**353**	**-429**
Industrial department	**231**	**1,441**	**1,672**	**40**	**-90**
Corporate	**179**	**666**	**844**	**38**	**-176**
Inter-business unit	**0**	**-4,668**	**-4,668**	**0**	**0**
Total	**31,681**	**0**	**31,681**	**2,358**	**-1,978**

					31/12/2017
In € millions	**External revenue**	**Internal revenue**	**Revenue**	**Gross profit**	**Net investments**
SNCF Transilien & TER	**7,082**	**631**	**7,713**	**390**	**-439**
Keolis	**5,295**	**106**	**5,401**	**305**	**-272**
Intercités	**928**	**101**	**1,029**	**62**	**85**
Voyages SNCF	**7,373**	**640**	**8,013**	**1,178**	**-798**
SNCF Gares & Connexions	**493**	**788**	**1,281**	**220**	**-209**
Geodis	8,093	57	8,150	271	-125
TFMM	1,525	70	1,595	-89	-89
Ermewa Group	332	74	405	220	-199
STVA	268	0	268	7	-4
Other	0	0	0	-3	0
Intra-business unit eliminations	0	-120	-120	0	0
SNCF Logistics	**10,218**	**82**	**10,300**	**407**	**-417**
Industrial department	**251**	**1,519**	**1,769**	**114**	**-96**
Corporate	**191**	**628**	**819**	**83**	**-99**
Inter-business unit	**0**	**-4,494**	**-4,494**	**0**	**0**
Total	**31,831**	**0**	**31,831**	**2,759**	**-2,244**

Pursuant to IFRS 8 (section 33), information concerning geographical areas is not provided since the necessary information is unavailable and the cost to prepare it would be excessive. Furthermore, liabilities are not monitored per segment by the chief operating decision maker.

3.2 REVENUE

SNCF Mobilités Group generates its revenue from contracts with customers. It corresponds to all compensation (transaction price) collected from business transactions carried out in connection with its main standard and recurring operating activities. SNCF Mobilités Group revenue is generated from the following main sources:

— long-distance passenger transport activities;

— passenger transport activities in connection with regulated activities;

— freight transport and logistics activities;

— station management activities;

— other real estate and maintenance activities.

The transaction price mainly comprises:

— fixed contractual compensation agreed to with the customer;

— variable consideration corresponding to an entitlement subject to the realisation of recurring future events that can be reliably estimated using predictive methods. This mainly involves discounts and rebates granted to customers, penalties and indemnification following failure to meet contractual specifications and gain or loss regarding the performance of contractual objectives;

— consideration payable to customers corresponding to cash paid or payable that is deducted from the transaction price when it does not correspond to distinct services received from the customer.

For the most part, guarantees granted to customers are those in connection with passenger and freight transportation. They may be used to provide assurance that services sold meet contractual specifications (assistance guarantee, guarantee for damages, etc.). In this case, costs are provided for in accordance with IAS 37. When they correspond to a penalty incurred because a certain level of performance has not been met, they are deducted from revenue as a variable consideration of the transaction price (punctuality guarantee, travel vouchers issued due to disruptions, etc.). Finally, when they correspond to an additional service provided to the customer, they are recognised in revenue as a performance obligation pursuant to IFRS 15.

The Group recognises revenue in its consolidated financial statements once control over the service is transferred to the customer:

— Under the multi-year agreements with the Transport Organising Authorities, the Group operates a transportation service for the OA, considered as the unique customer. The performance obligation consists in maintaining access to the transport public service to users. The transaction price is determined on a yearly basis, according to the estimated operating costs and the criteria for achieving certain contractually defined performance objectives. Given the direct relationship between the parameters used to calculate compensation and the expected level of performance in completing the service over the same period, the annual compensation received is allocated directly to the annual services to which it corresponds. The transfer of control is therefore considered as over-time in a short term as the Transport Organising Authority benefits from the advantages of the service as and when the Group performs it, resulting in an annual invoicing right, and a revenue recognition on the same basis.

— Regarding the other passenger transport activities, control is transferred as soon as the travel service is provided. Payment of the transaction price is due once the customer receives the service;

— Regarding freight transport and logistics services, control over the service is steadily transferred over a short period and revenue can be recognised, given the very short duration, at a given time (goods departure or arrival);

— Services for which control is steadily transferred over a long period primarily correspond to some real estate activities and certain station management activities.

SNCF Mobilités Group generates revenue from services provided at a point-in-time or continuously over a certain period to public or private individuals under the following main service lines:

In € millions	31/12/2018	31/12/2017*	Change	Segments
Revenue generated from Voyages' transportation activities	6,868	6,874	-7	Voyages SNCF
Revenue generated from freight transport activities	6,860	7,073	-212	SNCF Logistics
Other related transport activities	2,866	2,944	-78	Voyages SNCF, SNCF Logistics
Compensation collected from the Transport Organising Authorities in connection with regulated activities	12,967	12,947	20	SNCF Transilien & TER, Keolis, Intercités
Revenue generated from station management	516	493	23	SNCF Gares & Connexions
Real estate leasing revenue (excluding rental payments generated by stations)	161	169	-8	SNCF Logistics, Voyages SNCF, Corporate
Transport equipment leasing revenue	327	317	10	SNCF Logistics, SNCF Transilien & TER, Keolis
Upkeep and maintenance services	223	229	-6	All segments
Other revenue	892	785	108	All segments
Revenue by main provided services	**31,681**	**31,831**	**-150**	
Public sector customers (government authorities)	13,319	13,090	230	
Private individuals	6,895	7,063	-168	
Private sector companies	11,467	11,678	-211	
Revenue by customer type	**31,681**	**31,831**	**-150**	
Point-in-time or one-day transfer	8,324	8,601	-277	
Over-time transfer over a period of less than one year (logistics, freight transport and compensation from OA)	22,469	22,342	127	
Over-time transfer over a period of more than one year (real estate activities, certain station management activities, etc.).	889	888	1	
Revenue by timing of recognition	**31,681**	**31,831**	**-150**	

* The Group has adopted IFRS 15 since 1 January 2018 using the simplified transition method. The comparative information shown was not restated (see Note 1.2.1).

3.3 TRANSACTIONS WITH TRANSPORT ORGANISING AUTHORITIES

As part of its regional, trans-regional and local transport activities, the Group provides public services (rail transport regulated service) for the French State (Transport Organising Authority for Trains d'Equilibre du Territoire) or for public authorities (in France, the Regions – Regional and Île-de-France transport network organising authorities – and urban centres, and at the international level, various local authorities), in return for a consideration. These activities are essentially carried out at Keolis, SNCF Transilien, TER and Intercités. These services are covered by operating agreements with terms of 3 to 10 years. They are included in the scope of IFRIC 12 when the assets used to provide a public service are controlled by the Organising Authority (OA). Control is deemed to occur when the following two conditions are met:

— the OA controls or regulates the public service, i.e. the OA controls or regulates the services that must be provided with the infrastructure that is the subject of the concession, and determines to whom it must provide them, and at what price; and

— the OA controls the infrastructure, i.e. is entitled to recover the equipment at the end of the contract.

Pursuant to IFRIC 12, the infrastructures used are not in these cases recorded as property, plant and equipment in the balance sheet, but rather as an intangible asset ("intangible asset model") and/or a financial asset ("financial asset model") according to the level of consideration given by the OA:

— the "intangible asset model" applies where the Group, as operator, receives a right to charge users of the public service and is paid in substance by the user, which means the operator bears a demand risk;

— the "financial asset model" applies where the Group has an unconditional right to receive cash or another financial asset, either directly from the OA or indirectly by means of guarantees given by the OA on the revenue from users of the public service. The consideration is independent of user numbers. Investment grants are classified, in this case, as a repayment clause of the operating financial asset. The Group has opted to categorise these financial assets in loans and receivables pursuant to IFRS 9 and to record them at amortised cost calculated using the effective interest rate.

IFRIC 12 is applied retrospectively to financial periods beginning on or after 1 January 2010 for investments carried out after the conclusion of such agreements. Prior investments continue to be recorded in property, plant and equipment.

Pursuant to IFRS 15 "Revenue from contracts with customers", since 1 January 2018, SNCF Mobilités Group has presented passenger revenue from regulated activities as revenue from transport organising authorities and not from private individuals.

The comparative information as at 31 December 2017 was restated to take into account:

— changes relating to IFRS 15 that include passenger revenue as compensation from the OA;

— integration of Keolis' regulated activities.

Transactions with transport organising authorities had the following impacts on the Group's consolidated financial statements:

In € millions	31/12/2018	31/12/2017	Change
Services with OA	10,167	9,462	705
Revenue generated from passenger ticket sales	2,516	3,138	-622
Services with the French state as OA of the Trains d'Équilibre du Territoire	238	299	-61
Interest income arising from concession financial assets	46	48	-2
Impacts on revenue*	**12,967**	**12,947**	**20**
New concession financial assets	-1,028	-1,047	19
Cash inflows from concession financial assets	1,379	1,031	348
Investment grants relating to intangible assets and PP&E	365	315	50
Impacts on cash flow used in investing activities	**716**	**299**	**417**
* of which Keolis revenue	5,388	5,009	379
of which Epic SNCF Mobilités revenue	7,579	7,938	-359

In € millions	31/12/2018	31/12/2017	Change
Concession intangible assets	76	56	20
Concession non-current financial assets	923	1,195	-273
Impacts on non-current assets	**999**	**1,252**	**-253**

3.4 OTHER GROSS PROFIT ITEMS

3.4.1 Purchases and external charges

Purchases, sub-contracting and other external charges break down as follows:

In € millions	31/12/2018	31/12/2017*	Change
Sub-contracting	-5,796	-5,889	93
Infrastructure fees payable to SNCF Réseau	-3,464	-3,758	294
Eurotunnel and other infrastructure fees	-840	-673	-167
Traction energy and fuel	-1,022	-1,003	-18
Purchases and external charges	-6,212	-5,998	-215
Purchases and external charges	**-17,334**	**-17,321**	**-13**

* The Group has adopted IFRS 15 since 1 January 2018 using the simplified transition method. The comparative information shown was not restated (see Note 1.2.1).

The Group's consolidated financial statements were audited by the statutory auditors EY and PWC. The breakdown of their fees for work carried out for the parent company and its French subsidiaries included in "Purchases and external charges" is as follows. Services other than certification mainly include attestations, contractual audits and agreed-upon procedures.

This information is not required under IFRS, but disclosed in accordance with regulation 2016-09 of 2 December 2016 issued by the French Accounting Standards Authority (ANC).

In € millions	31/12/2018		31/12/2017	
	E&Y	PWC	E&Y	PWC
Accounts certification	**-5**	**-3**	**-4**	**-4**
Parent company	-1	-1	-1	-2
French subsidiaries	-4	-2	-3	-2
Services other than certification	**0**	**0**	**0**	**0**
Parent company	0	0	0	0
French subsidiaries	0	0	0	0
Total	**-5**	**-4**	**-5**	**-4**

3.4.2 Employee benefit expenses and headcount

Employee benefit expenses mainly comprise wages, social security contributions, employee profit-sharing and expenses for other employee benefits. As from 1 January 2015, pursuant to Law 2014-288 of 5 March 2014 relating to professional training, employment and social democracy, the individual training entitlement (DIF) was replaced by the personal training account (CPF). However, employees will retain the DIF rights they have acquired up to 31 December 2014 and can activate them until 1 January 2021.

The personal training account is recorded in the amount of hours and activated by the employee in order to constitute a reserve of training time to be used at his or her initiative with or without the approval of the employer depending on whether the training is eligible within the meaning of Articles L. 6323-6, L. 6323-16 and L. 6323-21, and does or does not take place during working hours.

The account is assigned to the individual (and not the employment contract) and accompanies the employee throughout his or her professional life. Training hours recorded in the holder's account remain vested in the event of a change in occupation or job loss.

The accounting treatment of the CPF is the same as that applied to the DIF: the sums paid to training organisations represent an expense for the period and no provision is recognised. As the case may be, and given that in most cases employee training will benefit the company's future activity, the outflow of resources relating to its funding obligation would be compensated.

As at 31 December 2018, the employee benefit expenses and headcount break down as follows:

In € millions	31/12/2018	31/12/2017	Change
Wages and salaries	-10,740	-10,756	16
Other employee benefits	-25	-1	-24
Profit-sharing and incentive schemes	-32	-33	1
Seconded and temporary employees	-452	-416	-36
Employee benefit expense	**-11,249**	**-11,206**	**-43**

The average number of employees breaks down by socio-professional category as follows. The average number of employees includes those of fully-consolidated companies and the share of those in joint operations. It does not take into account employees from entities consolidated under the equity method. This information is not required under IFRS, but by regulation 2016-09 of 2 December 2016 issued by the French Accounting Standards Authority (ANC). The calculation corresponds to a mathematical average number of employees at the end of each calendar quarter, pursuant to the regulation, and not a previously published full-time equivalent.

Average number of employees	31/12/2018	31/12/2017
Managers	35,593	34,584
Supervisors	34,847	34,387
Labourers	133,425	132,845
Total	**203,865**	**201,816**

3.4.3 Taxes and duties other than income tax

Taxes and duties other than income tax included in gross profit mainly comprise the flat rate taxation of network companies (IFER), the Territorial Economic Contribution (CET), and the Territorial Solidarity Tax (CST).

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

The Territorial Solidarity Tax is based on total revenue collected on the year-end tax due date relating to non-regulated passenger rail transport services and commercial services, net of State contributions compensating reduced and regulated fares.

In € millions	31/12/2018*	31/12/2017	Change
IFER	-280	-271	-9
Property taxes	-106	-105	-1
Territorial Economic Contribution	-229	-240	10
Territorial Solidarity Tax	-16	-40	24
Payroll taxes	-156	-59	-97
Other taxes and duties other than income tax	-329	-251	-77
Of which Other taxes based on compensation	*-244*	*-214*	*-30*
Other taxes and duties other than income tax	**-1,117**	**-966**	**-150**

* The Group has adopted IFRS 15 since 1 January 2018 using the simplified transition method. The comparative information shown was not restated (see Note 1.2.1).

As of 1 January 2018, the operating contributions paid by the Organising Authorities (Regions and Île-de-France Mobilités) to EPIC SNCF Mobilités, in connection with its regional transport activity, are incorporated into the payroll tax calculation base.

3.4.4 Other operating income and expenses

Other operating income and expenses primarily represent the Competitiveness and Employment Tax Credit (CICE) introduced by the amending finance act of 29 December 2012. It was created to help companies finance their competitiveness particularly through investment, research, innovation, recruitment, new market prospection, environmental and energy transition and working capital restoration measures. It is based on compensation not exceeding two and a half times the minimum growth salary that companies pay their employees during the calendar year. For 2013, the tax credit amounted to 4% of this compensation and was increased to 6% for forthcoming years. It rose to 7% for 2017, then fell back to 6% in 2018 and will be abolished in 2019.

The CICE is offset against the corporate income tax payable for the year in which the compensation used for the tax credit calculation was paid. The tax credit receivable corresponding to the amount not offset may therefore be used to settle the tax payable in the three years following the year in which the credit is recorded. At the end of this period, the non-offset portion is paid back to the company.

Considering that the CICE is used to finance expenditure in favour of competitiveness and its calculation and payment methods do not satisfy the definition of corporate income tax pursuant to IAS 12, it was analysed in substance by the Group as a government grant within the scope of IAS 20. Insofar as the CICE is used by the Group to finance expenditure relating to working capital, it corresponds more specifically to an operating grant, the accounting impacts of which are recorded under "Other operating income and expenses" in the consolidated income statement.

For the year ended 31 December 2018, "Other operating income and expenses" totalled €376 million (€421 million for the year ended 31 December 2017). In 2017, besides the portion relating to the CICE tax credit, it includes accrued income relating to the T1 rates (see Note 4.5.2).

4. OPERATING ASSETS AND LIABILITIES

4.1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

4.1.1 Intangible assets

Intangible assets are recorded at historical cost or, where necessary, at fair value on the date of acquisition if such assets are acquired in connection with a business combination. Certain assets are amortised using the method specified in Note 4.1.4.

	31/12/2018			31/12/2017		
In € millions	**Gross**	**Amortisation and impairment**	**Net**	**Gross**	**Amortisation and impairment**	**Net**
Concessions, patents, software	1,423	-1,005	419	1,283	-905	378
Concession intangible assets (Note 3.2)	118	-42	76	191	-135	56
Other intangible assets	1,980	-866	1,115	1,923	-767	1,156
Intangible assets in the course of development	204	-8	196	193	-7	185
Total	**3,726**	**-1,920**	**1,805**	**3,590**	**-1,814**	**1,776**

Other intangible assets mainly include brands acquired during business combinations for €404 million (€410 million in 31/12/2017), customers for €304 million (€336 million in 31/12/2017), as well as leasehold rights for €42 million (€45 million in 31/12/2017).

Movements in intangible assets break down as follows:

In € millions	**Concessions, patents, software**	**Concession intangible assets**	**Other intangible assets**	**Intangible assets in the course of development**	**Total**
Net carrying amount as at 01/01/2017	**324**	**44**	**1,274**	**141**	**1,783**
Acquisitions	45	1	18	158	**222**
Disposals	-2	0	-2	0	**-5**
Amortisation	-140	-29	-101	0	**-270**
Impairment	-1	0	0	-6	**-6**
Change in scope	41	0	7	0	**47**
Unrealised foreign exchange gains and losses	-5	0	-37	0	**-42**
Other changes	117	40	-2	-108	**46**
Net carrying amount as at 31/12/2017	**378**	**56**	**1,156**	**185**	**1,776**
Acquisitions	45	0	30	154	**230**
Disposals	-3	3	-2	0	**-3**
Amortisation	-158	-16	-98	0	**-272**
Impairment	1	0	0	-3	**-2**
Change in scope	6	0	25	0	**30**
Unrealised foreign exchange gains and losses	1	0	-2	0	**-1**
Other changes	149	32	6	-140	**47**
Net carrying amount as at 31/12/2018	**419**	**76**	**1,115**	**196**	**1,805**

4.1.2 Property, plant and equipment

The property, plant and equipment of the Group include assets made available by the French State, assets owned outright and assets under finance lease agreements.

Property, plant and equipment owned outright are recorded in consolidated assets at acquisition cost. Internally produced assets are recorded at production cost. Property, plant and equipment acquired as part of a business combination are recorded at their fair value on entry into the consolidation scope.

The production cost of assets manufactured comprises the cost of raw materials and labour used to manufacture the assets, including that of purchased spare parts. Interest costs have been capitalised since 1 January 2009 pursuant to revised IAS 23. Property, plant and equipment are not subject to periodic revaluation. Maintenance and repair expenses are recognised as follows:

— rolling stock:

• current maintenance expenses borne during the useful life of equipment (repair work on faulty spare parts and replacement of unusable and missing parts) are recorded as operating expenses;

• expenses under multi-year major overhaul programmes are capitalised as a separate overhaul component and depreciated;

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

— for fixed installations:

• current maintenance and repair expenses (technical inspections, maintenance contracts, etc.) are recorded as operating expenses;

• expenses under multi-year major building maintenance programmes are capitalised via the partial or total replacement of each component concerned.

Dismantling obligations for rolling stock containing asbestos are offset against an increase in the value of the equipment in balance sheet assets (see Note 4.5).

The Group receives investment grants for the financing of some of its assets. The grants received are primarily from regional authorities. They are presented as a deduction from the corresponding asset. The methods used to amortise and release grants are specified in Note 4.1.4.

Property, plant and equipment break down as follows by category:

			31/12/2018			31/12/2017
In € millions	**Gross**	**Depreciation and impairment**	**Net**	**Gross**	**Depreciation and impairment**	**Net**
Land and buildings	11,657	-5,974	5,683	11,940	-5,982	5,958
Industrial and technical plant and other assets (ITP)	4,264	-2,631	1,633	3,965	-2,570	1,396
Transportation equipment*	33,283	-21,159	12,125	32,633	-23,564	9,069
Property, plant and equipment in the course of construction	1,390	-1	1,389	1,202	-5	1,197
TOTAL excluding grants	**50,594**	**-29,765**	**20,829**	**49,740**	**-32,120**	**17,620**
Investment grants	-9,134	5,030	-4,105	-8,788	4,715	-4,074
TOTAL	**41,460**	**-24,736**	**16,725**	**40,952**	**-27,406**	**13,546**

* including transportation equipment in the course of construction for €727 million (€675 million in 2017).

Movements in property, plant and equipment, after investment grants, break down as follows:

In € millions	Land and buildings	Industrial and technical plant and other assets (ITP)	Transportation equipment*	Property, plant and equipment in the course of construction	Investment grants	Net total
Net carrying amount as at 01/01/2017	**5,934**	**1,338**	**9,240**	**1,002**	**-4,712**	**12,803**
Acquisitions	27	114	1,179	952	-336	**1,937**
Disposals	-62	-9	-61	0	1	**-131**
Depreciation, net of grants released	-371	-265	-1,015	0	380	**-1,271**
Impairment	-21	1	-8	0	0	**-28**
Change in scope	17	-1	150	0	-2	**164**
Unrealised foreign exchange gains and losses	-2	-9	-38	-1	0	**-50**
Other changes	437	225	-378	-756	595	**123**
Net carrying amount as at 31/12/2017	**5,958**	**1,396**	**9,069**	**1,197**	**-4,074**	**13,546**
Of which assets under finance lease	*51*	*5*	*893*	*0*	*0*	*949*
Acquisitions	43	115	1,306	1,053	-419	**2,099**
Disposals	-32	-9	-46	-3	1	**-89**
Depreciation, net of grants released	-380	-282	-1,254	0	386	**-1,530**
Impairment	129	163	3,010	2	0	**3,304**
Change in scope	0	23	16	0	0	**39**
Unrealised foreign exchange gains and losses	-1	1	-14	0	0	**-14**
Other changes	-33	225	38	-860	1	**-629**
Net carrying amount as at 31/12/2018	**5,683**	**1,633**	**12,125**	**1,389**	**-4,105**	**16,725**
Of which assets under finance lease	*52*	*4*	*658*	*0*	*0*	*714*

*including transportation equipment in the course of construction.

A breakdown of depreciation charges and impairment losses recorded in the income statement is presented in Notes 4.1.4 and 4.3.

The other changes mainly stemmed from the reclassification of property, plant and equipment of the Foncière VESTA subsidiary to "Assets held for sale" as at 30 June 2018 for €571 million prior to the loss of control in the second half of 2018 (see Note 4.2.3.1)

4.1.2.1. Assets made available by the French State

The French Orientation Law on Domestic Transport (LOTI), partially recodified in the legislative section of the French Transport Code of 28 October 2010, lays down the terms of possession of assets entrusted to SNCF Mobilités Group.

On the creation of the industrial and commercial public institution SNCF on 1 January 1983, the real estate assets previously given under concession to the semi-public limited liability company which it succeeded were appropriated to it. These assets made available by the French State, without transfer of title, are recorded in the SNCF Mobilités Group balance sheet to enable an economic assessment of Group performance and offset against a property allocation within equity.

Subject to legal provisions applicable to infrastructures deemed of general interest or public utility, SNCF Mobilités exercises full management powers over all real estate assets entrusted to it or purchased by it.

Real estate assets held by the public institution, no longer used in the performance of its activities or which are part of its private domain, may be allocated to another purpose or sold by the public institution for profit.

As at 31 December 2018, assets made available by the French State, without transfer of title, which are recorded in the SNCF Mobilités Group balance sheet, amounted to €432 million for land and €233 million for buildings and upgrades. As at 31 December 2017, they amounted to €435 million and €283 million, respectively.

4.1.2.2 Leased assets

Leased assets are recorded as purchases financed by loan when the contract terms and conditions correspond to finance lease arrangements. Finance lease agreements are contracts whereby the Group, as lessee, recovers the right to use an asset for a given period and most of the risks and rewards inherent to ownership of the asset, in exchange for payment. The appraisal criteria applied to these agreements include the following:

— the agreement provides for the mandatory transfer of ownership at the end of the lease period;

— the agreement contains a purchase option and the conditions of this option are such that it is reasonably certain, at the conclusion of the lease, that ownership will be transferred;

— the lease term is for the major part of the estimated economic life of the leased asset;

— the present value of the minimum lease payment under the agreement is close to the fair value of the leased asset;

— the leased assets are of such a specific nature that only the lessee can use them without significant modification.

The assets concerned are recorded in assets at the lower of the discounted present value of the minimum lease payments and fair value. They are depreciated over the same period as equivalent assets owned outright or made available when it is reasonably certain that the Group will have ownership at the end of the lease.

Lease agreements not having the characteristics of finance leases are recorded as operating leases and only the lease instalments are recorded in profit or loss.

4.1.3 Investments

Capital expenditure flows break down as follows:

In € millions	31/12/2018	31/12/2017
Intangible assets	-230	-222
Property, plant and equipment	-2,518	-2,272
Total acquisitions	**-2,748**	**-2,494**
incl. non-current assets under finance lease	-46	-61
Acquisitions excluding finance-leasing	**-2,702**	**-2,433**
Investment working capital	54	-48
Intangible assets and PP&E capital expenditure flows	**-2,648**	**-2,482**

Capital expenditure for 2018 primarily comprised:

— software developed in-house, either already brought into service or still under development, of which €110 million for the parent company EPIC SNCF Mobilités;

— acquisitions and upgrades to stations and buildings totalling €874 million (including upgrades to the multimodal exchange hubs of Rennes and Nantes, the extension or adaptation of maintenance workshops for Régiolis, Régio2N, upgrades to Paris Montparnasse station and refurbishment of the main passenger area at Paris Austerlitz station);

— acquisition and renovation of rail and road equipment totalling €1,306 million (including the acquisition of TGV Duplex and TGV du Futur, Eurostar trains, new Transilien trains (NAT), Océane trains, new generation Tram-Trains, wagons, transcontainers, containers, renovation of TGVs and electrical railcars).

Asset-financing grants received totalled €419 million, including €106 million for rail equipment and €313 million for fixed installations.

Capital expenditure for 2017 primarily comprised:

— software developed in-house, either already brought into service or still under development, of which €112 million for the parent company EPIC SNCF Mobilités;

— acquisitions and upgrades to stations and buildings totalling €794 million (including the extension or adaptation of maintenance workshops for Régiolis, Régio2N or Z2N trains, upgrades to the multimodal exchange hub of Rennes and Nantes, extension of the T4 tram-train, extension of the EOLE West line, creation of an office complex at Paris-Austerlitz, decongestion and enhancement of the Paris Nord cross platform, upgrades to Paris Montparnasse station);

— acquisition and renovation of rail and road equipment totalling €1,142 million (including the acquisition of TGV Duplex and Eurostar trains, new generation Tram-Trains, wagons, transcontainers, rail freight locomotives and containers, renovation of TGVs and electrical railcars).

Asset-financing grants received totalled €336 million, including €76 million for rail equipment and €259 million for fixed installations.

4.1.4 Depreciation and amortisation

Amortisation of intangible assets

The principles of amortisation are as follows:

— where an intangible asset has a finite life, it is amortised on a straight-line basis over its useful life, which is generally less than five years.

— concession intangible assets are amortised over the term of the arrangement.

— where an intangible asset has an indefinite life, it is not amortised but is subject to impairment tests at least once a year, according to the methods described in Note 4.3.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful life mainly on a straight-line basis. Property, plant and equipment are depreciated over the following periods:

— Fixed installations broken down by component:

	Complex constructions (stations, administrative buildings, etc.)	Simple constructions (workshops, warehouses, etc.)
Building shell	50 years	30 years
Enclosure	25 years	30 years
Light work	25 years	30 years
Fixtures and fittings	15 years	15 years
Technical work	15 years	15 years

— Rolling stock broken down by component:

	TGV and motorised carriages	Passenger carriages	Electric and diesel locomotives
Structure	30 years	30 years	30 years
Interior fittings	15 years	15 years	Not applicable
Overhaul work	15 years	10 to 15 years	15 years

— Other property, plant and equipment not broken down by component:

Land development	20 years
Plant and equipment	5 to 20 years
Cars	5 years
Freight cars	30 years ± 20%
Ships	20 years
IT equipment	Declining over 4 years
Other property, plant and equipment	3 to 5 years

Reversals of investment grants

Grants relating to investments are recorded in operating profit (decrease in depreciation and amortisation) based on the estimated useful life of the related assets.

Liabilities relating to concession assets excluded from the scope of IFRIC 12
In certain cases, the Group recognises liabilities for the same amount as the investments carried out under concession arrangements that are excluded from the scope of IFRIC 12. These liabilities are reversed each year based on the depreciation and amortisation recognised for the related assets and under the same line item in the statement of income. They mainly comprise a liability called "an operator's right of use".

Depreciation and amortisation break down as follows:

In € millions	31/12/2018	31/12/2017	Change
Amortisation of intangible assets	-272	-270	-2
Depreciation of property, plant and equipment	-1,916	-1,651	-265
Grants released to profit or loss	387	381	6
Reversal of liabilities relating to concession assets excluded from the scope of IFRIC 12	114	118	-4
Depreciation and amortisation	**-1,687**	**-1,422**	**-265**

4.1.5 Net proceeds from asset disposals

Real estate disposals and asset disposals not directly related to the activity are included in separate transactions below current operating profit due to their unusual nature in terms of both their frequency and amount. This presentation has been adopted in order to provide the most reliable overview possible of the Group's recurring performance.

The net proceeds from disposal correspond to the difference between the sale price (net of costs directly attributable to the transaction) and the net carrying amount of the asset.

With respect to sale and leaseback transactions, the recognition of the net proceeds from disposal depends on the nature of the lease.

In the case of an asset disposal resulting in a finance lease, the gain on disposal is deferred and spread over the term of the lease. In the event of a sale resulting in an operating lease arrangement, the impacts differ according to the sale price in relation to fair value:

— if the sale price is lower than or equal to fair value, any profit or loss shall be immediately recorded in the income statement;

— if the sale price is strictly below fair value with a loss compensated for by future lease payments at below market price, the loss shall be deferred and amortised over the lease term.

— if the sale price is strictly above fair value, the excess over fair value shall be deferred and amortised over the lease term.

Asset disposals had the following impacts on profit or loss:

In € millions	31/12/2018	31/12/2017	Change
Disposals of intangible assets	-3	1	-4
Disposals of property, plant and equipment	136	226	-89
Disposals of financial assets	619	76	543
Net proceeds from asset disposals	**751**	**302**	**449**

As at 31 December 2018, net proceeds from asset disposals mainly relate to sales of:

— various complexes and properties by EPIC SNCF Mobilités for €97 million and ICF-NOVEDIS for €38 million;

— Vesta shares for a profit of €613 million (see Note 4.2.3).

As at 31 December 2017, net proceeds from the disposal of assets primarily concerned the sales of various complexes and properties by EPIC SNCF Mobilités for €172 million and by ICF-NOVEDIS for €30 million.

4.2 GOODWILL, INVESTMENTS IN COMPANIES CONSOLIDATED UNDER THE EQUITY METHOD AND CHANGES IN CONSOLIDATION SCOPE

4.2.1 Business combinations and goodwill

Pursuant to the purchase method, the identifiable assets and liabilities of the acquired company that meet IFRS recognition criteria are recognised at their fair value at the acquisition date, except for assets classified as held for sale, which are measured at fair value less costs to sell, deferred taxes which are recognised under IAS 12 "Income taxes" and employee benefits recognised in accordance with IAS 19.

Only identifiable liabilities meeting the recognition criteria of a liability or contingent liability in the acquired company are recognised at the acquisition date for the purpose of allocating the cost of the business combination. Therefore, a restructuring liability of the acquired company is only recognised for the purpose of allocating the business combination cost if, at the date of the acquisition, the acquired entity has a present obligation to perform this restructuring.

Adjustments to the fair value of assets and liabilities acquired as part of a business combination initially recognised based on provisional values (due to ongoing external valuation procedures or outstanding additional analyses) are recognised as retrospective adjustments to goodwill if they arise in the 12 months following the acquisition date and relate to additional information obtained on situations prevailing at the acquisition date. After this period, any adjustments are recognised directly in profit or loss unless they represent corrections of an error.

Goodwill is not amortised but is subject to impairment tests when there is an indication of impairment and at least once a year, according to the methods described in Note 1.3. Negative goodwill is recognised immediately in operating profit.

In the event of a loss of control of a subsidiary, the disposal capital gain or loss takes into account the net carrying amount of the allocated goodwill.

Purchases and disposals of non-controlling interests (minority interests) without a change in the level of control are allocated to equity.

The accounting principles differ for business combinations prior or subsequent to 1 January 2010:

Business combinations	Prior to 01/01/2010 (Former IFRS 3)	Subsequent to 01/01/2010 (IFRS 3 revised)
Non-controlling interests	Valued based on their proportion of the net fair value of the assets and liabilities recognised.	For each combination, choice between two methods: Partial goodwill: Same as the former IFRS 3. Full goodwill: Goodwill recognised in full for the Group portion and the portion of non-controlling interests
Directly attributable costs	Included in the acquisition cost.	Excluded from the acquisition cost and expensed
Step acquisition	Fair value remeasurement through equity of the previously held interest.	Fair value remeasurement through operating profit of the previously held interest
Additional considerations	Recognised according to management's best estimate at the acquisition date once they are probable and can be reliably measured.	Recognised at fair value at the acquisition date
Adjustments to additional considerations offset in goodwill	Over an indefinite period.	If and only if they occur during the allocation period and relate to new information on the existing situation on the date of control. In other cases, recognition in profit or loss, or in other comprehensive income in accordance with IFRS 9.

Movements in goodwill in 2017 and 2018 break down as follows:

In € millions	Gross value	Impairment	Net value
As at 1 January 2017	**2,736**	**-363**	**2,373**
Acquisitions	65	0	65
Impairment	0	0	0
Disposals	-1	0	-1
Foreign exchange	-98	1	-97
Other changes	-13	12	-1
As at 31 December 2017	**2,689**	**-350**	**2,339**

In € millions	Gross value	Impairment	Net value
As at 1 January 2018	**2,689**	**-350**	**2,339**
Acquisitions	21	0	21
Impairment	0	-51	-51
Disposals	0	0	0
Foreign exchange	21	0	21
Other changes	0	0	0
As at 31 December 2018	**2,731**	**-402**	**2,330**

Acquisitions in 2017 mainly involve investments in RE4A, Keolis Santé and Loco 2 UK.

Acquisitions in 2018 mainly involve Captrain Espana and Open Tours – Les voyages Belges NV.

The impairment for the year concerned RE4A given the new strategies decided at the end of 2018.

The main goodwill balances recorded by the Group at the balance sheet date were as follows:

In € millions	31/12/2018	31/12/2017	Change
Keolis	576	559	17
Voyages SNCF*	401	452	-50
SNCF Logistics	1,341	1,307	34
of which Geodis CGU	*1,124*	*1,100*	*24*
of which Rail Freight Fleet Management CGU	*197*	*197*	*0*
of which other rail companies	*19*	*10*	*10*
Corporate / Performance	11	21	-9
Total	**2,330**	**2,339**	**-9**

* including Eurostar for €355 million (see note 4.3.1).

For the business combinations carried out, the Group opted for the partial goodwill method. In other words, it only recognised the portion of goodwill attributable to equity holders of the parent in the balance sheet, without taking into account the portion of goodwill attributable to non-controlling interests.

4.2.2 Equity investments

The Group holds several investments in joint ventures and associates, consolidated under the equity method. The recognition principles are described in Note 1.4.1.

The movements in the heading over the year break down as follows:

In € millions	31/12/2018	31/12/2017
As at 1 January	**671**	**653**
Group share in net profit	32	39
Impairment	0	0
Share of net profit of companies consolidated under the equity method	*32*	*39*
Change in scope	181	50
Reclassification to assets classified as held for sale	0	-13
Share in other comprehensive income	-4	4
Distribution	-30	-31
Translation differences	14	-30
As at 31 December	**864**	**671**
Of which: Significant joint ventures	*208*	*208*
Significant associates	*495*	*315*
Other companies consolidated under the equity method	*161*	*147*

In 2018, the heading "Change in scope" was impacted by the loss of control of Vesta for €165 million with a decline in the percentage control from 100% to 20% as at 20 December 2018 (see Note 4.2.3.1) and Orient Express for €16 million, with a decrease in the percentage control from 100% to 49.9% as at 16 January 2018.

In 2017, the heading "Change in scope" included the acquisition of BLS Cargo in July 2017 for €47 million and the sale of Setram for -€4 million and Mostva for -€8 million (STVA subsidiaries consolidated under the equity method) in October 2017.

Prior to the disposal of STVA, as at 30 June 2017, in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations," a reclassification to the heading "Assets held for sale" was made for the STVA subsidiaries Setram and Mostva for -€13 million.

4.2.2.1. Significant joint ventures

Govia is a significant joint venture within Keolis. It is a local passenger carrier in the UK. The Group's percentage control in Govia is 35% (7 companies).

Akiem operates a locomotive and locotractor leasing business and comprises 10 subsidiaries (including this year's acquisition of MGW Service SAS and ALPS2) and a holding company. Since 30 June 2016, Akiem has been 50% jointly controlled.

In € millions	31/12/2018		31/12/2017	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**Govia**	**Akiem**	**Govia**	**Akiem**
Cash and cash equivalents	618	87	613	67
Other current assets	291	100	378	68
Total current assets	**909**	**186**	**991**	**135**
Non-current assets	**47**	**1,763**	**54**	**1,355**
Current financial liabilities (excluding trade payables, other creditors and provisions)	60	34	60	27
Other current liabilities	811	92	900	54
Total current liabilities	**870**	**126**	**960**	**81**
Non-current financial liabilities (excluding trade payables, other creditors and provisions)	0	1,516	0	1,096
Other non-current liabilities	5	17	3	19
Total non-current liabilities	**5**	**1,532**	**3**	**1,114**
Net assets	**80**	**291**	**82**	**295**
Reconciliation of financial data with value of investments in companies consolidated under the equity method:				
Group share in net assets	**28**	**180**	29	**180**
Net carrying amount of investments in companies consolidated under the equity method	**28**	**180**	29	**180**

The operating companies of the Govia activity in the UK are contractually required to have a certain level of cash and cash equivalents and comply with a Liquidity Maintenance Ratio in order to sustain the public service offering should one of the operators fail. The required amount corresponds to the activity's direct costs for a certain number of weeks until the term of the franchise. Because of this restriction, this liquidity held by the operating companies is qualified as cash and cash equivalents that cannot be transferred to the Go Ahead group, Govia's majority shareholder. These cash and cash equivalents were estimated at around €527 million as at 31 December 2018 (around €420 million as at 31 December 2017). However, these restrictions had no impact on the assets held by Keolis in the UK, whose value of €28 million as at 31 December 2018 (€29 million as at 31 December 2017) is fully available.

In € millions	31/12/2018		31/12/2017	
INCOME STATEMENT	**Govia**	**Akiem**	**Govia**	**Akiem**
Revenue	3,037	236	3,141	213
Operating profit	**70**	**34**	**92**	**24**
Of which depreciation and amortisation	*-17*	*-51*	*-26*	*-49*
Finance cost	**2**	**-19**	**0**	**-12**
Of which interest expense on debt	*-2*	*-22*	*-2*	*-14*
Of which revenue from financial assets	*4*	*0*	*2*	*0*
Income tax expense	**-12**	**-6**	**-20**	**-8**
Net profit from ordinary activities	**59**	**8**	**73**	**4**
Net profit/(loss) from discontinued operations, net of tax	0	0	0	0
Net profit for the year	**59**	**8**	**73**	**4**
Group share in net profit	**21**	**4**	**25**	**2**

In € millions	31/12/2018		31/12/2017	
OTHER INFORMATION	**Govia**	**Akiem**	**Govia**	**Akiem**
Net profit for the year	59	8	73	4
Other comprehensive income (net of tax)	-1	-7	-1	6
Total comprehensive income	**59**	**1**	**72**	**10**
Dividends paid to the Group	**21**	**0**	**27**	**0**

4.2.2.2 Significant associates

EUROFIMA is a transnational company based in Basel, Switzerland whose purpose is to finance rolling stock equipment (percentage interest of 22.6%).

Vesta forms, manages and operates real estate portfolios. Since 31 December 2018 (see Note 4.2.3.1), Vesta has been 20% held under significant influence.

The summarised financial statements of significant associates are shown at 100% and after cancellations of any internal profits.

In € millions	31/12/2018		31/12/2017
STATEMENT OF FINANCIAL POSITION	**Eurofima**	**Vesta**	**Eurofima**
Current assets	4,534	27	4,012
Non-current assets	11,279	1,276	12,991
Current liabilities	1,580	12	1,248
Non-current liabilities	12,771	529	14,361
Net assets	**1,461**	**762**	**1,395**
Group share in net assets	**330**	**152**	**315**
Net carrying amount of investments in companies consolidated under the equity method	**330**	**165**	**315**

In € millions	31/12/2018		31/12/2017
INCOME STATEMENT	**Eurofima**	**Vesta**	**Eurofima**
Revenue	0	0	0
Operating profit/(loss)	**-9**	**0**	**-10**
Net profit from ordinary activities	**14**	**-1**	**15**
Net profit/(loss) from discontinued operations, net of tax	0	0	0
Net profit/(loss) for the year	**14**	**-1**	**15**
Group share in net profit/(loss)	**3**	**0**	**3**

In € millions	31/12/2018		31/12/2017
OTHER INFORMATION	**Eurofima**	**Vesta**	**Eurofima**
Net profit for the year	14	-1	15
Other comprehensive income/(loss) (net of tax)	53	0	-124
Total comprehensive income/(loss)	**67**	**-1**	**-109**
Dividends paid to the Group	**0**	**0**	**0**

Items of property, plant and equipment purchased under finance leases through Eurofima were capitalised in the Group financial statements for a gross value of €273 million as at 31 December 2018 (€418 million as at 31 December 2017). The related financing liability amounted to €232 million as at 31 December 2018, compared to €373 million as at 31 December 2017. Eurofima's share capital was not entirely called up as at 31 December 2018. The callable share capital attributed to SNCF Mobilités amounted to €417 million as at 31 December 2018 (€402 million as at 31 December 2017).

On this same date, the share of loans granted by Eurofima to members of countries whose sovereign debt is rated non-investment grade (i.e. rating granted by rating agencies of less than BBB-/Baa3) stood at €174 million or CHF 196 million (€401 million or CHF 470 million as at 31 December 2017). These loans are included in the non-current assets of the company's statement of financial position. In addition, Eurofima shareholders are jointly and severally liable for the undertakings falling under the financing agreements granted by Eurofima to the latter, each shareholder in proportion to its shareholding interest and the maximum amount thereof. This guarantee can only be called following a payment default by the borrower and the related State, which issued the guarantee and when the Eurofima guarantee reserve (CHF 727 million) is insufficient to cover the loss arising from the payment default. The maximum commitment of SNCF Mobilités amounted to €521 million as at 31 December 2018 (€502 million as at 31 December 2017). The French State guarantees all SNCF Mobilités obligations towards Eurofima (the portion of share capital to be paid up, the fulfilment of financing agreements granted by Eurofima to SNCF Mobilités and the guarantee granted by SNCF Mobilités with respect to these financing agreements).

4.2.2.3 Other companies consolidated under the equity method

The Group also holds interests in other joint ventures and associates which, considered individually, are immaterial.

The aggregate contributions of these companies to the Group's net profit are as follows:

In € millions	31/12/2018		31/12/2017	
Group share	**Immaterial joint ventures**	**Immaterial associates**	**Immaterial joint ventures**	**Immaterial associates**
Net profit from ordinary activities	7	-2	8	0
Net profit/(loss) from discontinued operations, net of tax	0	0	0	0
Net profit for the year	7	-2	8	0
Other comprehensive income/(loss) (net of tax)	0	2	0	-3
Total comprehensive income/(loss)	7	-1	8	-2
Net carrying amount of investments in companies consolidated under the equity method	**73**	**88**	**75**	**72**

4.2.2.4 Transactions with companies accounted for under the equity method

Transactions with associates, excluding Eurofima are not material.

The following tables present the main transactions with joint ventures and Group balance sheet headings with respect to these companies. These transactions were conducted on an arm's length basis.

In € millions	31/12/2018	31/12/2017
Revenue	41	50
Purchases and external charges	-74	-106
Other income and expenses	6	10
Gross profit with joint ventures	**-27**	**-46**

In € millions	31/12/2018	31/12/2017
Current financial assets	17	17
Non-current financial assets	65	0
Current financial liabilities	0	0
Non-current financial liabilities	0	0

4.2.3 Assets and liabilities classified as held for sale

In accordance with IFRS 5 «Non-current assets held for sale and discontinued operations»:

— non-current assets held for sale are presented on a separate line of the balance sheet at the lower of their net carrying amount and fair value less costs to sell. A non-current asset can only considered as held for sale when a certain number of criteria listed in the standard are met: asset available in its present condition for immediate sale, sale initiated, decided and planned and highly probable within twelve months. In the case of a Group of assets held for sale, any related liabilities are also presented on a separate line under a liability heading;

— Pursuant to the terms used by IFRS 5, a «discontinued operation» is a component from which the Group is separated or which it has transferred to a third party or which is classified as held for sale, and which represents a separate major line of business or geographical area of operations for the Group or which is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. In addition to the reclassification of assets and liabilities under a separate balance sheet heading, the impact on profit or loss of the period of all discontinued operations, including any expected capital losses, is presented on a separate line of the income statement, after ordinary activities. The impacts of discontinued operations on cash flows are presented in the notes to the financial statements.

In € millions	31/12/2018	31/12/2017
Assets classified as held for sale	0	1
Liabilities associated with assets classified as held for sale	0	1
Net impact on balance sheet	**0**	**0**

4.2.3.1. Loss of control in Vesta

Following the exclusive negotiations in the second half of 2018, the Group sold 80% of its shares to an investor partner on 20 December 2018 for €659 million.

This led to the loss of the exclusive control that the Group exercised over the entity. The resulting capital gain totalling €613 million before taxes was presented under "Net proceeds from asset disposals" in the income statement.

Furthermore, the loss of control entailed the fair value remeasurement of the share retained by the Group in Vesta, generating a net positive impact of €153 million presented under the heading "Fair value remeasurement of the previously held interest" in the income statement.

As of 31 December 2018, the Vesta entity, which remains under the Group's significant influence, is consolidated under the equity method in the consolidated financial statements, in accordance with IAS 28 "Investments in associates and joint ventures."

4.2.3.2. Planned sale of Ouibus

To boost the development of shared mobility and facilitate door-to-door travel for passengers, the Group entered into exclusive negotiations with Blablacar to set up a strategic partnership between the two mobility players. On 12 November 2018, a framework agreement was therefore signed, enabling the Group to sell its investment in its subsidiary Ouibus, subject to the removal of certain conditions precedent.

As at 31 December 2018, considering the immateriality of the assets and liabilities held by Ouibus and the conditions precedent governing the transaction, IFRS 5 "Non-current assets held for sale and discontinued operations" was not applied.

4.3 IMPAIRMENT TESTS FOR NON-CURRENT ASSETS

The Group assesses whether there is an indication that an asset has been significantly impaired at each balance sheet date. Where there is such an indication, an impairment test is performed.

Goodwill and indefinite life intangible assets are subject to an impairment test each year and whenever there is an indication of impairment. Impairment losses recorded on goodwill cannot be reversed.

When performing impairment tests, goodwill is allocated to the Cash-Generating Unit (CGU) or Group of CGUs that are expected to benefit from the synergies of the combination, regardless of whether other assets and liabilities of the acquired entity are allocated to these CGUs or Groups of CGUs. The CGU (or Group of CGUs) in question represents the lowest level at which the goodwill is monitored for internal management purposes. A CGU represents one or more legal entities or is defined based on the purpose of the assets used.

Property, plant and equipment and finite life intangible assets are subject to impairment when events or circumstances during the period (obsolescence, physical deterioration, significant changes in the method of utilisation, performances falling short of forecasts, decline in revenues, other external indicators, etc.) indicate that a loss in value may have occurred and that the recoverable amount may be less than the net carrying amount.

Impairment tests consist of comparing the net carrying amount of an asset or goodwill balance with its recoverable amount, equal to the higher of the fair value less costs to sell and the value in use. The recoverable amount of an asset is determined individually, unless the asset does not generate cash flows independent of those of other assets or Groups of assets. In such cases, which encompass the majority of property, plant and equipment and intangible assets of SNCF Mobilités and goodwill balances, the Group determines the recoverable amount of the Group of assets (CGU) to which the tested asset belongs.

The value in use corresponds to the value of the future economic benefits expected from the asset's use or removal. It is assessed based on discounted future cash flows determined according to economic assumptions and projected operating conditions adopted by SNCF Mobilités management:

— cash flows are determined in business plans, drawn up for periods of 5 to 11 years and validated by the mnagement bodies;

— beyond this timeframe, the flows are extrapolated by applying a long-term growth rate that is close to the long-term inflation rate expected by the Group, within the limit of the contractual period, if applicable, or otherwise indefinitely;

— flows are discounted at a rate appropriate to the activity segment.

Corporate assets are those which do not generate cash flows independent of those of other assets or Groups of assets and whose carrying amount cannot be fully allocated to a cash-generating unit. The recoverable amount of a corporate asset is reviewed as follows:

— if a portion of the carrying amount of the corporate asset can be allocated on a reasonable and consistent basis to a cash-generating unit, the unit's carrying amount, including the carrying amount of the corporate asset allocated to the unit, is compared with its recoverable amount;

— if this is not the case, the portion of the carrying amount of the corporate asset that cannot be allocated to a unit, is allocated to the smallest group of cash-generating units, to which allocation is possible on a reasonable and consistent basis. The carrying amount of that group of cash-generating units, including the carrying amount of the corporate asset allocated to that group, is then compared with the recoverable amount of the group of units.

The impacts on the income statement are as follows:

In € millions	31/12/2018	31/12/2017	Change
Intangible assets and property, plant and equipment	3,301	-37	3,338
Goodwill	-51	0	-52
Provisions for liabilities and charges	0	0	0
Impairment	**3,250**	**-36**	**3,286**

Goodwill impairment mainly relates to the RE4A and Loco2 entities.

CGU with significant goodwill	Note	Segment	P&L impact as at 31/12/2018	P&L impact as at 31/12/2017
Geodis	4.3.1.1	SNCF Logistics	€0 million	€0 million
Keolis	4.3.1.2	Keolis	€0 million	€0 million
Rail Freight Fleet Management	4.3.1.3	SNCF Logistics	€0 million	€0 million
Eurostar	4.3.1.4	Voyages SNCF	€0 million	€0 million

CGU without significant goodwill but with an identified indication	Note	Segment	P&L impact as at 31/12/2018	P&L impact as at 31/12/2017
TGV France and Europe (excluding Eurostar and Thalys)	4.3.2.2	Voyages SNCF	€3,160 million	€0 million
Corporate assets allocated to TGV France and Europe (excluding Eurostar and Thalys)	4.3.2.2	Corporate	€33 million	€0 million
Gares & Connexions	4.3.2.3	Gares & Connexions	€107 million	No indication
Intercités, Direction Affrétement Voyageurs	4.3.2.4	Intercités	-€9 million	€0 million

The values presented in the tables below for the assets tested are net of losses or reversals recognised in prior years and acquisitions and losses of control over the year.

4.3.1 CGUs with significant goodwill in relation to total goodwill

4.3.1.1 Geodis CGU

Of the total goodwill net of impairment, €1,124 million (€1,100 million as at 31 December 2017) was allocated to the Geodis Cash-Generating Unit, which comprises the logistics and freight transport activities of the SNCF Logistics segment. A test is performed at least once a year for this CGU. The main assumptions used to determine the recoverable amount were as follows:

	2018	2017
Segment	SNCF Logistics	SNCF Logistics
CGU	Geodis	Geodis
Assets tested	€1,506 million	€1,643 million
Base used for the recoverable amount	Value in use	Value in use
Source used	5-year plan and indefinite projection of a normative year	5-year plan and indefinite projection of a normative year
Discount rate (minimum – maximum)	7.0% – 8.0%	6.7% – 7.7%
Long-term growth rate	1.90%	1.80%

As at 31 December 2018, the annual impairment test corroborated the carrying amount of the CGU assets. Sensitivity tests conducted on the discount (± 50 bp), long-term growth (± 10 bp), and gross profit (± 50 bp) rates will likely support the analysis.

4.3.1.2. Keolis CGU

Of the total goodwill, €576 million (€559 million as at 31 December 2017) was allocated to the Keolis Cash-Generating Unit, which comprises all activities included in the passenger multimodal transport solutions of the Keolis segment. Furthermore, the indefinite life intangible assets allocated to this CGU amounted to €86 million (€124 million as at 31 December 2017), primarily comprising trade names and authorisations. A test is performed at least once a year for this CGU. The main assumptions used to determine the recoverable amount were as follows:

	2018	2017
Segment	Keolis	Keolis
CGU	Keolis	Keolis
Assets tested	€1,865 million	€1,757 million
Base used for the recoverable amount	Value in use	Value in use
Source used	5-year plan and indefinite projection of a normative year	5-year plan and indefinite projection of a normative year
Discount rate (minimum – maximum)	5.8% – 6.8%	5.9% – 6.7%
Long-term growth rate	1.90%	1.80%

No impairment was recognised as at 31 December 2018. Sensitivity tests conducted on the discount (± 50 bp) and long-term growth (± 50 bp) rates show a variation of ± €271 million on the recoverable amount (± €210 million in 2017). The sensitivity test conducted on the gross profit rate (± 50 bp) shows a variation of ± €409 million on the recoverable amount (± €512 million in 2017).

4.3.1.3 Rail Freight Fleet Management CGU

Of the total goodwill, €197 million (€197 million as at 31 December 2017) was allocated to the Rail Freight Fleet Management Cash-Generating Unit.

The test performed for this CGU, based on a value in use, gave rise to a recoverable amount that was higher than the net carrying amount. The main assumptions used to determine the recoverable amount were as follows:

	2018	2017
Segment	SNCF Logistics	SNCF Logistics
CGU	Rail Freight Fleet Management	Rail Freight Fleet Management
Assets tested	€1,555 million	€1,479 million
Base used for the recoverable amount	Value in use	Value in use
Source used	5-year plan and indefinite projection of a normative year	5-year plan and indefinite projection of a normative year
Discount rate (minimum – maximum)	4.7% – 5.3%	4.5% – 5.1%
Long-term growth rate	2.00%	1.80%

No impairment was recognised, as the recoverable amount exceeded the value of the tested assets. Sensitivity tests conducted on the discount (± 50 bp), long-term growth (± 50 bp) and gross profit (± 50 bp) rates will likely support the analysis conducted.

4.3.1.4. Eurostar CGU

Of the total goodwill, €355 million (€358 million as at 31 December 2017) was allocated to the Eurostar cash-generating unit, which comprises all the cross channel passenger transport activities of the Voyages SNCF segment. Furthermore, the indefinite life intangible assets allocated to this CGU amounted to €260 million (€262 million as at 31 December 2017), primarily comprising trade names.

A test is performed at least once a year for this CGU. The main assumptions used to determine the recoverable amount were as follows:

	2018	2017
Segment	Voyages SNCF	Voyages SNCF
CGU	Eurostar	Eurostar
Assets tested	€2,063 million	€1,913 million
Base used for the recoverable amount	Value in use	Value in use
Source used	10-year plan and indefinite projection of a normative year	10-year plan and indefinite projection of a normative year
Discount rate (minimum – maximum)	7.2% – 8.1%	7.2% – 8.1%
Long-term growth rate	1.90%	1.80%

The activity's cash flow forecasts used to assess the recoverable amount of assets rely on defining assumptions, including:

— the change in traffic revenue including a catch-up effect following the crisis-related slowdown so as to return to a pre-terrorist attack level;

— expenses (employees, purchases, etc.), some of which are subject to performance plans;

— infrastructure fee trajectory;

— positioning of the arrival of rail competition;

— the investment level for fleet renewal taking into account performance plans relating to the optimisation and utilisation of trains and the arrival of new equipment as well as the arrival of competition;

— discount rates are also an assumption used to calculate the value in use of this CGU;

— the terminal value calculated by extrapolating the target gross profit rate on revenue which was presented in the strategic plan approved by the Eurostar Board of Directors in December 2018 (in December 2017 for the 2017 test). It takes into account the assumption adopted with respect to the positioning of the arrival of rail competition.

These estimates and assumptions included in the calculation of the recoverable amount of assets are prepared in the context in which it is hard to gauge the impacts of issues involving multimodal competition (airlines, particularly low-cost), the arrival of rail competition, Brexit, and the feeling of insecurity due to the terrorist attacks, which make it difficult to assess economic outlooks. Under these conditions, certain future assumptions and the ultimate reality could differ significantly in relation to these estimates.

In line with the expected impacts of Brexit, the Eurostar strategic plan approved on 29 November 2018 included a decline in business traffic.

No impairment was recognised, as the recoverable amount exceeded the value of the tested assets.

The sensitivity tests carried out on:

— the activity's gross profit rate revealed that a change of ±100 bp in this rate for a normative year would have an impact of ± €97 million on the recoverable amount (± €95 million in 2017);

— investments revealed that a change of £10 million in the amount forecast in a normative year would have an impact of ± €95 million on the recoverable amount (± €75 million in 2017);

— a 1-year setback in the entry date for market competition would result in a change in the recoverable amount for approximately ± €90 million (€465 million in 2017 with a 3-year setback);

— the discount rate revealed that a change of ± 25 bp would result in a variation in the recoverable amount for approximately ± €84 million (± €80 million in 2017);

— the growth rate for a normative year revealed that a change of ± 10 bp in this rate over the entire period would have an impact of ± €20 million on the recoverable amount (± €35 million in 2017 for ± 20 bp).

A further decrease in gross profit by around 16% over 10 years would result in a value in use equal to the net carrying amount.

Nevertheless, other measures would be undertaken by management to offset the impacts of such a decrease.

Conversely, this decline in gross profit would have a positive impact on the financial liability relating to the purchase commitment granted by SNCF Mobilités.

The financial liability relating to the purchase commitments irrevocably granted by SNCF Mobilités regarding the investments of the CDPQ/Hermès consortium and SNCB in Eurostar was valued using the same bases (see Note 6.1.2.4).

4.3.2 CGUs with indications of impairment or impairment reversal in 2018 and/or 2017

4.3.2.1 Contextual factors

As from 2017, the French State initiated discussions to design a new railway agreement based on:

— Law 2018-515 for a New Railway Pact (see 2.1.1) enacted on 27 June 2018 by the French President, the terms and conditions of which will be specified in orders and decrees;

— a company strategic project, drafted by the Public Rail Group at the request of the French State, in order to improve the company's performance;

— a new division agreement for rail transport by 2020.

In May 2018, in agreement with ARAFER, the French State announced limitations on TGV and Freight (Open access) infrastructure price hikes with respect to inflation. Accordingly, the SNCF Mobilités Group prepared a 2019-2028 strategic plan and its financial trajectory adjusted for technical items mainly relating to the restoration of the TGV depreciation schedule following the impairment reversals that were confirmed by the Government Commissioner at the Board of Directors' meeting held to approve the financial statements on 27 February 2019.

On 30 June 2018, management updated the TGV strategic plan in order to incorporate the above changes. This plan's new financial trajectory takes into account the new pegging of infrastructure fees to the Consumer Price Index, the scenarios involving the arrival of rail competition, additional performance gains and the new projection of CST/TREF tax deductions in line with the expected changes in Intercités activity. The TGV 2019-2028 strategic plan was approved by the Board of Directors on 26 July 2018. The new aforementioned items, and more specifically the new infrastructure fee indexation, have a significant impact on TGV gross profit and represent indications of impairment reversal for the TGV France and Europe (excluding Eurostar and Thalys) CGU.

The DRG 2018-2019 was filed for review with ARAFER on 16 March 2018 as well as the DRG 2020 for information purposes. ARAFER issued a favourable opinion on this DRG 2018-2019 on 9 July 2018, thereby approving the rates for this period and the main principles of the new SNCF Gares & Connexions economic and pricing model. SNCF Gares & Connexions also referred to the Authority regarding the prices applicable to the 2020 service timetable in January 2019. Furthermore, Law 2018-515 for a New Railway Pact confirms the transfer of the train station manager to SNCF Réseau, in the form of a subsidiary as of 1 January 2020, with organisational, decision-making and financial independence (article 1 of the Law and L.2111-9 of the French Transport Code).

Considering these items, and in connection with the creation of a general SNCF Mobilités Group strategic plan, a new 2019-2028 strategic plan and its financial trajectory were drafted for SNCF Gares & Connexions. The management of SNCF Gares & Connexions and SNCF Mobilités consider that, for the current scope of SNCF Gares & Connexions assets, this new trajectory can be transposed and applied to the future operating framework of Gares & Connexions in the form of a SNCF Réseau subsidiary.

Compared to the previous strategic plan drafted in 2016, this new trajectory includes indications of impairment reversal for the Gares & Connexions CGU, particularly in terms of revenue and gross profit.

SNCF Mobilités management therefore incorporated several defining economic and financial assumptions for the preparation of its financial trajectory and its impairment tests in the above strategic plan.

Following the ARAFER 2017-101 decision relating to separate financial statements that resulted in a zero margin, Equipment assets are qualified as corporate assets and treated as follows in connection with impairment tests:

— assets in Equipment transactions allocated to a transport activity are tested at the CGU level of the activity. These assets comprise spare and maintenance parts relating to equipment series that are exclusive to an activity;

— assets that cannot be allocated exclusively to an activity are tested at the next EPIC SNCF Mobilités level.

4.3.2.2 TGV France and Europe (excluding Eurostar and Thalys) CGU

In the aforementioned context of the rail reform and the related financial measures announced by the French State, with the reduced pegging of infrastructure fees to the Consumer Price Index, management updated the TGV strategic plan that was approved by the Board of Directors on 26 July 2018.

This plan's new financial trajectory takes into account the new pegging of infrastructure fees, the scenarios involving the arrival of rail competition, additional performance gains and the new projection of CST/TREF tax deductions in line with the expected changes in Intercités activity.

The new aforementioned items, and more specifically the new infrastructure fee indexation, have a significant impact on TGV gross profit and represent indications of impairment reversal.

At the end of June 2018, management therefore conducted an impairment test that resulted in a value in use that was substantially higher than the net carrying amount of the TGV France and Europe (excluding Eurostar and Thalys) CGU's assets. The impairment recorded in previous years that had a residual value of €3,193 million, of which €3,160 million for the Voyages SNCF segment and €33 million for Corporate support assets, was fully reversed as at 30 June 2018.

The value for the assets tested and the main assumptions used to determine the recoverable amount were as follows:

	2018	2017
Segment	Voyages SNCF	Voyages SNCF
CGU	TGV France and Europe (excluding Eurostar and Thalys)	TGV France and Europe (excluding Eurostar and Thalys)
Assets tested	€2,097 million	€2,102 million
Base used for the recoverable amount	Value in use	Value in use
Source used	10-year plan and indefinite projection of a normative year	10-year plan and indefinite projection of a normative year
Discount rate (minimum – maximum)	6.8% – 7.6%	6.7% – 7.6%
Long-term growth rate	1.90%	1.80%

The main commercial and operational assumptions underlying the cash flow forecasts are as follows:

— moderate growth in traffic revenue –excluding new lines– over the next 10 years to take into account the macro-economic assumptions and the step-up in the development of multimodal competition;

— a scenario involving the gradual arrival of rail competition once the market is opened;

— a pricing policy geared towards low prices designed to generate considerable traffic growth;

— an infrastructure fee trajectory now pegged to the Consumer Price Index (1.8% in 2020 and 1.75% as from 2021);

— a gross profit rate reflecting the impact of transversal industrial performance plans;

— a gradual decline in the tax on rail company profits (TREF) and the territorial solidarity tax (CST), assuming the latter tax is reduced to zero as from 2023;

— an investment level for fleet renewal taking into account performance plans relating to the optimised utilisation of trains and including the order of 100 TGV2020 trains.

Several of these assumptions are surrounded by major uncertainties, particularly those depending on external factors that may impact the fulfilment of economic and financial projections:

— the timetable for the arrival of competition and its impact;

— the assumption of falling CST and TREF taxes in line with Intercités activity as well as the underlying tax provisions;

— the implementation of a certain number of levers arising from the rail reform, particularly with the future sector-specific agreement.

The sensitivity of the main assumptions was measured and analysed as follows:

— a ± 20 bp change in the growth of domestic TGV traffic income, excluding the new lines, would have an impact of around ± €950 million on the recoverable amount;

— a ±50 bp change in the activity's gross profit rate in a normative year would have an impact of around ±€257 million on the recoverable amount;

— a change of €10 million in the amount of investments forecast in a normative year would have an impact of ±€68 million on the recoverable amount;

— a 3-year setback in the entry date for market competition would result in a change in the recoverable amount for approximately ±€582 million;

— a ±50 bp change in the discount rate would results in a change in the recoverable amount by around ±€771 million;

— a ±20 bp change in the normative year growth rate over the entire period would have an impact of around ±€187 million on the recoverable amount;

— a return to the CST/TREF trajectory in the previous strategic plan (validated on 23 February 2018) would result in a change in the recoverable amount by around -€473 million.

Considering the recoverable amount determined as at 30 June 2018, none of the above sensitivity analyses, taken individually, would call into question the impairment reversal for the assets of the TGV France and Europe (excluding Eurostar and Thalys) CGU.

Since 30 June 2018, no new indications of impairment losses or reversals have been identified.

4.3.2.3 Gares & Connexions CGU

In the first half of 2015, the decisions and opinions issued by ARAFER challenged the return on capital invested used by SNCF Gares & Connexions in the calculation of regulated service fees, which had an impact on the CGU's gross profit.

In this context, SNCF Gares & Connexions began to examine possible changes to its business and pricing model, based on open discussions with the various stakeholders (partners, organising authorities, supervisory authorities, regulatory authorities, etc.), and a strategic plan for the 2016-2025 period incorporating its target vision of the new pricing model was also drafted.

Considering these items, an impairment test was performed as at 30 June 2015 for the Gares & Connexions CGU, resulting in the recognition of a €450 million impairment loss. The strategic plan and impairment test were surrounded by contingencies and uncertainties relating to the pricing model under negotiation.

As at 31 December 2015, in the absence of an indication of impairment loss or reversal, no test was performed. The new business and pricing model and its possible changes were still being discussed with the various stakeholders.

In 2016, the management of SNCF Gares & Connexions launched a public consultation on its new pricing model incorporating new changes. Considering the reactions of the various stakeholders summarised in October 2016 following this consultation, this pricing model was still being discussed and adapted. The decisions of ARAFER challenging the level of return on capital invested were also confirmed by the Conseil d'État in October 2016.

In connection with the drafting of the ten-year performance contract between the French State and SNCF Mobilités and its financial trajectory, approved by the SNCF Mobilités Board of Directors on 16 December 2016, the SNCF Gares & Connexions 2016-2025 strategic plan was modified, particularly the forecast profitability and investment levels. The ensuing 2017-2026 strategic plan however continued to be based on the target vision of the pricing model and did not incorporate all the changes proposed as part of the consultation.

This new strategic plan, establishing the performance contract's financial trajectory, led management to perform an impairment test on the assets of the Gares & Connexions CGU as at 31 December 2016, resulting in an impairment reversal of €273 million. The impairment reversal essentially covered property, plant and equipment.

In addition, the French Government's report on the development of passenger rail station management to the French Parliament, as provided by the rail reform law of 4 August 2014 within a period of two years following its publication, was still pending at the end of 2016. In July 2016, ARAFER published a study on the matter including several scenarios for station transfer and management, including a planned removal of SNCF Gares & Connexions from the SNCF Mobilités scope.

In March 2017, the French Government released its report for the French Parliament on the development of passenger rail station management. This report set out several scenarios regarding changes in governance for the SNCF Gares & Connexions activity and appeared to confirm the principle that this activity would exit the SNCF Mobilités scope in the future, but without providing details.

Furthermore, in early July 2017, ARAFER notified a generally favourable opinion for the 2017 DRG.

Finally, SNCF Gares & Connexions pursued its ideas and discussions on its new economic and pricing model, and launched a public consultation in May 2017. The results of this public consultation were analysed in the autumn of 2017. As at 31 December 2017, discussions and negotiations continued with the ARAFER departments on the future economic and pricing model and the DRG 2018-2020. The Group considered that the 2017 results, the 2018 budget and the draft DRG 2018-2020 regarding regulated activity, which is still under discussion, did not call into question the financial trajectory in the 2017-2026 strategic plan as used in the impairment test performed at the end of 2016, whether in terms of revenue, investments or profitability. In the absence of an identified indication of impairment loss or reversal, no test was performed as at 31 December 2017.

In the absence of goodwill and intangible assets with indefinite useful lives, the impairment loss mainly concerns property, plant and equipment and can therefore be reversed.

Having identified indications of impairment reversal (see Notes 1.2.3.2 and 1.2.3.3), management conducted an impairment test on the assets of the Gares & Connexions CGU as at 30 June 2018. As the value in use determined from this test exceeded the net carrying amount of the CGU's assets, the previously recorded residual impairment loss was fully reversed as at 30 June 2018, i.e. €107 million. Since 30 June 2018, no new indications of impairment losses or reversals have been identified.

The net value of the assets tested and the main assumptions used to determine the recoverable amount are as follows:

	2018
Segment	SNCF Gares & Connexions
CGU	Gares & Connexions
Assets tested	€1,767 million
Base used for the recoverable amount	Value in use
Source used	10-year plan and indefinite projection of a normative year
Discount rate (minimum – maximum)	5.0%–5.5%
Long-term growth rate	1.90%

The impairment test was conducted, taking into account cash forecasts over a period of 10 years, compared to 5 years previously. This new timeframe is considered to be better adapted to the economic and financial model of SNCF Gares & Connexions to take into account factors contributing to the changes in financial trajectory as mentioned above (return on new investments, particularly in real estate, and on performance plans).

The terminal value adopted for the impairment test is predominant (82.5%) in the calculation of the recoverable amount of the CGU's assets. The main assumptions adopted in a normative year are as follows:

— a gross profit margin equivalent to that of 2028;

— investments corresponding to the average for the 2025-2028 period;

— standard depreciation and amortisation reflecting the depreciation and amortisation curve trend over the duration of the test.

Furthermore, the main commercial and operational assumptions underlying the cash flow forecasts are as follows:

— the levels of regulated and commercial activity;

— the return on capital employed;

— the gross profit margin reflecting the impact of transversal industrial performance plans;

— the level of investment required to meet the trajectory.

The sensitivity tests carried out on:

— investments revealed that a change of €20 million in the amount forecast in a normative year would have an impact of ± €282 million on the recoverable amount;

— the activity's gross profit rate revealed that a change of ±100 bp in this rate for a normative year would have an impact of ± €242 million on the recoverable amount;

— the discount rate (±20 bp) resulted in a change in the recoverable amount for approximately ±€130 million;

— the growth rate for a normative year revealed that a change of ± 20 bp in this rate over the entire period would have an impact of ± €120 million on the recoverable amount.

4.3.2.4 Intercités CGU and Direction Affrétement Voyageurs (DAV) UGT

Following two successive one-year extensions in 2014 and 2015, at the request of the French State, the agreement covering the TET offering expired on 31 December 2015. Discussions were subsequently held to adapt the offering in view of a deteriorating economic break-even for the TET offering. They resulted in an operating agreement for the period 2016-2020, with retroactive effect to 2016, signed on 27 February 2017.

The new agreement and its appended financial trajectory, which provide for two reviews in May 2017 and May 2019 to examine trends in the agreement's financial equilibrium, incorporate the changes to the offering in line with the announcements made by the Secretary of State and the assumptions regarding regional line takeovers.

Conversely, it no longer includes a value guarantee clause for rolling stock investments prior to 2011 should the agreement be terminated. However, the French State guarantee and compensation principle remains intact for rolling stock investments carried out as of 2011 should the agreement be terminated. The outcome for other assets is not specified. This item is an indication of impairment for rolling stock assets dating back to before 2011. In this context, an impairment test was carried out as at 31 December 2016, resulting in the recognition of an impairment loss for the assets of the Intercités CGU for -€84 million.

Considering the ongoing discussions on the review clause and the fiscal 2017 results, a new test was carried out as at 31 December 2017. No reversal or additional impairment was recorded following this test.

As at 30 June 2018, an impairment loss of €9 million was recognised following the transfer of locomotives from Direction Affrètement Voyageurs to Intercités.

Considering the amendment leading to a new financial trajectory for the period 2019 – 2020 that was being signed as at 31 December 2018, an impairment test was carried out. This did not result in any reversal or additional impairment.

The net value of the assets tested and the main assumptions used to determine the recoverable amount are as follows:

	2018	2017
Segment	Intercités	Intercités
CGU	Intercités, DAV	Intercités, DAV
Assets tested	Immaterial	Immaterial
Base used for the recoverable amount	Value in use	Value in use
Source used	2016-2020 agreement	2016-2020 agreement
Discount rate (minimum – maximum)	6.0% – 6.9%	6.9% – 7.3%
Long-term growth rate	Not applicable	Not applicable

The sensitivity tests carried out on the various assumptions (investments, gross profit rate, discount rate and growth rate) do not call into question the test results, mainly due to the absence of a terminal value.

In the absence of goodwill and intangible assets with indefinite useful lives, the impairment loss mainly concerns property, plant and equipment and can therefore be reversed.

4.4 WORKING CAPITAL REQUIREMENT

In € millions	31/12/2018	31/12/2017
Change in inventories and work-in-progress	34	32
Change in operating receivables (excluding share disposals and capital expenditure flows)	546	80
Change in operating payables (excluding capital expenditure flows and liabilities relating to assets excluded from IFRIC 12)	738	135
Impact of the change in the WCR in the consolidated cash flow statement	**158**	**23**

4.4.1 Inventories and work-in-progress

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

Cost price is calculated using the weighted average cost method.

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

As at 31 December 2018, inventories and work-in-progress break down as follows:

			31/12/2018	31/12/2017	
In € millions	**Gross**	**Impairment**	**Net**	**Net**	**Change**
Raw materials	545	-112	433	458	**-25**
Finished goods	225	0	225	221	**4**
Work-in-progress	11	-5	6	3	**3**
Inventories and work-in-progress	**781**	**-117**	**663**	**682**	**-18**

Movements in inventory impairment break down as follows:

In € millions	31/12/2017	Charges	Reversals	Reclassification	Change in consolidation scope	31/12/2018
Raw materials and supplies – write-down	**-58**	-62	8	0	0	**-112**
Work-in-progress – impairment	**-5**	-1	1	0	0	**-5**
Impairment of inventories	**-63**	**-63**	**9**	**0**	**0**	**-117**

4.4.2 Operating receivables

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

Operating receivables are subject to the impairment model for expected losses within the meaning of IFRS 9, measured by the Group using the simplified approach that consists in estimating such losses over the life of the relevant receivables. The estimate is based on the ratio between losses on irrecoverable receivables and revenue recognised over a five-year period, reflecting a normal operating cycle for the Group's activities. This impairment is recognised once it is considered to be significant.

Furthermore, impairment is recognised when there is a potential risk of non-recovery (substantial payment delays, bankruptcy proceedings, litigation, etc.). This impairment is determined based on an individual or statistical appraisal of non-recovery risk using historical data.

Operating receivables break down as follows:

			31/12/2018	31/12/2017	
In € millions	**Gross**	**Impairment**	**Net**	**Net**	**Change**
Trade receivables and related accounts	3,680	-100	3,580	3,478	102
Amounts receivable to the French State and local authorities	1,718	0	1,718	1,592	126
Other operating receivables	2,173	-20	2,153	1,746	407
Capital expenditure flow receivables and share disposals	73	0	73	88	-16
Asset derivative instruments for raw materials and foreign exchange on business transactions	0	0	0	2	-2
Net operating receivables	**7,645**	**-120**	**7,525**	**6,906**	**619**

Movements in the impairment of trade receivables and other operating receivables were as follows in 2018 and 2017:

In € millions	31/12/2017	Charges	Reversals	Reclassification	Change in consolidation scope	Foreign exchange and other	31/12/2018
Trade receivables and related accounts – impairment	-106	-38	43	0	0	0	-100
Other operating receivables – impairment	-23	-1	3	1	0	0	-20
Total	**-129**	**-39**	**47**	**1**	**0**	**0**	**-120**

In € millions	31/12/2016	Charges	Reversals	Reclassification	Change in consolidation scope	Foreign exchange and other	31/12/2017
Trade receivables and related accounts – impairment	-133	-26	33	1	-1	19	-106
Other operating receivables – impairment	-26	-1	4	0	0	0	-23
Total	**-159**	**-27**	**37**	**1**	**-1**	**20**	**-129**

Due to its business, Group exposure to credit risk is limited. Tickets are sold to passengers on a cash basis. In addition, the Group has significant relations with a number of public-sector customers (SNCF Réseau, regional authorities, RATP, Île de France Mobilités (formerly STIF), armed forces, etc.). In the SNCF Logistics activity, dependence on customers is reduced by the number of the latter. In carrying out its transport and/or freight forwarding activities, the Group also has the right to hold the merchandise with which it is entrusted, which reduces the risk of non-payment for services. Finally, based on an assessment of customer credit risk, payment terms and conditions before transport may be determined to limit the risk of non-payment.

While receivables from these customers may be past due, the Group considers that there are no grounds for impairment if no other items highlight a risk of non-recovery. Receivables are impaired when the Group is in dispute with a customer or when the ability to recover the receivable in full is modified.

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

31/12/2018			Past due but not impaired				
In € millions	**Not past due**	**Impaired**	**< 3 months**	**4 to 6 months**	**7 to 12 months**	**> 12 months**	**Total**
Trade receivables and related accounts	2,665	234	532	9	95	145	3,680
Total	**2,665**	**234**	**532**	**9**	**95**	**145**	**3,680**

31/12/2017			Past due but not impaired				
In € millions	**Not past due**	**Impaired**	**< 3 months**	**4 to 6 months**	**7 to 12 months**	**> 12 months**	**Total**
Trade receivables and related accounts	2,414	367	523	72	70	138	3,584
Total	**2,414**	**367**	**523**	**72**	**70**	**138**	**3,584**

4.4.3 Operating payables and other accounts in credit

Operating payables include payments to third parties with respect to operating activities (trade payables, employee-related payables, taxes and duties other than income tax, etc.), and asset acquisitions. Payables are recorded at nominal value on issue, except for payables with a maturity of more than one year, which are discounted to present value where the impact of discount is material.

Operating payables break down as follows:

In € millions	31/12/2018	31/12/2017	Variation
Trade payables and related accounts	4,975	4,546	429
o/w amounts payable on purchases of PP&E	*598*	*512*	*86*
Liabilities relating to concession assets excluded from the scope of IFRIC 12	130	255	-125
Payments received on account for orders	498	676	-178
o/w advances received on sales of PP&E	*326*	*228*	*98*
Employee-related liabilities	1,808	1,818	-10
Amounts payable to the French State and local authorities	1,114	1,346	-232
Other operating payables	559	554	4
Deferred income	1,986	1,247	739
Liability derivative instruments for raw materials and foreign exchange on business transactions	9	3	6
Total operating payables	**11,080**	**10,446**	**634**

For the liabilities relating to concession assets excluded from the scope of IFRIC 12, see Note 4.1.4

4.4.4 Customer contract assets and liabilities

Contract assets represent a conditional right to consideration in exchange for goods or services that have already been transferred to a customer. They are reclassified to trade receivables once the right to payment becomes unconditional, i.e. it is no longer subject to any conditions other than the passage of time. They are recognised in operating receivables.

Contract liabilities correspond to cash received from a customer, or a right to payment already obtained, for services that have yet to be performed and recognised in revenue. They are recognised in operating payables.

The main contract assets identified at the Group level involve:

— sales invoice accruals arising from customer contracts representing the difference between revenue invoiced and revenue to be recognised depending on the completion of costs or the service provided;

— other contract assets, mainly corresponding to variable consideration for the Group promised in a customer contract.

Contract liabilities include:

— prepaid amounts received for customer orders;

— customer loyalty programmes, measured and recognised at the fair value of the unused point's consideration in deferred income, with an offsetting decrease in revenue. These contract liabilities are transferred through profit or loss under the revenue heading as and when the loyalty points are used by customers;

— deferred income relating to issued tickets that have been paid for during the period but which are used for a transport service expected in future periods;

— deferred income relating to customer contracts recognised in revenue over time according to the percentage of completion method as well as any other deferred income arising from customer contracts;

— other contract liabilities, including travel vouchers issued to compensate for disruptions and any other variable consideration for customers.

The reconciliation of contract asset and liability balances for the period is as follows:

In € millions	01/01/2018	Increase	Decrease	Change in scope	Foreign exchange and other	31/12/2018
Sales invoice accruals	904	2,174	-2,557	1	1	522
Other customer contract assets	7	11	0	0	0	18
Contract assets	**911**	**2,185**	**-2,557**	**1**	**1**	**540**
Prepaid amounts received for customer contracts	139	149	-118	0	0	170
Deferred income from customer contracts	1,278	1,881	-1,603	0	-1	1,556
Other customer contract liabilities	303	250	-129	0	0	424
Contract liabilities	**1,721**	**2,280**	**-1,849**	**0**	**0**	**2,151**

The comparative data in this table is not presented in accordance with the simplified transition method stipulated in IFRS 15 (see Note 1.2.1).

4.5 PROVISIONS FOR RISKS AND LITIGATION

Provisions are recorded when, at the balance sheet date, the Group has a present obligation to a third party as a result of a past event and the settlement of this obligation will require an outflow of company resources with no consideration.

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

The estimated amount of the provision reflects the outflow of resources that is likely to be necessary to settle the Group's obligation. If a reliable estimate of this amount cannot be made, no provision is recorded. Disclosure is provided in the notes to the financial statements. Provisions are discounted when the impact of the time value of money is deemed material. The discount rate is determined with reference to a closing market rate based on leading corporate bonds with a maturity comparable to the estimated maturity of the provision. The reference used is Bloomberg AA for the Eurozone.

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

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

In € millions	01/01/2018	Charges	Reversals used	Reversals not used	Other changes	31/12/2018	of which current	of which non-current
Contractual litigation and risks	215	28	-17	-23	-1	**202**	57	145
Tax, employee and customs risks	166	29	-112	-17	0	**66**	27	39
Environmental risks	702	14	-40	-17	-11	**647**	2	645
Restructuring costs	18	15	-10	-3	2	**22**	17	5
Other	238	44	-22	-38	2	**224**	61	163
Total provisions	**1,339**	**131**	**-202**	**-97**	**-9**	**1,162**	**164**	**998**

The impact of the passage of time (reverse discounting) gave rise to a €6 million increase in provisions, offset against financial profit for 2018.

The rise in the discount rate, which mainly covers provisions for asbestos costs, gave rise in 2018 to a €15 million provision decrease, including €4 million offset against "Net movement in provisions" under current operating profit and €11 million (in the "Other changes" column) offset against the dismantling component relating to capitalized rolling stock (see Note 4.1).

4.5.1 Provisions for environmental risks

This provision covers the costs of environmental protection and site restoration and clean-up. It specifically includes a contingency provision for asbestos lawsuits filed against the Group.

SNCF Mobilités Group set up an environmental management team in response to the enactment in French law of Directive 2004/35 of 21 April 2004 regarding so-called «polluter-payer» environmental liability. One of the team's objectives was to shed light on the impacts with respect to the Group's activities, primarily in terms of storage and distribution installations for fuel, water disposal, waste, etc. The related assessments were recorded on their completion. Directive 2004/35 has since been transposed in France by Decree 2009-468 of 23 April 2009.

Furthermore, the French government decree of 3 June 2011 relating to the protection of the public against health risks resulting from exposure to asbestos in buildings that came into effect on 1 February 2012 was to be accompanied by implementation decrees. These decrees were published at the end of December 2012 for an implementation date of 1 January 2013. They define the criteria for assessing the state of the materials to be investigated, the content of the report on the identification of asbestos-containing materials as well as the content of the asbestos technical file summary sheet. An action plan has been implemented covering the compliance of the asbestos technical analyses within the deadline stipulated by the new decree, i.e. by 2021. At this stage, the additional work performed has not generated a material change in the provision for environmental risks. The analyses are still in progress.

With regard to its rolling stock, the Group has a dismantlement and restoration obligation. With respect to rolling stock containing asbestos, there is a present obligation from the time the asbestos is detected. Any increase in the dismantlement provision is offset by an increase in the value of the equipment on the balance sheet for equipment not fully depreciated and in profit or loss for equipment at the end of its useful life. An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount. The cost of dismantlement is amortised over the asset's remaining useful life. Should there be a decrease in the estimated probable outflow of resources, the provision is reversed against the corresponding asset in the balance sheet and in profit or loss for the portion exceeding the net carrying amount of this asset. The provision is gradually extinguished in profit or loss as the dismantlement is completed.

At the period-end, environmental risks that had been provided for primarily concerned the following items:

— site decontamination: €31 million (€35 million in 2017);

— asbestos-related costs: €610 million (€661 million in 2017).

4.5.2 Provisions for contractual litigation and risks

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

4.5.2.1 Litigation

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

Such disputes are provided based on an assessment of the related risk and the probability of realisation. Unused reversals were mainly attributable to the elimination of risks related to current litigation or the adjustment to their measurement.

Resolved litigation

— Ruling of the Paris Industrial Tribunal

The Paris Industrial Tribunal handed down its decisions on 21 September 2015 with respect to the appeals filed by former Moroccan employees. SNCF Mobilités accounted for the consequences in its financial statements based on the penalties handed down. An appeal was filed, thus suspending payment of the sums claimed. In May 2017, the first cases were argued before the Appeal Court. A ruling against SNCF was issued on 31 January 2018 and the Group was ordered to pay compensation to the former employees. The Group decided not to appeal. In its 2018 consolidated financial statements, SNCF Mobilités posted an expense impacting the gross profit under the heading "Other operating income and expenses" and, at the same time, reversed the provision previously recorded in "Net movement in provisions." Furthermore, other cases will be argued for the first time before the Industrial Tribunal in 2018. An additional provision is set aside as and when new appeals are filed with the Paris Industrial Tribunal. The provision is recorded under "Provisions for tax, employee-related and customs risks."

— Appeal to the Conseil d'Etat for the calculation of the old T1 age contribution rate

Having identified an inconsistency in the calculation method for the T1 old age contribution rate used to finance the special retirement plan, SNCF Mobilités requested an amendment from the relevant ministries. In the absence of any response, the company brought the case before the Conseil d'État, which rejected in January 2015 the appeals covering the 2011 and 2012 rates, considering that the cases put forward were not sufficiently justified. On 20 May 2016, considering it to be vitiated by an error of law pursuant to the decree of 28 June 2007, the Conseil d'État cancelled the interministerial decree of 16 July 2014 that determined the definitive T1 components for 2013 and the provisional T1 components for 2014 and thus validated the approach put forward by the company. On 12 July 2016, the Conseil d'État also cancelled the interministerial decree of 27 July 2015 that determined the components of the definitive T1 for 2014 and the provisional T1 for 2015.

In decrees of 2 May and 3 October 2017, the final T1 rates for 2013, 2014, 2015 and 2016 were published in the *Journal Officiel*. They incorporated the calculation method recommended by the Company and approved by the Conseil d'État in its 2016 decision.

The total income vested to SNCF Mobilités was €89 million, of which €66 million for 2013 and 2014 and €23 million for 2015 and 2016. This income was recognised in "Other operating income and expenses" in the income statement for €58 million in the 2016 financial statements and for €31 million in the 2017 financial statements.

— Appeal to the Conseil d'État for the calculation of the old age T2 contribution rate for the special pension plan

In a decree of 2 May 2017, the T2 rate, the other flat-rate contribution paid in discharge of liabilities to finance the special railway employee pension plan, was raised by 2 points as of 1 May 2017. Since 2 May 2017, the company has paid T2 contributions at the new rate determined by the decree. Nevertheless, on 23 May 2017, the company filed an appeal with the Conseil d'État in accordance with the decree of 28 June 2007, which provides for a revaluation mechanism based on changes in certain ordinary contributions. Several additional observations and observations in reply have since been produced by the company and the French State. Following the appointment of a reporting judge, the Conseil d'État hearing took place on 9 July 2018 and an unfavourable decision was issued on 18 July 2018.

Following this ruling, SNCF Mobilités recorded a €5 million provision in its financial statements for the year ended 31 December 2018 impacting the valuation of employee commitments for personnel with qualifying status.

Ongoing litigation

— Investigation of the Competition Authority regarding Fret SNCF

An investigation was conducted by the Competition Authority regarding Fret SNCF. In March 2012, the reporting judges transmitted a final report to the Competition Authority with a certain number of grievances, all of which were challenged by EPIC SNCF Mobilités (formerly EPIC SNCF) due to their unfounded nature and the lack of competition law infringement. Following the Competition Authority's decision (December 2012), EPIC SNCF Mobilités was ordered to pay a fine of €61 million for having conducted several practices that hindered or delayed the entry of new operators into the rail freight transport market. This fine was expensed in 2012 under "Purchases and external charges" within gross profit. The Authority also issued a judicial order regarding Fret SNCF's pricing policy and imposed that certain measures, particularly of an accounting and commercial nature, be implemented and in effect at the end of a three-year period in order to render such policy more objective. In January 2013, EPIC SNCF Mobilités appealed this decision before the Paris Appeal Court, which rendered its decision on 6 November 2014, judging that the grievance concerning predatory pricing was unsubstantiated and the order to pay was no longer justified. It also reduced the financial penalty that SNCF Mobilités was ordered to pay to €48 million. ECR and the Competition Authority appealed in December 2014. Proceedings continued in 2015, with further pleadings by ECR and the Competition Authority, and EPIC SNCF Mobilités' observations in reply (also applicable for the appeal).

The Court of Cassation handed down its decision on 22 November 2016 and quashed the Paris Appeal Court decision of 6 November 2014 based on two issues: the Court i) held that the practice of predatory pricing by EPIC SNCF on the rail freight transport market using full-load trains had not been established and that the injunction was inapplicable and ii) dismissed the aggravating circumstance drawn from the reiteration. Based on these two issues, the Court referred the matter to a differently constituted Appeal Court. Furthermore, the Court of Cassation demanded the payment of €13 million corresponding to the reduction in the financial penalty arising from the November 2014 decision.

Following the order of the Court of Cassation on 22 November 2016 and the request for payment by the French Treasury, EPIC SNCF Mobilités paid out €5 million in April 2017.

Furthermore, EPIC SNCF Mobilités referred to the Appeal Court on 16 January 2017 and filed its observations on 22 June 2017.

At the same time, the Competition Authority and ECR filed observations in reply on 10 October 2017 and SNCF Mobilités filed a rejoinder on 16 November 2017. The hearing took place on 14 December 2017 and the case was deliberated on 20 December 2018.

The Paris Appeal Court upheld the following two grievances: (i) that the predatory pricing strategy was blatant and the abuse of power established, (ii) the aggravating circumstance drawn from the reiteration of the offence. The Appeal Court confirmed the penalty of €48 million that EPIC SNCF Mobilités was ordered to pay, plus 10% for the aggravating circumstance, i.e. a total amount of €53 million. To recap, EPIC SNCF Mobilités already paid off some of this amount in 2013 and 2017. SNCF Mobilités has decided to appeal.

— Investigation of the Competition Authority regarding the Distribution and Express segment
The Competition Authority investigated the Distribution and Express segment with regard to an alleged agreement on pricing adjustments for the 2005/2010 period. A notice of grievances was sent to Geodis and SNCF Mobilités in July 2014. After observations of the parties, the Competition Authority's investigation department issued a report on 22 April 2015, largely dismissing the arguments presented by the various stakeholders. Geodis and SNCF Mobilités put forward their observations in reply. The Competition Authority's board hearing was held on 30 September 2015.

The Competition Authority rendered its decision on 15 December 2015, imposing a fine of €196 million on Geodis, a Group subsidiary. EPIC SNCF Mobilités is jointly and severally liable for the fine's payment in the amount of €89 million. EPIC SNCF Mobilités and Geodis appealed the decision of the Competition Authority before the Paris Court of Appeal. The expense of €196 million recognised as at 31 December 2015 in Geodis' accounts was fully paid in April 2016. On 22 January 2016, Geodis and EPIC SNCF Mobilités appealed the decision and a hearing took place in March 2017. The Paris Appeal Court finally handed down its decision on 19 July 2018, reducing the fine of €196 million to €166 million. Geodis and SNCF Mobilités appealed on 22 July 2018 and SNCF Mobilités filed its observations on 17 December 2018. The Competition Authority did not lodge a cross-appeal within the 60-day deadline following the filing of observations. The SNCF Mobilités group did not draw any conclusions from this ruling in its 31 December 2018 financial statements. (see Note 2.2.1).

— Brétigny-sur-Orge accident
Following the derailment on 12 July 2013 of Paris-Limoges intercity train no. 3657 in Brétigny-sur-Orge (Essonne) station, and after having filed the two legal expert reports requested by the investigating judges, RFF and SNCF, which became SNCF Réseau and SNCF Mobilités, respectively, on 1 January 2015, were indicted for "involuntary manslaughter and unintentional injuries through carelessness, recklessness, inattention, negligence, or failure to observe an obligation of due care or precaution" and heard by the judges. On 9 January 2019, a company employee was also indicted for involuntary manslaughter and unintentional injuries.

SNCF Réseau and SNCF Mobilités firmly challenged the expert reports, cast doubt on the seriousness of the metallurgical evaluation, and requested that additional work be carried out for which the approval was notified at the end of January 2016.

As this additional work had still not provided any response to the outstanding issues, SNCF Mobilités requested an additional expert assessment on 29 February 2016. The investigating judges ruled that the conditions for opening an investigation were not satisfied. The appeal went before the investigating chamber which ordered an additional appraisal to be carried out in October 2017. Following the report, which was finally notified on 27 June 2018, SNCF Mobilités prepared observations and also submitted a splice bar performance study to a renowned independent laboratory (Amvalor) to obtain a root-cause analysis of the accident.

Since the accident, EPIC SNCF Mobilités has set up a dedicated team to assist the victims and their families. Under the aegis of the coordination authority designated by the Ministry of Transport, EPIC SNCF Mobilités immediately committed to a compensation programme for the accident's human and material consequences. The liability insurer has now assumed responsibility for the compensation since the date the deductible (€3 million) was exceeded.

As a precautionary measure, on 8 October 2013, SNCF Mobilités and SNCF Réseau launched the Vigirail programme, designed to improve switching safety and upgrade track maintenance. This program includes actions that meet the recommendations issued by the French Land Transport Accident Investigation Bureau (BEA-TT) in its progress report of 10 January 2014. Following the conclusions of the final report made public by the BEA-TT on 18 September 2015, EPIC SNCF Mobilités pledged to implement three new recommendations.

— Action for damages relating to work contracts
A settlement agreement dated 19 February 2016 brought an end to the action for damages filed by SNCF, now SNCF Mobilités, against companies that were sanctioned by the French Competition Council on 21 March 2006 in regard to arrangements covering the Eole Magenta and Condorcet stations, with the exception of the non-signatory Bouygues group companies (Bouygues, Bouygues Construction and Bouygues Travaux Publics).

SNCF Mobilités' action for damages against the Bouygues group companies was rejected by the Paris Administrative Court of Appeal in a decision on 27 December 2017. SNCF Mobilités has appealed against this ruling before the Conseil d'Etat. At the same time, the appeal to invalidate the settlement agreement initiated by Bouygues before the Paris Administrative Court was rejected in the decision of 16 May 2018.

— Derailment of a test train in Eckwersheim
On 14 November 2015, a test train derailed on the new East European high-speed line from Paris – Strasbourg, leaving 11 dead and 42 injured. In December 2015, a legal investigation for involuntary manslaughter and unintentional injuries was opened.

On 18 and 20 December 2017, Systra (test integrator), consolidated under the equity method within the SNCF Group, and EPIC SNCF Mobilités (in charge of driving the train and measures) were indicted before the "group accidents" division of the Paris Regional Court.

On 5 March 2018, SNCF Mobilités sent its observations on the legal appraisal report to the judge. The judges requested an additional appraisal that has yet to be delivered.

Since the accident, the entities involved – including SNCF Mobilités – wished to set up a scheme enabling all the victims of this group accident to receive compensation, regardless of their plan (work-related injury or statutory plan). SNCF was given the task of implementing this scheme "for the benefit of whomsoever it may concern."

From an accounting perspective, as the liabilities have not yet been ascertained, no provision for this compensation was recorded in the SNCF Mobilités financial statements for the year ended 31 December 2018.

— Appeal to the Conseil d'État for the repeal of 1(e of Article 2, section 5 of the Articles of Association ("age clause")

Several contractual employees lodged an appeal for abuse of power with the Conseil d'État in 2018 in order to repeal 1(e of Article 2, section 5 of the Articles of Association, i.e. the "age clause" which stipulates that: "To be eligible for a permanent executive position, applicants must be […] aged between 18 and 30 on the day of their admission." The claimants are trying to demonstrate that this clause represents an age discrimination and such discrimination would not be justifiable.

Since the risk cannot be estimated at this stage of the proceedings, no accounting impact was recorded in the consolidated financial statements for the year ended 31 December 2018.

4.5.2.2 Provisions for onerous contracts

Provisions are recognised for long-term contracts when they become onerous, that is to say when the inevitable costs required to satisfy the contractual obligations exceed the future economic benefits expected from these contracts. Provisions are valued based on inevitable costs, which reflect the net contract exit cost, that is to say the lower of the contract performance cost or any other compensation or penalty arising from failure of performance.

There were no onerous contracts as at 31 December 2018.

4.5.3 Provisions for tax, employee-related and customs risks

The changes recognised in regard to provisions for tax, employee-related and customs risks stem primarily from the decisions handed down by the Paris Industrial Tribunal in connection with litigations opposing SNCF Mobilités and former employees (see Note 4.5.2, Resolved litigation).

4.5.4 Provisions for restructuring costs

The cost of restructuring measures is provided in full in the year when such measures are decided and announced in sufficient detail prior to the period-end closing in order to create a valid expectation that they will be implemented. Restructuring costs primarily consist of employee departure costs and the cost of writing off non-current assets, inventory and other assets that will no longer be used.

5. EMPLOYEE BENEFITS

5.1 DESCRIPTION OF EMPLOYEE BENEFITS

5.1.1 Pension and similar plans

Through its subsidiaries, the Group participates in pension plans and other employee benefits in accordance with the laws and customs of each country where it is established and outside of the statutory pension plans governed by law. These benefits comprise end-of-career or retirement benefits and bonuses with respect to long-service awards (France), defined benefit pension plans (United Kingdom, Italy (TFR), Germany, the Netherlands, Sweden, Norway, Australia and Canada) and retiree health costs (Canada).

In France, pension benefits paid to an employee at the retirement date are determined in accordance with the national collective agreement or the company agreement in force in the entity. The two main collective agreements in force within the Group are as follows:

— urban public transport collective agreement (CCN_3099) within the Keolis subsidiaries;

— non-rail transport collective agreement (CCN_3085).

These plans can be partially funded.

In Italy, employees receive the Trattamento di Fine Rapporto di lavoro subordinato (TFR). This employment termination benefit, payable by the employer regardless of the reason for the contract's termination, takes the form of a single payment representing approximately 1/14th of the annual compensation per year of service. This plan is recorded as a post-employment benefit since the benefits are granted in respect of the service rendered during the working period.

5.1.2 Provident plan

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

5.1.3 Social welfare initiatives

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

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

5.1.4 Compensation for work-related injuries

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

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

5.1.5 Gradual cessation of activity

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

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

5.1.6 Long-service awards and other benefits

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

5.1.7 Circulation privileges

EPIC SNCF Mobilités personnel (active employees, retired employees and their beneficiaries) receive circulation privileges (CP) which enable them to travel under certain circumstances at prices that differ from the market. The Group considers that these travel privileges do not have a material impact on its production resources.

With respect to active personnel (over the period of activity), no liability is recognised since the CP are granted in consideration for services rendered by the beneficiaries over this period. They thus meet the definition of a short-term benefit.

For active employees over the post-employment period, current retirees and their beneficiaries, considering that the marginal average cost of this programme is lower than the average price paid on reservation, no liability is recorded in the financial statements regarding this post-employment benefit.

5.2 CHANGE IN THE NET POSITION OF THE PLANS

5.2.1 Breakdown of net liabilities (assets)

In € millions	31/12/2018	31/12/2017
Present value of the obligations	2,009	2,024
Fair value of plan assets	-341	-356
Net position of the plans	**1,667**	**1,667**
Effect of the asset ceiling	1	1
Total net liabilities (assets) at closing date	**1,668**	**1,668**
Of which net liabilities recorded	*1,668*	*1,668*
Of which net assets recorded	*0*	*1*

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

In € millions	31/12/2018	31/12/2017
Pensions and other similar benefits	416	409
Provident obligations	31	31
Social welfare initiatives	181	181
Compensation for work-related injuries	544	560
Liabilities relating to post-employment benefits	**1,172**	**1,181**
Compensation for work-related injuries	28	28
Long-service awards and other benefits	145	134
Gradual cessation of activity	236	246
Time savings account	87	79
Liabilities relating to other long-term benefits	**496**	**487**
Total liabilities	**1,668**	**1,668**
- of which non-current	*1,571*	*1,572*
- of which current	*97*	*96*

5.2.2 Change in net liabilities (assets)

The items explaining the change in net liabilities over the period are as follows:

In € millions	31/12/2018	31/12/2017
Total net liabilities (assets) at opening date	**1,668**	**1,680**
Current service cost	141	137
Past service cost	4	-5
Effect of plan settlements	0	-2
Net financial interest	21	24
Actuarial gains and losses generated during the period	-48	-5
Benefits paid to employees by the company	-111	-123
Employer's fund contribution	-9	-8
Effect of changes in Group structure	0	-9
Foreign exchange impact	-1	-7
Other	2	-16
Total net liabilities (assets) at closing date	**1,668**	**1,668**

In 2018, the net actuarial gain of €48 million was essentially due to the higher discount and inflation rates observed for all the monetary zones: the profit recognised in "Non-recyclable reserves with respect to post-employment benefits" totalled €21 million while the net gain recognised in finance costs under other long-term benefits amounted to €27 million.

In 2017, the net actuarial gain of €5 million was essentially due to the drop in the discount rate observed for all the monetary zones: the loss recognised in "Non-recyclable reserves with respect to post-employment benefits" totalled -€4 million, while the net gain recognised in finance costs under other long-term benefits amounted to €8 million.

The foreign exchange impacts mainly involved the pension plans of UK subsidiaries and stemmed from the decrease in the pound sterling / Euro parity observed since Brexit.

In 2017, the heading "Effect of changes in Group structure» mainly involve STVA for amounts valued on the disposal date in October 2017 (-€7 million for net liabilities and -€21 million for the discounted value of the obligation).

Changes in the present value of obligations, the fair value of plan assets and the net liabilities (assets) for 2018 are as follows:

31/12/2018 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	Total
Present value of the obligation at opening date	**765**	**31**	**181**	**588**	**326**	**134**	**2,024**
Current service cost	35	1	3	21	39	42	**141**
Employee contribution	0						**0**
Past service cost arising from a plan amendment	1	0	0	0	0	3	**4**
Past service cost arising from a plan curtailment	0	0	0	0	0	1	**0**
Effect of settlements	0	0	0	0	0	0	**0**
Finance cost	15	0	2	7	4	1	**30**
Actuarial gains and losses generated during the period	-25	0	3	-12	-23	-4	**-62**
Benefits paid to employees by the company	-16	-1	-8	-31	-23	-32	**-111**
Benefits paid by the fund	-11						**-11**
Effect of changes in Group structure	-4	0	0	0	0	0	**-4**
Foreign exchange impact	-3					1	**-3**
Other	0	0	0	0	0	0	**0**
Present value of the obligation at closing date	**757**	**31**	**181**	**571**	**323**	**145**	**2,009**
Of which present value of unfunded obligations	*279*	*31*	*181*	*571*	*323*	*145*	**1,531**
Of which present value of fully or partially funded obligations	*478*						**478**

31/12/2018 In € millions	Pensions and other similar benefits
Fair value of plan assets at opening date	**356**
Implicit return on plan assets	9
Actuarial gains and losses generated during the period	-14
Effect of curtailments and settlements	0
Employer's fund contribution	9
Employee fund contribution	0
Benefits paid by the fund	-11
Effect of changes in Group structure	-4
Foreign exchange impact	-2
Other	-1
Fair value of plan assets at closing date	**341**
Effect of the asset ceiling at opening date	**1**
Change in effect of the asset ceiling	0
Interest expense on effect of the asset ceiling	0
Effect of the asset ceiling at closing date	**1**

31/12/2018 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	Total
(+) Present value of the obligation at closing date	757	31	181	571	323	145	**2,009**
(-) Fair value of plan assets at closing date	-341	0	0	0	0	0	**-341**
(-) Effect of the asset ceiling at closing date	-1	0	0	0	0	0	**-1**
Total net liabilities (assets) at closing date	**416**	**31**	**181**	**571**	**323**	**145**	**1,668**
Assets available after effect of the asset ceiling	0						0
Total liabilities at closing date	**416**	**31**	**181**	**571**	**323**	**145**	**1,668**

Changes in the present value of obligations, the fair value of plan assets and the net liabilities (assets) for 2017 are as follows:

31/12/2017 In € millions	Retraites et assimilés	Prévoyance	Action sociale	Rentes AT	Cessation progressive d'activité et Compte épargne temps	Médailles du travail et autres avantages	Total
Present value of the obligation at opening date	**797**	**29**	**175**	**561**	**333**	**142**	**2,036**
Current service cost	34	1	3	25	37	36	**137**
Employee contribution	0						**0**
Past service cost arising from a plan amendment	-1	0	0	0	0	-3	**-3**
Past service cost arising from a plan curtailment	-1	0	0	0	0	0	**-1**
Effect of settlements	-1	0	0	0	0	-1	**-2**
Finance cost	16	0	3	9	5	1	**34**
Actuarial gains and losses generated during the period	-11	2	7	24	-8	0	**15**
Benefits paid to employees by the company	-20	-1	-7	-32	-27	-36	**-123**
Benefits paid by the fund	-9	0	0	0	0	0	**-9**
Effect of changes in Group structure	-22	0	0	0	0	-1	**-23**
Foreign exchange impact	-18					-2	**-21**
Other	0	0	0	0	-15	-2	**-17**
Present value of the obligation at closing date	**765**	**31**	**181**	**588**	**326**	**134**	**2,024**
Of which present value of unfunded obligations	*284*	*31*	*181*	*588*	*326*	*134*	***1,543***
Of which present value of fully or partially funded obligations	*480*						**480**

31/12/2017 In € millions	Pensions and other similar benefits
Fair value of plan assets at opening date	**356**
Implicit return on plan assets	9
Actuarial gains and losses generated during the period	20
Effect of curtailments and settlements	0
Employer's fund contribution	8
Employee fund contribution	0
Benefits paid by the fund	-9
Effect of changes in Group structure	-13
Foreign exchange impact	-14
Other	-1
Fair value of plan assets at closing date	**356**
Effect of the asset ceiling at opening date	**0**
Change in effect of the asset ceiling	0
Interest expense on effect of the asset ceiling	0
Effect of the asset ceiling at closing date	**1**

31/12/2017 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compen-sation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	Total
(+) Present value of the obligation at closing date	765	31	181	588	326	134	**2,024**
(-) Fair value of plan assets at closing date	-356	0	0	0	0	0	**-356**
(-) Effect of the asset ceiling at closing date	-1	0	0	0	0	0	**-1**
Total net liabilities (assets) at closing date	**409**	**31**	**181**	**588**	**326**	**134**	**1,668**
Assets available after effect of the asset ceiling	1						1
Total liabilities at closing date	**410**	**31**	**181**	**588**	**326**	**134**	**1,669**

5.2.3 Breakdown of plan assets

In € millions	31/12/2018	31/12/2017
Bonds	84	82
Shares	238	251
Real estate	1	1
Cash and cash equivalents	2	2
Other	16	21
Total fair value of plan assets	**341**	**356**
Of which active market	*336*	*350*
Of which Euro zone	*14*	*14*

Assets mainly concern the pension plans for the Group's UK subsidiaries.

5.2.4 Reimbursement rights

The plans for certain SNCF Logistics subsidiaries, mainly in Germany, have reimbursement rights (€13 million as at 31 December 2018, compared to €12 million as at 31 December 2017). They are recognised at fair value as a separate asset in the statement of financial position. Actuarial gains and losses generated over the period with respect to these reimbursement rights are recognised immediately in non-recyclable reserves, under the same terms and conditions as the actuarial gains and losses arising from the plan assets.

5.2.5 Analysis of contributions payable to the pension fund in Y+1

Under plans totally or partially funded by plan assets (mainly in Anglo-Saxon countries), the contributions ayable in fiscal 2019 by companies and/or beneficiaries break down as follows:

31/12/2018

In € millions	Pensions and other similar benefits
Employer's fund contribution	9
Employee fund contribution	5
Total contributions payable	**14**

31/12/2017

In € millions	Pensions and other similar benefits
Employer's fund contribution	7
Employee fund contribution	5
Total contributions payable	**12**

5.3 EMPLOYEE BENEFIT PLAN EXPENSES

For the basic plans and other defined contribution plans, the Group expenses contributions payable when they are due. No provisions are recognised as the Group does not have any obligation beyond the contributions paid. This has primarily involved the special retirement plan for employees with EPIC SNCF Mobilités qualifying status since the creation of the SNCF Employee Pension and Provident Fund in 2007.

In the case of defined benefit plans, when benefits are covered by third parties (insurance contracts, provident organisations unrelated to the Group), and the Group has no legal or implicit obligation to cover any losses relating to past services over the period or prior periods, no obligation is recognised and the insurance/provident premiums paid are recognised as payments to a defined contribution plan, the obligation to provide benefits to employees being the sole responsibility of the third party organisation.

In the other cases, the obligations are subject to actuarial valuations and provisions are recorded on the balance sheet upon vesting of benefit rights by employees. The actuarial liability (or present value of the obligation with respect to defined benefits) is determined according to the projected unit credit actuarial method, which stipulates that each period of service gives rise to an additional unit of benefit and measures each unit separately to determine the final obligation.

These calculations include assumptions concerning the discount rate, mortality, employee turnover and expected future salary levels.

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

5.3.1 Net expense with respect to defined benefit plans

The income statement expense for 2018 and 2017 breaks down as follows:

31/12/2018 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compen-sation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	Total
Current service cost	35	1	3	21	39	42	**141**
Past service cost	1	0	0	0	0	3	**4**
Of which effect of plan amendments	*1*	*0*	*0*	*0*	*0*	*3*	***4***
Of which effect of plan curtailments	*0*	*0*	*0*	*0*	*0*	*1*	***0***
Effect of settlements on the obligation	0	0	0	0	0	0	**0**
Effect of settlements on plan assets	0						**0**
Other	1	0	0	0	0	0	**1**
Gross profit	**37**	**1**	**3**	**21**	**39**	**45**	**146**
Net financial interest	6	0	2	7	4	1	**21**
Of which finance cost	*15*	*0*	*2*	*7*	*4*	*1*	***30***
Of which implicit return on plan assets	*-9*						***-9***
Of which interest on asset ceiling	*0*						***0***
Actuarial gains and losses generated during the year with respect to long-term benefits	0			-1	-23	-4	**-27**
Other	1	0	0	0	0	0	**1**
Finance cost	**7**	**0**	**2**	**6**	**-19**	**-3**	**-5**
Total expense recognised	**44**	**1**	**5**	**27**	**20**	**42**	**140**

31/12/2017 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compen-sation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	Total
Current service cost	34	1	3	25	37	36	**137**
Past service cost	-1	0	0	0	0	-3	**-5**
Of which effect of plan amendments	*-1*	*0*	*0*	*0*	*0*	*-3*	***-3***
Of which effect of plan curtailments	*-1*	*0*	*0*	*0*	*0*	*0*	***-1***
Effect of settlements on the obligation	-1	0	0	0	0	-1	**-2**
Effect of settlements on plan assets	0						**0**
Other	0	0	0	0	0	0	**0**
Gross profit	**32**	**1**	**3**	**25**	**37**	**32**	**131**
Net financial interest	6	0	3	9	5	1	**25**
Of which finance cost	*16*	*0*	*3*	*9*	*5*	*1*	***34***
Of which implicit return on plan assets	*-9*						***-9***
Of which interest on asset ceiling	*0*						***0***
Actuarial gains and losses generated during the year with respect to long-term benefits	0			0	-8	0	**-7**
Other	1	0	0	0	0	0	**1**
Finance cost	**7**	**0**	**3**	**9**	**-3**	**2**	**19**
Total expense recognised	**39**	**1**	**6**	**34**	**35**	**34**	**149**

5.3.2 Net expense with respect to defined contribution plans

The expense recorded for defined contribution plans included in "Employee benefits expense" amounted to €0.9 billion in 2018 (€1.0 billion in 2017). It has primarily involved the special retirement plan for employees with EPIC SNCF Mobilités qualifying status since the creation of the SNCF Employee Pension and Provident Fund in 2007.

5.3.3 Remeasurements of the net defined liability (asset) benefit in non-recyclable reserves

As of 1 January 2013, given the application of IAS 19 revised and the elimination of the corridor method, the actuarial gains and losses generated over the period for post-employment benefits are immediately offset in non-recyclable reserves (equity).

In the event of the partial or total derecognition of the liability, the gains and losses will never be transferred to profit or loss in subsequent periods. Where necessary, they may be transferred to another equity component (mainly Other reserves).

Actuarial gains and losses generated for other long-term benefits (compensation for work-related injuries of active employees over the period of service, long service awards, time-savings account and gradual cessation of activity) continue to be immediately recognised in finance costs over the period.

31/12/2018 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Post-employment compensation for work-related injuries	Total
(losses) and gains					
Remeasurements at opening date	**-182**	**-10**	**63**	**-335**	**-464**
Actuarial gains and losses generated during the year with respect to obligations	25	0	-3	12	**34**
Actuarial gains and losses generated during the year with respect to plan assets	-14				**-14**
Actuarial gains and losses generated during the year with respect to reimbursement rights	0				**0**
Net changes in the effect of the asset ceiling	0				**0**
Foreign exchange impact	1				**1**
Other	0				**0**
Remeasurements at the closing date	**-170**	**-10**	**60**	**-324**	**-443**

31/12/2017 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Post-employment compensation for work-related injuries	Total
(losses) and gains					
Remeasurements at opening date	**-216**	**-7**	**70**	**-312**	**-465**
Actuarial gains and losses generated during the year with respect to obligations	11	-2	-7	-24	**-22**
Actuarial gains and losses generated during the year with respect to plan assets	20				**20**
Actuarial gains and losses generated during the year with respect to reimbursement rights	0				**0**
Net changes in the effect of the asset ceiling	0				**0**
Foreign exchange impact	5				**5**
Other	-1				-1
Remeasurements at the closing date	**-182**	**-10**	**63**	**-335**	**-464**

5.4 ACTUARIAL ASSUMPTIONS AND GAINS AND LOSSES

5.4.1 Main actuarial assumptions used

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

Discount rate

Obligations relating to the main post-employment benefits were discounted at the closing dates market rate based on leading corporate bonds of comparable maturity. The benchmark used to determine the discount rate is Bloomberg AA for the Eurozone. The last two rates indicated correspond to the plans of the subsidiaries that apply the rail (Geodis) and freight transport collective agreements. The rate for Sweden concerns the plans covering the subsidiaries of the SNCF Logistics business unit, while that for the UK concerns Eurostar, the subsidiary of the Voyages SNCF business unit.

Mortality table

Since the second half of 2013, EPIC SNCF Mobilités social welfare initiatives and provident obligations have been measured using a prospective mortality table by gender specific to railway employees (special pension plan base). This table prepared by the Caisse de Prévoyance Retraite (provident pension fund) was validated by a certifying actuary.

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

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

Gradual cessation of activity plan membership

The amount of the obligation under the gradual cessation of activity agreement was calculated using a membership assumption. In connection with the rail reform and the transfers on 1 July 2015, the breakdown of the commitment between the EPICs was determined using a different rate. The membership rate of EPIC SNCF Mobilités beneficiaries is 25.94%, unchanged since 2015. A 100 point increase or decrease in this assumption would have an impact of around €9 million on the obligation amount (€9 million as at 31 December 2017).

5.4.1.1 Assumptions used for the EPIC SNCF Mobilités main plans

As the obligations under the EPIC SNCF Mobilités plans represent more than 71% of the Group total, the actuarial assumptions used for their measurement are described below:

	31/12/2018	31/12/2017
Discount rate	1.58%	1.23%
Inflation rate	1.90%	1.75%
Benefit remeasurement rate		
Provident plan	*2.40%*	*2.40%*
Social welfare initiatives	*1.90%*	*1.75%*
Compensation for work-related injuries	*1.90%*	*1.75%*
Gradual cessation of activity	*2.37%*	*2.37%*
Retirement benefits and long-service awards	*2.37%*	*2.37%*
Mortality table		
Provident obligations and social welfare initiatives	*CPR H / CPRF*	*CPR H / CPRF*
Active and retired employees with work-related injuries	*CPR AT*	*CPR AT*
Widows of employees with work-related injuries	*CPR F*	*CPR F*
Gradual cessation of activity	CPR 80%H 20%F	CPR 80%H 20%F
Retirement benefits and long-service awards	*CPR 80%H 20%F*	*CPR 80%H 20%F*
Gradual cessation of activity plan membership	25.94%	25.94%

5.4.1.2 Assumptions used for other plans by geographical area

With respect to the plans granted by Group subsidiaries, the assumptions used for the principal monetary zones according to the plan terms are as follows:

	31/12/2018					31/12/2017				
	Eurozone			UK	Sweden	Eurozone			UK	Sweden
	Geodis Logistics Deutschland GmbH	SNCF Logistics	Keolis	Eurostar	Geodis Holding Sweden AB	Geodis Logistics Deutschland GmbH	SNCF Logistics	Keolis	Eurostar	Geodis Holding Sweden AB
Discount rate	1.68%	1.40%	1.26%	2.90%	2.50%	1.35%	1.10%	0.88%	2.70%	2.80%
Salary increase rate	2.00%	2.63%	4.29%	2.70%	3.00%	2.00%	2.61%	4.34%	2.60%	3.00%
Inflation rate	1.90%	1.90%	1.90%	3.20%	2.00%	1.75%	1.75%	1.75%	3.20%	2.00%

5.4.2 Analysis by nature of actuarial gains and losses

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

— For defined benefit plans covering post-employment benefits, actuarial gains and losses are recognised in other comprehensive income under non-recyclable reserves. They are never recycled in profit or loss but can be reclassified in undistributed reserves if the entity concerned is removed from the consolidation scope.

— For other long-term defined benefit plans (long-service awards, unemployment, salary maintenance, gradual cessation of activity, etc.), actuarial gains and losses and any past service costs are immediately recognised in finance cost.

5.4.2.1 Change and breakdown of actuarial gains and losses

31/12/2018 **In € millions**	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Post-employment compensation for work-related	TOTAL Post-employment benefits	Long-term compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits*	TOTAL Long-term benefits
Opening actuarial gains (losses)	**-182**	**-10**	**63**	**-335**	**-464**				
Experience adjustments relating to liabilities	-8	-2	-9	-5	**-23**	0	14	3	**17**
Effects of changes in demographic assumptions relating to liabilities	2	0	0	0	**2**	0	-5	-1	**-6**
Effects of changes in financial assumptions relating to liabilities	31	2	6	17	**55**	1	14	2	**16**
Actuarial gains and losses on the obligation generated over the year	**25**	**0**	**-3**	**12**	**34**	**1**	**23**	**4**	**27**
Experience adjustments relating to assets	-14				**-14**				
Effects of changes in financial assumptions relating to assets	0				**0**				
Actuarial gains and losses generated during the year with respect to plan assets	**-14**				**-14**				
Foreign exchange impact	1				**1**				
Other	0				**0**				
Closing actuarial gains (losses)	**-170**	**-10**	**60**	**-324**	**-443**				
Total experience adjustments	*-21*	*-2*	*-9*	*-5*	***-37***	*0*	*14*	*3*	***17***
Total impacts relating to changes in actuarial assumptions	*33*	*2*	*6*	*17*	***57***	*1*	*9*	*1*	***11***

31/12/2017 In € millions	Pensions and other similar benefits	Provident plan	Social welfare initia-tives	Post-employment compen-sation for work-related	TOTAL Post-employ-ment benefits	Long-term compen-sation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits*	TOTAL Long-term benefits
Opening actuarial gains (losses)	**-216**	**-7**	**70**	**-312**	**-465**				
Experience adjustments relating to liabilities	-12	-1	4	7	**-2**	0	24	4	**28**
Effects of changes in demographic assumptions relating to liabilities	11	0	0	0	**11**	0	0	0	**0**
Effects of changes in financial assumptions relating to liabilities	12	-2	-10	-31	**-30**	-1	-16	-4	**-22**
Actuarial gains and losses on the obligation generated over the year	**11**	**-2**	**-7**	**-24**	**-22**	**0**	**8**	**0**	**7**
Experience adjustments relating to assets	20				**20**				**0**
Effects of changes in financial assumptions relating to assets	0				**0**				**0**
Actuarial gains and losses generated during the year with respect to plan assets	**20**				**20**				**0**
Foreign exchange impact	5				**5**				**0**
Other	-1				**-1**				**0**
Closing actuarial gains (losses)	**-182**	**-10**	**63**	**-335**	**-464**				**0**
Total experience adjustments	*8*	*-1*	*4*	*7*	***17***	*0*	*24*	*4*	***28***
Total impacts relating to changes in actuarial assumptions	*23*	*-2*	*-10*	*-31*	***-19***	*-1*	*-16*	*-4*	***-22***

* For other long-term benefits, actuarial gains and losses were not monitored as they have always been recognised immediately in finance costs for the period.

With respect to fiscal 2018, the impacts relating to changes in financial assumptions were mainly due to higher discount and inflation rates.

With respect to fiscal 2017, the impacts relating to changes n financial assumptions were mainly due to the decline in the discount rate

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

The amounts below correspond to the decrease (actuarial gain) or increase (actuarial loss) in obligations as recognised as at 31 December 2018.

31/12/2018 In € millions Gains (-) / Losses (+)	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account
Sensitivity to the discount rate					
Change of + 0.25 pt	-42	-1	-7	-21	-9
Change of - 0.25 pt	24	1	7	22	10
Sensitivity to the inflation rate					
Change of + 0.25 pt		1	7	22	
Change of - 0.25 pt		-1	-7	-21	
Sensitivity to Gradual cessation of activity membership rate					
Change of + 1pt					9
Change of - 1pt					-9

31/12/2017 In € millions Gains (-) / Losses (+)	Pensions and other similar benefits	Provident plan	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account
Sensitivity to the discount rate					
Change of + 0.25 pt	-39	-1	-7	-22	-9
Change of - 0.25 pt	28	1	8	23	10
Sensitivity to the inflation rate					
Change of + 0.25 pt		1	7	23	0
Change of - 0.25 pt		-1	-7	-22	0
Sensitivity to Gradual cessation of activity membership rate					
Change of + 1pt					9
Change of - 1pt					-9

5.5 MANAGEMENT COMPENSATION

The Group's key management personnel are the Chairman and CEO, General Directors and Deputy General Directors. It also includes other members of the Executive Committee.

Their cumulative taxable compensation indicated below corresponds to short-term benefits.

In € millions	31/12/2018	31/12/2017
Short-term employee benefits	3,7	2,8
Post-employment benefits	0,0	0,0
Termination benefits	0,0	0,0
Total	**3,7**	**2,8**

The increase was attributable to the expansion of the Executive Committee, which had 9.3 full-time equivalent members in 2018, compared to 6.1 in 2017.

The average gross salary for Executive Committee members fell by 14%.

6. CAPITAL AND FINANCING

6.1 NET INDEBTEDNESS

Net indebtedness is the sum of current and non-current financial liabilities less current and non-current financial assets, when the latter arise from transactions which, in substance, only involve exchanges of cash flow: issue or receipt of cash in consideration for a cash reimbursement or expected cash reimbursement.

Net indebtedness excludes the following items:

— pension assets and liabilities which are covered by IAS 19 and presented in Note 5;

— concession financial assets and liabilities, as they compensate for a transportation service or the right to use an infrastructure under a concession agreement;

— non-controlling interest purchase commitments as they are equity transactions and do not involve an exchange of cash flow. Keeping in line with the exclusion of equity from net indebtedness, the financial liabilities arising from these transactions are also excluded;

— Investments in equity instruments, corresponding to non-consolidated investments.

6.1.1 Net borrowing costs

Net borrowing costs consist of:

— interest paid on Group borrowings;

— proceeds from the SNCF Réseau receivable (see Note 6.1.2.1);

— proceeds from the Public Debt Fund receivable (see Note 6.1.2.1);

— and interest received on available cash balances.

These items are presented after hedging transactions and include fair value gains and losses on derivative instruments not qualifying for IFRS hedge accounting. Net changes in fair value and hedges records gains and losses on financial instruments at fair value through profit or loss, the ineffective portion of hedges, and the change in fair value of borrowings using the fair value option.

Net borrowing costs break down as follows:

In € millions	31/12/2018*	31/12/2017	Change
Net changes in fair value and hedges	**119**	**13**	**107**
Gains and losses on derivative instruments	121		
Gains and losses on fair value hedged items	25		
Gains and losses on equity instruments at fair value through profit or loss	-12		
Gains and losses on debt instruments at fair value through profit or loss	0		
Gains and losses on financial liabilities at fair value through profit or loss	1		
Other fair value gains and losses	-17		
Net borrowing costs	**-298**	**-259**	**-39**
Of which interest income and expense on financial assets at amortised cost	*151*		
Of which interest income and expense on financial liabilities at amortised cost	*-439*		
Other interest expense and income	**-15**	**-26**	**11**
Net borrowing and other costs	**-194**	**-272**	**78**

*The implementation of IFRS 9 includes additional information in the notes on net borrowing costs (amendment to IFRS 7). The comparative information was not restated (see Note 1.2.2).

In € millions	31/12/2018	31/12/2017	Change
Interest expense	-757	-628	-129
Interest income	563	356	207
Net borrowing and other costs	**-194**	**-272**	**78**

6.1.2 Calculation of net indebtedness

The following tables present the categories and classes of financial assets and liabilities as well as the methods used for their fair value measurement. The items excluded from the net indebtedness calculation do not appear in the “Net indebtedness” column or the “Group net indebtedness” sub-total.

The classification and measurement of financial assets requires an analysis of the cash flows generated by such assets, and their business model. Cash flow analysis consists in defining whether or not the financial asset generates solely principal repayment flows and related interest payments. These are called SPPI assets (solely payments of principal and interest on the principal amount). Their management model is analysed to determine whether the financial asset is held by the Group in order to:

— collect the contractual flows generated by the financial asset;

— collect the contractual flows generated by the financial asset and following its sale;

— any other business model, particularly for short-term trading or optimisation.

This double analysis is carried out to determine the measurement method applicable to each financial asset:

— measurement at amortised cost;

— measurement at fair value through other comprehensive income;

— measurement at fair value through profit or loss.

Furthermore, debt instruments in assets (loans, receivables, bonds and other securities) measured at amortised cost are subject to the impairment model for expected losses. This impairment, representing the counterparty’s credit risk, is recognised against the income statement as soon as loans and receivables have been granted or securities acquired, without the identification of any objective indication of impairment. It is estimated for the credit losses that the Group expects to incur over a one-year period, based on the historical data or financial rating of the counterparty. In the event of significant credit risk deterioration, it is remeasured to represent the loss expected over the life of the financial asset.

The Group does not recognise impairment for losses expected on the following financial assets:

— assets held with a government counterparty presenting a negligible credit risk;

— assets held with an entity included within the Group’s scope of consolidation;

— assets whose expected losses are estimated to be immaterial.

In the event of an objective indication of impairment, which is to say a long-term and material decline in an asset’s value, an impairment loss is recognised through profit or loss for the loss in value. An objective indication arises from the Group’s knowledge of the debtor’s financial difficulties (payment default, liquidation, etc.).

Financial assets or liabilities maturing in less than 12 months at the balance sheet date are recorded in current financial assets or current financial liabilities. The fair value of asset or liability derivative instruments is classified as current or non-current based on the final maturity of the derivative. The loans, borrowings and fair value of derivative instrument line items include accrued interest. «Regular way» purchases are recorded at the settlement date. The level of hierarchy used to calculate the fair value of financial instruments, whether recognised at fair value or amortised cost, is shown by category and comprises the following three levels under IFRS 13:

— Level 1: fair value measured using quoted prices by reference to the closing stock market price for listed financial instruments;

— Level 2: fair value measured using inputs other than quoted prices that are observable directly or indirectly on the market. It is used for unlisted financial instruments, for which there exists listed instruments of a similar nature and maturity and by reference to the stock market price of such instruments;

- Level 3: fair value determined using valuation techniques not based on observable market data. It is used for other unlisted instruments. The fair value is determined using valuation techniques such as the revalued net asset method, discounted cash flows or option valuation models.

31/12/2018					Financial instruments				Total	Fair value			
Balance sheet heading and classes of financial instruments In € millions	**Note**	**Non-current**	**Current**	**Net indebtedness**	**At fair value through equity**	**At amortised cost**	**At fair value through profit or loss**	**Derivatives qualified for hedging**	**Net carrying amount of the class on the balance sheet**	**Fair value of the class**	**Level 1**	**Level 2**	**Level 3**
SNCF Réseau receivable	6.1.2.1	662	25	686	–	686	–	–	686	932	–	932	–
SNCF receivable	6.1.2.1	307	51	358	–	358	–	–	358	392	–	392	–
Public Debt Fund receivable	6.1.2.1	1,478	42	1,520	–	1,520	–	–	1,520	1,841	–	1,841	–
Cash collateral assets		–	408	408	–	408	–	–	408	408	–	408	–
Other loans and receivables	6.1.2.1	372	214	586	–	582	4	–	586	599	0	598	1
Concession financial assets	3.3	923	137	–	–	1,060	–	–	1,060	1,114	–	1,114	–
Debt securities	6.1.2.3	72	–	72	–	–	72	–	72	72	–	72	0
Sub-total debt instruments		**3,813**	**877**	**3,630**	**–**	**4,614**	**76**	**–**	**4,690**	**5,358**	**0**	**5,356**	**1**
Pension assets	5	13											
Investments in equity instruments	6.1.2.2	198	0	–	171	–	26	–	197	197	8	22	168
Trading instruments	6.1.2.3	–	2	2	–	–	2	–	2	2	2	0	–
Positive fair value of hedging derivatives	6.3	251	146	397	–	–	–	397	397	397	–	397	–
Positive fair value of trading derivatives	6.3	689	204	894	–	–	894	–	894	894	–	894	–
Cash and cash equivalents	6.1.2.5	–	4,954	4,954	–	–	4,954	–	4,954	4,954	3,906	1,048	0
Total current and non-current financial assets		**4,964**	**6,183**	**9,877**	**171**	**4,614**	**5,953**	**397**	**11,134**	**11,802**	**3,916**	**7,717**	**170**
Bonds		10,454	1,196	11,650	–	11,502	148	–	11,650	13,587	–	13,587	–
Bank borrowings		2,019	351	2,371	–	2,371	–	–	2,371	2,381	0	2,381	–
Finance-lease borrowings		404	90	493	–	493	–	–	493	494	-0	494	–
Sub-total borrowings	6.1.2.4	**12,877**	**1,637**	**14,514**	**–**	**14,366**	**148**	**–**	**14,514**	**16,462**	**0**	**16,462**	**–**
of which:													
- not subject to hedging		*8,360*	*1,097*	*9,457*	–	*9,457*	–	–	*9,457*	*11,035*	*0*	*11,035*	–
- recognised using cash flow hedge accounting		*2,185*	*498*	*2,683*	–	*2,683*	–	–	*2,683*	*2,957*	–	*2,957*	–
- recognised using fair value hedge accounting		*2,186*	*41*	*2,227*	–	*2,227*	–	–	*2,227*	*2,322*	*0*	*2,322*	–
*- designated at fair value **		*146*	*2*	*148*	–	–	*148*	–	*148*	*148*	*0*	*148*	–
Negative fair value of hedging derivatives	6.3	456	27	482	–	–	–	482	482	482	–	482	–
Negative fair value of trading derivatives	6.3	540	105	645	–	–	645	–	645	645	–	645	–
Loans and borrowings		**13,872**	**1,769**	**15,641**	**–**	**14,366**	**793**	**482**	**15,641**	**17,589**	**0**	**17,589**	**–**
Cash borrowings and overdrafts	6.1.2.5	–	1,422	1,422	–	1,422	–	–	1,422	1,422	456	966	–
Amounts payable on non-controlling interest purchase commitments	6.1.2.4	1,558	–	–	1,558	–	–	–	1,558	1,558	–	–	1,558
Total current and non-current liabilities		**15,430**	**3,191**	**17,063**	**1,558**	**15,788**	**793**	**482**	**18,621**	**20,569**	**456**	**18,555**	**1,558**
Group net indebtedness		**10,042**	**-2,856**	**7,186**	**–**	**12,234**	**-5,134**	**85**	**7,186**	**8,520**	**-3,452**	**11,974**	**-1**

The Group did not designate any financial assets at fair value through profit or loss.
* The nominal amount of liabilities recorded under the fair value option was €120 million. These liabilities were designated at fair value at initial recognition.

31/12/2017					Financial instruments				Total	Fair value			
Balance sheet heading and classes of financial instruments In € millions	**Note**	**Non-current**	**Current**	**Net indebtedness**	**At fair value through equity**	**Loans, receivables, debt at amortised cost**	**At fair value through profit or loss**	**Derivatives qualified for hedging**	**Net carrying amount of the class on the balance sheet**	**Fair value of the class**	**Level 1**	**Level 2**	**Level 3**
SNCF Réseau receivable	6.1.2.1	665	26	691	–	691	–	–	691	981	–	981	–
SNCF receivable	6.1.2.1	356	51	407	–	407	–	–	407	448	–	448	–
Public Debt Fund receivable	6.1.2.1	1,491	42	1,533	–	1,533	–	–	1,533	1,923	–	1,923	–
Cash collateral assets		–	573	573	–	573	–	–	573	573	–	573	–
Other loans and receivables	6.1.2.1	453	57	510	–	510	–	–	510	530	1	528	1
Concession financial assets	3.3	1,195	117		–	1,312	–	–	1,312	1,439	–	1,439	–
Sub-total loans and receivables		**4,160**	**867**	**3,715**	**–**	**5,027**	**–**	**–**	**5,027**	**5,895**	**1**	**5,892**	**1**
Pension assets	5	13									–	–	–
Available-for-sale assets		229	–		229	–	–	–	229	229	–	38	191
Assets at fair value through profit or loss	6.1.2.3	–	1	1	–	–	1	–	1	1	1	0	–
Positive fair value of hedging derivatives	6.3	336	91	426	–	–	–	426	426	426	–	426	–
Positive fair value of trading derivatives	6.3	736	115	852	–	–	852	–	852	852	–	852	–
Cash and cash equivalents	6.1.2.5	–	6,394	6,394	–	–	6,394	–	6,394	6,394	5,624	770	0
Total current and non-current financial assets		**5,474**	**7,468**	**11,387**	**229**	**5,027**	**7,246**	**426**	**12,929**	**13,796**	**5,626**	**7,978**	**193**
Bonds		10,878	1,598	12,476	–	12,297	179	–	12,476	14,598	–	14,598	–
Bank borrowings		2,004	95	2,099	–	2,099	–	–	2,099	2,112	0	2,111	0
Finance-lease borrowings		641	217	858	–	858	–	–	858	857	0	857	0
Sub-total borrowings	6.1.2.4	**13,523**	**1,910**	**15,433**	**–**	**15,254**	**179**	**–**	**15,433**	**17,566**	**0**	**17,566**	**0**
of which:													
- measured at amortised cost		*11,215*	*1,837*	*13,052*	–	*13,052*	–	–	*13,052*	*15,085*	*0*	*15,084*	*0*
- recognised using fair value hedge accounting		*2,162*	*40*	*2,202*	–	*2,202*	–	–	*2,202*	*2,302*	–	*2,302*	–
*- designated at fair value**		*147*	*32*	*179*	–	–	*179*	–	*179*	*179*	–	*179*	–
Negative fair value of hedging derivatives	6.3	494	31	525	–	–	–	525	525	525	–	525	–
Negative fair value of trading derivatives	6.3	590	114	704	–	–	704	–	704	704	–	704	–
Loans and borrowings		**14,608**	**2,054**	**16,662**	**–**	**15,254**	**883**	**525**	**16,662**	**18,795**	**0**	**18,794**	**0**
Cash borrowings and overdrafts	6.1.2.5	–	2,640	2,640	–	2,640	–	–	2,640	2,640	262	2,378	–
Amounts payable on non-controlling interest purchase commitments	6.1.2.4	1,275	–	–	1,275	–	–	–	1,275	1,275	–	–	1,275
Total current and non-current liabilities		**15,883**	**4,693**	**19,301**	**1,275**	**17,893**	**883**	**525**	**20,576**	**22,710**	**262**	**21,172**	**1,275**
Group net indebtedness		**10,571**	**-2,657**	**7,914**	**–**	**14,178**	**-6,364**	**99**	**7,914**	**9,307**	**-5,364**	**14,671**	**-1**

The Group did not designate any financial assets at fair value through profit or loss.
* The nominal amount of liabilities recorded under the fair value option was €145 million. These liabilities were designated at fair value at initial recognition.

6.1.2.1. Financial assets at amortised cost

Loans, receivables and debt securities are recognised at amortised cost in the balance sheet when they generate solely payments of principal and interest on the principal amount (SPPI) and are held for the sole purpose of collecting these same cash flows.

SNCF Réseau (formerly Réseau Ferré de France until 31 December 2014) receivable

In the law of 13 February 1997 that led to the creation of Réseau Ferré de France (RFF), Article 7 provides for the transfer of a €20.5 billion liability to Réseau Ferré de France in consideration of the transfer of infrastructure assets as at 1 January 1997.

This transfer resulted in the recognition of an RFF receivable in the SNCF Mobilités Group's assets, with no change in liabilities.

The RFF receivable was constructed line by line so as to present a maturity, currency and interest rate structure identical in all respects to that of the company's liability, which totalled €30.3 billion as at 31 December 1996, after swap contracts.

The 1996 year-end exchange rate was the initial rate used for the foreign currencies included in the receivable.

Deferred income and expenses corresponding to issue premiums and costs or swap contract income or expenses were also transferred, resulting in a cash payment. This payment was recognised in the SNCF Mobilités Group financial statements as deferred income, which is released to the income statement according to the maturities of the corresponding transactions.

The RFF receivable is embodied in an agreement signed by both companies.

The receivable is valued at amortised cost. Where appropriate, it is subject to fair value or cash flow hedge accounting. As at 31 December 2018, the SNCF Réseau receivable was not subject to fair value or cash flow hedging, as was the case as at 31 December 2017.

SNCF receivable
The SNCF receivable resulted from the transfers pursuant to the Law of 4 August 2014 on rail reform. It reflects the fixed-rate payment by SNCF of the transfer price in ten annual instalments until 1 July 2025. It was recognised at amortised cost.

Public debt fund receivable
In accordance with the corporate plan (contrat de plan) signed by the French State and SNCF Mobilités (formerly SNCF) in 1990, a Special Debt Account was set up on 1 January 1991 in order to isolate a portion of SNCF Mobilités' debt.

On the preparation of SNCF Mobilités opening IFRS balance sheet as at 1 January 2006, the debt from the Special Debt Account was transferred to the EPIC Mobilités balance sheet. At the same time, confirmation of the French State's commitment to contribute to the amortisation and servicing of the debt led to the recognition of a receivable in respect of expected payments from the French State.

In December 2007, in order to find a long-term and definitive solution to the future of these commitments and the financing of Special Debt Account debts, a series of transactions were carried out in order to replace the French State receivable with a Public Debt Fund receivable, the terms and conditions of which reflect commitments to third-parties ring-fenced in the Special Debt Account.

Following these transactions, SNCF Mobilités:

— remains indebted towards holders of securities with the banking counterparties of forward financial instruments (foreign currency and interest rate swaps) it has contracted;

— holds a receivable on the Public Debt Fund exactly reflecting the amount of the Special Debt Account debt and its terms and conditions and also covering the related derivatives.

The method of accounting for the receivable is unchanged in relation to the method that had been adopted for the recognition of a receivable in respect of expected payments from the French State in the opening IFRS balance sheet as at 1 January 2006, namely:

— the receivable is initially recorded, at the transfer date, at the fair value of debts transferred and subsequently at amortised cost;

— derivative instruments relating to the receivable are recorded at fair value, with gains and losses on remeasurement recognised in profit or loss.

The net carrying amounts do not include derivative instruments.

Other loans and receivables
Other loans and receivables include the employee-profit sharing receivables, «construction assistance» loans and other loans and guarantee deposits (excluding cash collateral assets). For the most part, these financial instruments are initially valued at fair value and then subsequently at amortised cost based on the effective interest rate (EIR). When they do not satisfy SPPI criteria, these assets are measured at fair value (see Note 6.1.2.3).

These instruments are presented in non-current assets, except for assets maturing in less than 12 months at the balance sheet date, which are recorded in current assets.

6.1.2.2. Financial assets at fair value through equity

Debt instruments in assets (other loans and receivables, debt securities) that generate solely payments of principal and interest on the principal amount (SPPI) and are held for the sole purpose of collecting these same cash flows and the proceeds from their subsequent disposal are recognised at fair value through recyclable equity.

Equity instruments (shares and non-consolidated investments) may be measured at fair value through non-recyclable equity if irrevocably chosen by the Group. A method is chosen for each security.

As at 31 December 2018, the Group did not hold any debt instruments measured at fair value through equity.

Investments in equity instruments include Group investments in non-consolidated companies for €171 million (€229 million as at 31 December 2017) that the Group does not hold for short-term profit (particularly the low-rental housing companies (ESH) described in Note 10.2) and which are not held for sale.

These equity investments are measured at fair value at each balance sheet date and any changes in fair value are recorded directly in equity in a specific account under other comprehensive income. Fair value is determined based on the financial criteria most appropriate to the specific situation of each company. It is measured according to Level 1 when quoted prices are available, according to Level 2 when similar transaction prices are observable on the market, and, otherwise, according to Level 3, based on profitability outlooks or the share of equity when it provides a good indication of the investment's market value. In the event of disposal, amounts recorded in equity are not transferred to profit or loss. The capital gain or loss is therefore maintained in equity.

These instruments are not subject to impairment.

6.1.2.3. Assets at fair value through profit or loss

Financial assets that do not generate solely payment of principal and its interests (non-SPPI) and those held for a short-term profit (trading assets) are recognised at fair value through profit and loss.

Non-SPPI assets include bonds redeemable in shares, Group shares in venture capital funds and any shares and equity investments that the Group has not elected to measure at fair value through equity (see Note 6.1.2.2).

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

In particular, SNCF Mobilités Group cash flow is globally managed pursuant to a general market risk management framework approved by the Board of Directors and combining investments in negotiable debt instruments and French money market mutual funds (UCITS). Its performance is measured, in the same way as that of UCITS, by reference to EONIA (Euro Overnight Index Average). As UCITS are measured at net asset value taking into account portfolio fair value, and in order to achieve overall consistency, investments with an initial maturity of more than three months are recorded in this category by designation.

6.1.2.4. Current and non-current financial liabilities

Financial liabilities are measured according to one of the following methods:

— at fair value through the income statement for liabilities held for trading and those that the Group elects to measure under the fair value option when the required criteria are satisfied;

— at amortised cost using the effective interest rate (EIR) method for other financial liabilities.

Financial liabilities include guarantee deposits received in respect of derivative instruments. The outstanding amounts of these deposits are included in the aggregate "Cash collateral liabilities."

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

Certain borrowings are subject to fair value or cash flow hedge accounting. In addition, certain borrowings with detachable embedded derivatives recorded using hedge accounting are recorded at fair value («fair value» option). This option is used when the corresponding liabilities comprise an embedded derivative significantly modifying the cash flows which would otherwise result in the contract or where the Group is unable to value the embedded derivative separately. Any change in this fair value is recorded in net finance cost, apart from the specific credit risk component which is to be recognised directly in equity. This option only concerns liabilities of EPIC Mobilités. The Group considers that exposure to own credit risk does not give rise to any change in value.

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

IFRS 10, "Consolidated financial statements", and IAS 32, "Financial instruments: presentation", as they currently stand, lead the Group to record firm and conditional non-controlling interest purchase commitments as a financial liability with an offsetting reduction in non-controlling interests. Where the commitment value exceeds the amount of non-controlling interests, the residual balance is deducted from Group equity. The fair value of non-controlling interest purchase commitments is reviewed at each balance sheet date. It is measured according to Level 1 when quoted prices are available, Level 2 when the commitment stems from a recent transaction and, otherwise, Level 3. The corresponding financial liability is offset in equity.

6.1.2.5. Cash and cash equivalents

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

For these securities, the fair value adopted is the UCITS net asset value. The fair value falls under Level 1 of the fair value hierarchy set forth in paragraph 72 of IFRS 13. However, considering their residual life at closing, other investments, particularly, negotiable debt securities, are recognised at nominal value, as the Group considers this to be a reasonable estimate of their market value.

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

In € millions	31/12/2018	31/12/2017	Change
Monetary mutual funds equivalent to cash and negotiable debt securities maturing in less than three months*	2,153	4,798	-2,645
Cash at bank and in hand	2,801	1,596	1,205
Cash and cash equivalents in the statement of financial position	**4,954**	**6,394**	**-1,440**
Accrued interest payable	-1	-1	0
Current bank facilities	-455	-261	-194
Cash and cash equivalents in the cash flow statement	**4,498**	**6,132**	**-1,634**

* Including deposits and commercial paper.

The Group considers the nominal value of negotiable debt securities recorded in cash and cash equivalents to be a reasonable estimate of their market value. The risk of changes in value is immaterial for these instruments. Monetary mutual funds equivalent to cash are stated at fair value and amounted to €1,456 million as at 31 December 2018 (€4,027 million as at 31 December 2017).

Net cash from operating activities totalled €1,720 million in 2018 (€2,395 million in 2017), primarily internal financing for €1,438 million (€2,054 million in 2017). The impact of the change in WCR had a positive balance in 2018 (€158 million) compared to a balance of €23 million in 2017.

Net cash used in investing activities totalled €441 million in 2018 (net cash of €1,467 million was used in investing activities in 2017).

— The cash outflows were primarily attributable to:

• capital expenditure on intangible assets and property, plant and equipment in the amount of €2,648 million in 2018 (€2,482 million in 2017); it is described in Note 4.1.3;

• new concession financial assets for €1,028 million in 2018 (€1,047 million in 2017).

— They were offset by:

• Group structure impacts for €614 million in 2018 mainly relating to the sale of the real estate company Vesta (€61 million in 2017, including €180 million in cash from the sale of STVA);

• disposals of intangible assets and property, plant and equipment for €271 million in 2018, compared to €336 million in 2017;

• investment grants received for €365 million in 2018, compared to €315 million in 2017;

• amounts received from concession financial assets for €1,379 million in 2018, compared to €1,031 million in 2017.

Net cash used in financing activities totalled €2,900 million in 2018 (net cash of €936 million was generated by financing activities in 2017). The item essentially stems from:

— payment of dividends to EPIC SNCF for €186 million (€110 million in 2017);

— net financial interest payment for €313 million (€296 million in 2017);

— cash liability repayments for €1,445 million, primarily for EPIC SNCF Mobilités (compared to €49 million in 2017);

— borrowing repayments, net of amounts received on the SNCF Réseau and PDF receivables, for €1,266 million, primarily for EPIC SNCF Mobilités (€393 million in 2017); amounts received from the SNCF Réseau and PDF receivables totalled €5 million (€6 million in 2017) and €0 million (€0 million in 2017), respectively.

— new borrowings for €319 million (€1,810 million in 2017), of which €24 million for EPIC SNCF Mobilités (€1,444 million in 2017). A €1 billion fixed-rate bond, swapped at floating rates for half the amount, was issued on 2 February 2017 by EPIC SNCF Mobilités. Both the bond and swap mature on 2 February 2029. A second tranche of €300 million was issued on 31 May 2017.

6.1.2.6. Changes in liabilities arising from financing activities

The opening and closing balances of liabilities arising from financing activities and the financial assets hedging these liabilities in the consolidated statement of financial position were reconciled as follows:

	31/12/2017	Cash flow from financing activities					Non-monetary changes					31/12/2018
In € millions	Total	Issue of debt instruments	Repayments of borrowings	Net borrowing costs paid	Increase/(decrease) in cash borrowings	Cash from equity transactions	Changes in fair value	Exchange rate fluctuations	Change in scope	Non-monetary change in leases	Other	Total
Liabilities (A)	**20,314**	**319**	**-1,269**	**-5**	**-1,445**	**0**	**187**	**-3**	**23**	**46**	**-2**	**18,165**
Bonds	12,476	8	-782	-10	0	0	-41	0	0	0	0	11,650
Bank borrowings	2,099	297	-60	1	0	0	17	-2	19	0	0	2,371
Finance-lease borrowings	858	15	-427	0	0	0	0	-1	5	46	-1	493
Cash borrowings (excluding overdrafts)	2,378	0	0	0	-1,445	0	33	0	0	0	0	966
Amounts payable on non-controlling interest purchase commitments	1,275	0	0	0	0	0	283	0	0	0	0	1,558
Negative fair value of hedging and trading derivatives	1,229	0	0	4	0	0	-105	0	0	0	0	1,127
Assets (B)	**3,551**	**0**	**-4**	**1**	**0**	**0**	**-2**	**0**	**0**	**0**	**2**	**3,549**
SNCF Réseau receivable	691	0	-5	0	0	0	0	0	0	0	0	686
SNCF receivable – Accrued interest	6	0	0	-1	0	0	0	0	0	0	0	5
Public Debt Fund receivable	1,533	0	0	0	0	0	-13	0	0	0	0	1,520
Other loans and receivables – Accrued interest	5	0	0	0	0	0	0	0	0	0	0	5
Deposits and securities	39	0	1	0	0	0	0	0	0	0	2	42
Positive fair value of hedging and trading derivatives	1,278	0	0	2	0	0	10	0	0	0	0	1,290
Financial income and expenses (C)		**0**	**0**	**-307**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Expenses		0	0	-662	0	0	0	0	0	0	0	
Income		0	0	355	0	0	0	0	0	0	0	
Financing cash flows in the CFS (A-B+C)	**16,763**	**319**	**-1,266**	**-313**	**-1,445**	**0**	**189**	**-4**	**23**	**46**	**-3**	**14,616**

	31/12/2016	Cash flow from financing activities					Non-monetary changes					31/12/2017
In € millions	Total	Issue of debt instruments	Repayments of borrowings	Net borrowing costs paid	Increase/ (decrease) in cash borrowings	Cash from equity transactions	Changes in fair value	Exchange rate fluctuations	Change in scope	Non-monetary change in leases	Other	Total
Liabilities (A)	**19,186**	**1,810**	**-395**	**11**	**-49**	**-4**	**-404**	**-76**	**179**	**61**	**-4**	**20,314**
Bonds	11,432	1,428	-118	22	0	0	-288	0	0	0	0	12,476
Bank borrowings	1,845	370	-198	1	0	0	13	-69	158	0	-20	2,099
Finance-lease borrowings	860	12	-79	0	0	0	0	-3	4	61	3	858
Cash borrowings (excluding overdrafts)	2,457	0	0	0	-49	0	-45	0	0	0	15	2,378
Amounts payable on non-controlling interest purchase commitments	1,177	0	0	0	0	-4	86	0	16	0	0	1,275
Negative fair value of hedging and trading derivatives	1,415	0	0	-12	0	0	-170	-4	1	0	-1	1,229
Assets (B)	**3,929**	**0**	**-2**	**3**	**0**	**0**	**-383**	**-2**	**10**	**0**	**-3**	**3,551**
SNCF Réseau receivable	697	0	-6	0	0	0	0	0	0	0	0	691
SNCF receivable – Accrued interest	6	0	0	-1	0	0	0	0	0	0	0	6
Public Debt Fund receivable	1,545	0	0	0	0	0	-12	0	0	0	0	1,533
Other loans and receivables – Accrued interest	4	0	0	0	0	0	0	0	2	0	-2	5
Deposits and securities	29	0	4	0	0	0	0	-2	9	0	-1	39
Positive fair value of hedging and trading derivatives	1,647	0	0	4	0	0	-371	0	0	0	-1	1,278
Financial income and expenses (C)		**0**	**0**	**-303**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Expenses		0	0	-597	0	0	0	0	0	0	0	
Income		0	0	293	0	0	0	0	0	0	0	
Financing cash flows in the CFS (A-B+C)	**15,257**	**1,810**	**-393**	**-296**	**-49**	**-4**	**-21**	**-74**	**169**	**61**	**0**	**16,763**

6.2 MANAGEMENT OF MARKET RISKS AND HEDGING

The management of market risks is governed by a general framework, approved by the Group's Board of Directors, setting out the management principles for parent company risks that may be hedged by financial instruments.

This general framework defines the principles governing the selection of financial products, counterparties and underlyings for derivative instruments.

More specifically, the general framework defines risk limits for the management of euro and foreign currency cash balances and long-term net indebtedness.

In addition, it describes the delegation and decision-making system and the reporting and control system and its frequency (daily, twice monthly, monthly and annually).

6.2.1 Interest rate risk management

The cost of long-term net indebtedness is optimised, with regard to interest rates, by managing the mix of fixed and floating rate borrowings. The Group uses firm and optional interest rate swap instruments within the limits defined, for SNCF Mobilités, by the aforementioned general framework.

From an economic standpoint, fixed-rate net borrowings of the parent company represented 99.40% of total borrowings as at 31 December 2018, compared to 108.50% as at 31 December 2017. On the same basis, the cost of long-term net indebtedness was 3.41% for fiscal year 2018, compared to 3.01% for fiscal year 2017.

Sensitivity analysis

The sensitivity of profit or loss to the risk of interest rate fluctuations is related to:

— floating-rate net debt after taking into account hedges;

— fair value option debt;

— derivative instruments not qualified as hedges within the meaning of IFRS 9.

The sensitivity of recyclable reserves (equity) to the risk of interest rate fluctuations is related to derivatives qualified as cash flow hedges.

The sensitivity analysis was determined based on a 50 basis point (bp) increase and decrease in the interest rate curve at the year-end, and breaks down as follows:

	31/12/2018				31/12/2017			
	+50 bp		-50 bp		+50 bp		-50 bp	
In € millions	**Net profit**	**Recyclable reserves**	**Net profit**	**Recyclable reserves**	**Net profit**	**Recyclable reserves**	**Net profit**	**Recyclable reserves**
Floating-rate financial instruments (after taking into account fair value hedges)	8	0	-5	0	4	0	-5	0
Fair value option debt	4	0	-4	0	4	0	-5	0
Derivatives not qualified as hedges	15	0	-29	0	8	0	-19	**0**
Derivatives qualified as cash flow hedges	0	47	0	-51	0	43	0	-38
Total	**27**	**47**	**-38**	**-51**	**16**	**43**	**-28**	**-38**

The breakdown by interest rate of loans and borrowings, before and after adjustment for derivatives (hedging and trading), is as follows:

	Initial debt structure		Structure after IFRS hedging	
In € millions	**31/12/2018**	**31/12/2017**	**31/12/2018**	**31/12/2017**
Fixed rate	11,826	12,493	10,954	11,566
Floating rate	2,688	2,940	3,560	3,867
Total loans and borrowings	**14,514**	**15,433**	**14,514**	**15,433**

6.2.2 Foreign currency risk management

Foreign currency-denominated transactions are translated by the subsidiary into its functional currency at the exchange rate prevailing on the transaction date.

Monetary items in the balance sheet are retranslated at the closing exchange rate at each balance sheet date. The resulting translation differences are recorded in profit or loss or as a separate equity component if they relate to hedging transactions qualifying as net investments or cash flows under IFRS.

The commercial activities of the Group do not expose it to material foreign currency risk.

Excluding subsidiaries operating in their own country, Group net indebtedness denominated in currencies other than the euro is managed in line with the acceptable risk limit defined, for SNCF Mobilités, in the same general framework. The Group uses currency swaps for this purpose, generally set up when the borrowing is issued.

As at 31 December 2018, the portion of foreign currency denominated net debt for EPIC Mobilités, after hedging by currency swaps, increased to 0.18% (0.17% as at 31 December 2017).

Given the small percentage of unhedged foreign currency denominated borrowings, net profit or loss is not, in the Group's opinion, sensitive to foreign currency risk.

The breakdown by currency of loans and borrowings, before and after adjustment for derivatives (hedging and trading), is as follows:

	Initial debt structure		Structure after currency hedging	
In € millions	**31/12/2018**	**31/12/2017**	**31/12/2018**	**31/12/2017**
Euro	11,416	12,229	13,620	14,705
Swiss franc	880	1,137	0	0
US dollar	495	408	364	283
Canadian dollar	32	34	32	34
Pound sterling	1,175	1,093	391	292
Yen	267	277	0	0
Australian dollar	63	74	62	74
Hong Kong dollar	142	136	0	0
Other	45	45	45	45
Total loans and borrowings	**14,514**	**15,433**	**14,514**	**15,433**

The pound sterling denominated debt is fully hedged by pound sterling assets, the Swiss franc denominated debt has fully matured and Dollar denominated debt is partially hedged by Dollar assets.

6.2.3 Commodity risk management

The Group's production requirements expose it to the risk of price fluctuations for petroleum and electricity products. This risk is managed using firm and optional derivatives (swaps, options, caps, floors).

— For 2017 and considering the fall in barrel prices to below $50, EPIC SNCF Mobilités decided to hedge a portion of oil consumption by implementing derivatives for a volume of 8,400 tonnes. These derivatives generated a gain of €0.236 million during the year.

For 2018, the decision was made to hedge a portion of oil consumption by implementing derivatives for a volume of 5,000 tonnes, thus generating a gain of €0.52 million over the year.

For 2019 and in a context of intense economic pressure, a cash flow hedge was set up by implementing derivatives for a volume of 9,600 tonnes, thus generating a liability fair value of €0.51 million.

— At Keolis, six zero premium diesel hedging tunnels for a volume of 6,822 tonnes of diesel as at 31 December 2017 were set up by Keolis SA and designated as cash flow hedges. These tunnels are accounted for as operating receivables and present a fair value of +€0.2 million as at the end of December. These tunnels expire between 30 June 2018 and 30 September 2019.

Thirteen zero premium diesel hedging tunnels for a volume of 7,961 tonnes of diesel as at 31 December 2018 were set up and designated as cash flow hedges. These tunnels presented a fair value of -€0.6 million as at 31 December. These tunnels expire between 31 May 2019 and 31 August 2020.

— SNCF Énergie, in its capacity as electricity supplier to the Group's subsidiaries for their energy needs on the French traction network, enters into forward contracts with the market or regulatory bodies. When the volumes contracted are exclusively intended to cover the Group's physical needs, they are not qualified as derivatives, under the "own use" exemption stipulated in IFRS 9. Conversely, when the volumes can be settled on the market for financial optimisation purposes, they are qualified as trading derivatives.

In 2018, a positive change in the fair value of these derivatives amounting to €107 million was recognised in the Group's finance costs.

6.2.4 Counterparty risk management

The transactions which could generate counterparty risk are mainly financial investments and financial instruments as described below. Customer credit risk is limited and presented in Note 4.4.2.

6.2.4.1. Financial investments

The aforementioned general framework defines, for SNCF Mobilités, the counterparty approval procedure, which is based on a quantitative and qualitative analysis of counterparties.

Volume limits according to investment terms are defined for each counterparty, taking into account its equity, rating and nationality. The extent to which authorised limits are used, based on the nominal amount of the transactions, is measured daily and reported.

Cash and cash equivalents

Financial investments are diversified. They primarily consist of negotiable debt instruments (certificates of deposit, commercial paper), treasury note repos and subscriptions to French money market mutual funds (UCITS). Given their short residual term and breakdown, no major credit risk exposure is generated.

Portfolio of investments in equity instruments

Investments in equity instruments solely comprise non-consolidated investments. The fair value of these instruments is determined at each balance sheet date.

6.2.4.2. Derivative financial instruments

Derivative transactions seek to manage interest rate, foreign currency and commodity risk.

The aforementioned general framework defines, for the parent company, the counterparty approval procedure, which is based on a quantitative and qualitative analysis of counterparties. Investment volume and term limits are also defined for each counterparty. The extent to which authorised limits are used, based on future payments or replacement costs, is measured daily and reported.

The counterparty approval procedure for derivative products also involves the signature of a framework agreement. A collateral agreement defining the methods of payment/receipt of collateral is signed with all bank counterparties working with the parent company in order to limit credit risk. All the medium and long-term derivative financial instruments (interest rate swaps, currency swaps) negotiated with bank counterparties are hedged by these collateral agreements.

The extent to which the allocated limit is used is measured based on the collateral limit plus a lump-sum amount, taking into account the absolute value of the most significant changes in market value for all collateralised financial agreements with the counterparty.

The table below presents the information required by IFRS 7 "Disclosures: offsetting financial assets and financial liabilities." For financial assets and liabilities subscribed as part of agreements with a legally enforceable netting clause, this involves a presentation of amounts before and after offsetting as at 31 December. It includes commodity derivatives. These derivatives are recorded in operating payables and receivables when they qualify as hedging instruments within the meaning of IFRS 9. As at 31 December 2018, they were classified as assets for €0 million (€2 million as at 31 December 2017) and liabilities for €9 million (€3 million as at 31 December 2017). The "Cash collateral" column corresponds to the outstanding on collateralisation agreements for derivative financial instruments that do not meet the offsetting criteria established by IAS 32 "Financial instruments: Presentation."

				Amounts not offset in the balance sheet		
31/12/2018 In € millions	**Gross amount**	**Amounts offset in the balance sheet**	**Net amounts presented in the balance sheet**	**Cash collateral**	**Derivatives with netting agreement**	**Net amounts based on IFRS 7**
Asset derivatives	1,291	0	1,291	452	507	331
Liability derivatives	1,136	0	1,136	408	503	226
Net derivative position	154	0	154	45	4	106

				Amounts not offset in the balance sheet		
31/12/2017 In € millions	**Gross amount**	**Amounts offset in the balance sheet**	**Net amounts presented in the balance sheet**	**Cash collateral**	**Derivatives with netting agreement**	**Net amounts based on IFRS 7**
Asset derivatives	1,280		1,280	710	393	177
Liability derivatives	1,233		1,233	573	392	268
Net derivative position	48		48	137	1	-90

As at 31 December 2018, three counterparties represented 99.5% of the active position's credit risk.

As at 31 December 2017, three counterparties represented 99% of the active position's credit risk.

The remaining exposure is explained by trigger thresholds in the collateralisation agreements and monthly margin calls.

6.2.5 Liquidity risk management

SNCF Mobilités assures its daily liquidity through a Neu-CP programme (formerly a commercial paper programme) capped at €3,050 million, used in the amount of €208 million as at 31 December 2018 (€800 million as at 31 December 2017) and in the amount of €147 million on average in 2018, compared to €390 million in 2017.

SNCF Mobilités also set up a Euro Commercial Paper program in early 2009 for a maximum amount of €2,000 million, used in the amount of €299 million as at 31 December 2018 (€860 million as at 31 December 2017) and in the amount of €530 million on average in 2018 (€410 million in 2017).

In addition, the company has bilateral credit lines of €815 million (€815 million in 2017). Total confirmed credit lines of the Group break down as follows:

	Total	**Maturity schedule**		
In € millions		< 1 year	1 to 5 years	> 5 years
Confirmed credit lines as at 31/12/2018	1,617	504	1,060	53
Confirmed credit lines as at 31/12/2017	1,437	402	1,029	6

SNCF Mobilités, which centralises most of the SNCF Mobilités Group's debt, is not subject to compliance with financial ratio covenants.

Certain Group subsidiaries have obtained local credit lines for their operating activities that are subject to financial ratio covenants. As at 31 December 2018, these ratios were observed.

The maturity schedule for the carrying amounts of loans and borrowings is as follows:

In € millions	**31/12/2018**	**31/12/2017**
Less than 1 year	1,526	1,849
1 to 5 years	4,627	3,116
5 to 10 years	4,893	6,979
10 to 20 years	2,367	2,386
20 years and thereafter	988	989
Changes in fair value (designated at "fair value")	24	25
Changes in fair value (hedge accounting)	89	89
Total	**14,514**	**15,433**
Fair value of non-current derivatives	995	1,084
Fair value of current derivatives	132	144
Total loans and borrowings	**15,641**	**16,661**

The maturity schedule of financial assets and liabilities included in the definition of indebtedness based on year-end exchange and interest rates (negative amounts are outflows and positive amounts are inflows) is as follows:

Maturity schedule **31/12/2018**

In € millions	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	**-14,428**	**-1,367**	**-4,570**	**-4,544**	**-2,676**	**-1,273**
Principal	-10,997	-931	-3,006	-3,821	-2,216	-1,023
Interest cash flow	-3,431	-436	-1,564	-722	-460	-250
Bank borrowings	**-2,389**	**-357**	**-1,375**	**-645**	**-12**	**0**
Principal	-2,365	-345	-1,364	-644	-11	0
Interest cash flow	-24	-11	-11	0	-2	0
Finance-lease liabilities	**-510**	**-103**	**-262**	**-28**	**-116**	**0**
Principal	-493	-90	-258	-29	-118	0
Interest cash flow	-16	-14	-5	1	1	0
Borrowings sub-total	**-17,327**	**-1,827**	**-6,207**	**-5,216**	**-2,804**	**-1,273**
Principal	-13,855	-1,365	-4,627	-4,494	-2,344	-1,023
Interest cash flow	-3,472	-461	-1,579	-722	-460	-250
Cash borrowings and overdrafts	**-1,422**	**-1,422**	**0**	**0**	**0**	**0**
I - Total borrowings	**-18,749**	**-3,248**	**-6,207**	**-5,216**	**-2,804**	**-1,273**
SNCF Réseau receivable	**937**	**58**	**878**	**1**	**0**	**0**
Principal	665	3	661	1	0	0
Interest cash flow	272	54	217	0	0	0
SNCF receivable	**394**	**56**	**225**	**113**	**0**	**0**
Principal	353	46	199	108	0	0
Interest cash flow	41	10	27	5	0	0
Public Debt Fund receivable	**1,846**	**99**	**1,747**	**0**	**0**	**0**
Principal	1,407	0	1,407	0	0	0
Interest cash flow	439	99	340	0	0	0
Other loans and receivables and cash collateral	**1,158**	**646**	**207**	**221**	**83**	**0**
Principal	1,123	616	204	220	82	0
Interest cash flow	35	30	3	1	0	0
Cash and cash equivalents	**4,954**	**4,954**	**0**	**0**	**0**	**0**
II - Financial assets	**9,289**	**5,813**	**3,058**	**335**	**83**	**0**
Interest cash flow on hedging derivatives with a negative fair value	-223	-49	-110	-61	-3	0
Interest cash flow on trading derivatives with a negative fair value	-689	-109	-410	-170	0	0
Interest cash flow on hedging derivatives with a positive fair value	476	63	175	153	80	4
Interest cash flow on trading derivatives with a positive fair value	859	153	535	170	0	0
III - Derivative financial instruments	**422**	**58**	**190**	**92**	**77**	**4**
Net indebtedness (I + II + III)	**-9,038**	**2,623**	**-2,959**	**-4,790**	**-2,644**	**-1,269**

Maturity schedule **31/12/2017**

In € millions	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	**-15,651**	**-1,786**	**-3,065**	**-6,798**	**-2,708**	**-1,293**
Principal	-11,778	-1,322	-1,457	-5,773	-2,216	-1,009
Interest cash flow	-3,872	-464	-1,608	-1,025	-492	-284
Bank borrowings	**-2,128**	**-102**	**-1,423**	**-573**	**-28**	**-2**
Principal	-2,096	-93	-1,405	-568	-28	-2
Interest cash flow	-32	-9	-18	-5	0	0
Finance-lease liabilities	**-871**	**-227**	**-419**	**-107**	**-117**	**0**
Principal	-858	-217	-414	-108	-119	0
Interest cash flow	-13	-11	-5	1	1	0
Borrowings sub-total	**-18,650**	**-2,115**	**-4,907**	**-7,478**	**-2,854**	**-1,295**
Principal	-14,732	-1,632	-3,277	-6,449	-2,364	-1,011
Interest cash flow	-3,917	-484	-1,630	-1,029	-491	-284
Cash borrowings and overdrafts	**-2,640**	**-2,640**	**0**	**0**	**0**	**0**
I - Total borrowings	**-21,289**	**-4,755**	**-4,907**	**-7,478**	**-2,854**	**-1,295**
SNCF Réseau receivable	**996**	**59**	**268**	**669**	**0**	**0**
Principal	670	5	50	614	0	0
Interest cash flow	326	54	217	54	0	0
SNCF receivable	**454**	**56**	**227**	**170**	**0**	**0**
Principal	401	45	195	161	0	0
Interest cash flow	53	11	32	9	0	0
Public Debt Fund receivable	**1,944**	**99**	**858**	**988**	**0**	**0**
Principal	1,407	0	500	907	0	0
Interest cash flow	537	99	358	81	0	0
Other loans and receivables and cash collateral	**1,178**	**660**	**268**	**184**	**66**	**1**
Principal	1,141	624	267	183	66	1
Interest cash flow	37	35	1	0	0	0
Cash and cash equivalents	**6,394**	**6,394**	**0**	**0**	**0**	**0**
II - Financial assets	**10,966**	**7,268**	**1,621**	**2,010**	**66**	**1**
Interest cash flow on hedging derivatives with a negative fair value	-66	-47	-52	22	18	-8
Interest cash flow on trading derivatives with a negative fair value	-797	-106	-419	-273	0	0
Interest cash flow on hedging derivatives with a positive fair value	335	48	124	77	75	12
Interest cash flow on trading derivatives with a positive fair value	1,015	153	564	298	0	0
III - Derivative financial instruments	**486**	**48**	**217**	**123**	**94**	**4**
Net indebtedness (I + II + III)	**-9,837**	**2,561**	**-3,068**	**-5,344**	**-2,694**	**-1,290**

The maturity schedule of concession financial assets (not included in the definition of indebtedness) based on year-end exchange and interest rates is as follows:

Maturity schedule						31/12/2018
In € millions	**Total**	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**20 years a nd thereafter**
Concession financial assets	**1,165**	**174**	**974**	**17**	**0**	**0**
Principal	1,124	137	971	17	0	0
Interest cash flow	40	36	4	0	0	0

Maturity schedule						31/12/2017
In € millions	**Total**	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**20 years and thereafter**
Concession financial assets	**1,435**	**159**	**1,259**	**2**	**15**	**0**
Principal	1,341	108	1,216	2	15	0
Interest cash flow	93	51	43	0	0	0

6.3 HEDGING AND DERIVATIVE INSTRUMENTS

Under IFRS 9, derivative instruments are financial instruments that require no or little initial investment, whose value fluctuates in response to changes in an underlying item (interest rate, exchange rate, commodity prices, etc.) and are settled at future date.

The derivative instruments used by the Group to manage currency, interest rate and commodity risks are initially recognised at fair value and remeasured in the balance sheet to their fair value at closing.

Fair value is determined using measurement techniques such as option valuation models or the discounted cash flows method. The models fall under Level 2 of the fair value hierarchy set forth in paragraph 81 of IFRS 13.

Derivative instruments are by default recognised as trading derivatives, unless a hedging relationship has been documented at their inception.

Cash flow hedge
The Group trades on the derivatives market to hedge floating-rate receivables and payables and receipts and payments related to its commercial activities.

When IFRS 9 criteria are met, the derivative instruments are designated as cash flow hedges and fair value gains and losses are recorded directly in a specific account in other comprehensive income, except for the ineffective portion of the hedge, which is recorded in profit or loss. When the hedged item impacts profit or loss, the amounts deferred in other comprehensive income are released to profit or loss to match the flows of the hedged item.

Fair value hedge
The Group also uses derivative instruments to hedge the fair value of fixed-rate receivables and payables denominated in euro and foreign currencies.

When IFRS 9 criteria are met, the derivative instruments are designated as fair value hedges and:

— fair value gains and losses arising on the derivative are recorded in profit or loss for the period;

— the hedged item is initially recognised at amortised cost and remeasured to its fair value at the balance sheet date, for the hedged portion of the risk, through profit or loss. As such, fair value gains and losses on the derivative and the hedged item cancel out in profit or loss, except for the ineffective portion of the hedge.

Hedging costs
Pursuant to IFRS 9, hedging costs, including foreign currency basis spread impacts and the time value of options, are excluded from hedging relationships. Changes in their fair value are recognised in recyclable equity and their actual cost is recognised in profit or loss consistently over the term of the hedging relationship (time period related approach).

Trading
When the conditions for hedge accounting are not satisfied within the meaning of IFRS 9, the instrument is classified as a trading derivative. Any changes in its fair value are recorded in profit or loss for the period within net finance cost, even when the derivative is associated to commodities.

The fair value of current and non-current asset and liability derivative instruments (excluding commodity derivatives qualified for hedging) breaks down as follows:

		31/12/2018			31/12/2017	
In € millions	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Asset derivative instruments						
Cash flow hedging derivatives	131	125	256	240	76	315
Fair value hedging derivatives	119	21	141	96	15	111
Trading derivatives	689	204	894	736	115	852
Total asset derivative instruments	**940**	**350**	**1,290**	**1,072**	**206**	**1,278**
Liability derivative instruments						
Cash flow hedging derivatives	417	37	454	452	48	500
Fair value hedging derivatives	39	-11	28	42	-17	25
Trading derivatives	540	105	645	590	114	704
Total liability derivative instruments	**995**	**132**	**1,127**	**1,084**	**144**	**1,229**

6.3.1 Economic relationship between derivative instruments and hedged items

Hedging relationships are defined by the Group to offset any changes in fair value or cash flow of a hedging instrument with those of a hedged item.

The SNCF Mobilités Group operates regularly on the foreign currency derivatives market, primarily in order to hedge borrowings issued. The purpose is therefore to hedge against foreign currency risk that corresponds to changes in the value or cash flows of borrowings due to exchange rate fluctuations.

The Group operates in the interest rate swap and swaption market in order to manage its exposure to interest rate risk on borrowings. The hedged risk therefore corresponds to the risk that the value or cash flow of the borrowings changes due to market interest rate fluctuations.

Furthermore, due to the price fluctuations of certain commodities that are essential to production, the Group enters into forward swaps or contracts in order to hedge the price risk.

Derivative instruments which are not classified as hedging instruments within the meaning of IFRS 9 are recognised as trading assets.

The following table presents, by type of risk, the economic relationship between derivative instruments and hedged items:

31/12/2018 In € millions	Nominal amount of derivative instruments		Carrying amount of derivative instruments (1)		Change in fair value of the derivative instrument over the period	Carrying amount of the hedged item (2)		Total change in fair value recognised on the hedged item	Change in fair value of the hedged item over the period (3)	Hedging ineffectiveness (4)
	Given	Received	Assets	Liabilities		Assets	Liabilities			
Interest rate risk	**1,484**	**1,484**	**69**	**7**	**15**	**0**	**1,545**	**-34**	**-18**	**-3**
Interest rate swaps	1,484	1,484	69	7	15					
Foreign currency risk	**633**	**565**	**71**	**21**	**9**	**0**	**682**	**-35**	**-6**	**2**
Cross-currency swaps*	633	565	71	21	9					
Fair value hedge	**2,117**	**2,049**	**141**	**28**	**24**	**0**	**2,227**	**-69**	**-24**	**0**
Interest rate risk	**2,906**	**3,399**	**12**	**361**	**51**				**-50**	**1**
Interest rate swaps	2,906	2,906	11	361	49					
Swaptions	0	387	1	0	2					
Pre-hedging instruments	0	106	0	0	0					
Foreign currency risk	**1,495**	**1,512**	**244**	**93**	**-53**				**67**	**0**
Cross-currency swaps**	1,317	1,335	242	92	-53					
Foreign currency sales or purchases	26	25	0	1	-2					
Pre-hedging instruments	151	151	2	0	2					
Price risk	***	***	**0**	**9**	**-8**				**7**	**0**
Firm instruments			0	9	-8					
Conditional instruments			0	0	0					
Cash flow hedge	**4,401**	**4,912**	**256**	**463**	**-10**				**23**	**0**
Interest rate instruments	**7,668**	**7,668**	**737**	**628**	**-32**					
Interest rate swaps	7,168	7,168	737	619	-24					
Swaptions	500	500	0	10	-8					
Foreign currency instruments	**666**	**708**	**35**	**2**	**0**					
Currency swaps	371	434	3	2	0					
Cross-currency swaps	122	120	28	0	-3					
Foreign currency sales or purchases	173	154	4	0	3					
Price instruments			**122**	**15**	**107**					
Firm instruments			122	15	107					
Conditional instruments										
Trading	**8,333**	**8,375**	**894**	**645**	**76**					

* Of which interest rate risk hedging portion amounting to -€28 million.
** Of which interest rate risk hedging portion amounting to €166 million.
*** The nominal amounts of price hedging instruments are measured in volumes, and presented in Note 6.3.2.
(1) The carrying amount of foreign currency and interest rate risk hedging instruments is recorded in the statement of financial position within current or non-current financial assets or financial liabilities depending on their type and maturity. The carrying amount of price risk hedging instruments is recorded in the statement of financial position within operating receivables or payables depending on their type.
(2) The carrying amount of net indebtedness items is recorded in the statement of financial position within current and non-current financial liabilities depending on their maturity. The carrying amount of WCR items is recorded within operating receivables and payables. Future transactions are not recorded in financial statements.
(3) The change in fair value shown corresponds to that used to calculate ineffectiveness.
(4) Foreign currency and interest rate risk hedging ineffectiveness is recorded in the consolidated income statement within net borrowing and other costs. The ineffectiveness generated by price risk hedging is recorded within gross profit.
A positive amount corresponds to a gain, a negative amount corresponds to a loss

The immaterial ineffectiveness shown may result from:

— Different benchmark rates between the hedging instrument and the hedging item;

— Different cash flow settlement dates (maturity date, payment date, etc.) between the hedging instrument and the hedged item;

— Difference in accrued interest between the hedged item and the hedging instrument.

31/12/2017 In € millions	Nominal amount of derivative instruments		Carrying amount of derivative instruments		Change in fair value of the derivative instrument over the period	Carrying amount of the hedged item		Total change in fair value recognised on the hedged item	Change in fair value of the hedged item over the period	Hedging ineffective-ness
	Given	Received	Assets	Liabilities		Assets	Liabilities			
Interest rate risk	**1,484**	**1,484**	**53**	**9**	**-18**	**0**	**1,526**	**-16**	**17**	**-1**
Interest rate swaps			53	9	-18					
Foreign currency risk	**633**	**550**	**58**	**16**	**-88**	**0**	**675**	**-29**	**89**	**0**
Cross-currency swaps *			58	16	-88					
Fair value hedge	**2,117**	**2,034**	**111**	**25**	**-106**	**0**	**2,202**	**-44**	**105**	**-1**
Interest rate risk	**3,041**	**3,378**	**18**	**423**	**73**				**-92**	**-4**
Interest rate swaps			18	421	72					
Swaptions			0	1	1					
Foreign currency risk	**1,564**	**1,609**	**298**	**78**	**-176**				**180**	**-1**
Cross-currency swaps**			297	78	-179					
Foreign currency sales or purchases			1	0	2					
Price risk	**135**	**130**	**2**	**3**	**-12**				**12**	**0**
Firm instruments			2	3	-12					
Conditional instruments			0	0	0					
Cash flow hedge	**4,739**	**5,117**	**317**	**504**	**-116**				**101**	**-6**
Interest rate instruments			**817**	**675**	**-15**					
Interest rate swaps			817	673	-21					
Swaptions			0	2	7					
Foreign currency instruments			**34**	**29**	**-47**					
Currency swaps			3	27	-47					
Cross-currency swaps			30	1	0					
Foreign currency sales or purchases			0	1	0					
Trading			**852**	**704**	**-62**	**0**	**0**	**0**	**0**	**0**

* Of which interest rate risk hedging portion amounting to €104 million.
** Of which interest rate risk hedging portion amounting to €656 million.

6.3.2 Maturities of nominal commitments

As at 31 December 2018 and 2017, the nominal commitments and maturities, by type of hedged risk, of the different hedging instruments subscribed were as follows:

	Nominal commitments received as at 31/12/2018					
In € millions	**Total**	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**20 years and thereafter**
Interest rate risk	1,484	0	24	50	1,410	0
Foreign currency risk	565	0	222	168	56	119
Fair value hedge	**2,049**	**0**	**247**	**218**	**1,466**	**119**
Interest rate risk	3,399	545	1,597	1,058	50	150
Foreign currency risk	1,512	620	266	494	0	131
Cash flow hedge	**4,912**	**1,166**	**1,863**	**1,552**	**50**	**281**

	Nominal commitments received as at 31/12/2017					
In € millions	**Total**	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**20 years and thereafter**
Interest rate risk	1,484	0	0	74	1,410	0
Foreign currency risk	550	0	214	169	56	111
Fair value hedge	**2,034**	**0**	**214**	**243**	**1,466**	**111**
Interest rate risk	3,378	549	1,705	924	50	150
Foreign currency risk	1,609	308	684	492	0	125
Price risk	130	104	26	0	0	0
Cash flow hedge	**5,117**	**962**	**2,414**	**1,416**	**50**	**275**

	Nominal commitments given as at 31/12/2018					
In € millions	**Total**	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**20 years and thereafter**
Interest rate risk	1,484	0	24	50	1,410	0
Foreign currency risk	633	0	210	235	79	109
Fair value hedge	**2,117**	**0**	**234**	**285**	**1,489**	**109**
Interest rate risk	2,906	443	1,205	1,058	50	150
Foreign currency risk	1,495	511	188	688	0	108
Cash flow hedge	**4,401**	**953**	**1,393**	**1,746**	**50**	**258**

	Nominal commitments given as at 31/12/2017					
In € millions	**Total**	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**20 years and thereafter**
Interest rate risk	1,484	0	0	74	1,410	0
Foreign currency risk	633	0	210	235	79	109
Fair value hedge	**2,117**	**0**	**210**	**309**	**1,489**	**109**
Interest rate risk	3,041	474	1,443	924	50	150
Foreign currency risk	1,564	247	521	688	0	108
Price risk	135	107	27	0	0	0
Cash flow hedge	**4,739**	**828**	**1,991**	**1,612**	**50**	**258**

For diesel volume hedges, the nominal amounts are expressed in volumes, and presented as follows:

					Nominal commitments received as at 31/12/2018	
In tonnes	**Total**	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**20 years and thereafter**
Price risk	157,679	78,407	79,272	0	0	0
Cash flow hedge	**157,679**	**78,407**	**79,272**	**0**	**0**	**0**

					Nominal commitments received as at 31/12/2017	
In tonnes	**Total**	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**20 years and thereafter**
Price risk	49,331	43,878	5,453	0	0	0
Cash flow hedge	**49,331**	**43,878**	**5,453**	**0**	**0**	**0**

					Nominal commitments given as at 31/12/2018	
In tonnes	**Total**	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**20 years and thereafter**
Price risk	157,679	78,407	79,272	0	0	0
Cash flow hedge	**157,679**	**78,407**	**79,272**	**0**	**0**	**0**

					Nominal commitments given as at 31/12/2017	
In tonnes	**Total**	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**20 years and thereafter**
Price risk	49,331	43,878	5,453	0	0	0
Cash flow hedge	**49,331**	**43,878**	**5,453**	**0**	**0**	**0**

6.3.3 Discontinuation of hedging relationships

A hedging relationship is discontinued once the conditions for effectiveness are no longer satisfied within the meaning of IFRS 9, or when the derivative instrument matures or is cancelled, exercised or sold, or when the hedged item is cancelled or sold. Furthermore, the Group may at any time decide to discontinue a hedging relationship. In this case, hedge accounting is no longer applicable.

The accounting impacts of a discontinued hedging relationship differ depending on whether it involves fair value hedging or cash flow hedging.

Fair value hedging

The hedged borrowing is no longer adjusted for changes in fair value relating to the hedged risk. Prior recognised remeasurements are amortised at the same timing as the hedged item:

	Total change in fair value of the item that is no longer hedged	
In € millions	**31/12/2018**	**31/12/2017**
Interest rate risk	-174	-206
Foreign currency risk	-51	-58
Fair value hedge	**-225**	**-263**

Cash flow hedging

The total gains and losses on the hedging instrument recorded under other comprehensive income within equity are fixed and only reclassified to profit or loss when symmetrically impacted by the hedged item.

31/12/2018 In € millions	Hedging reserves for continued hedging relationships	Hedging reserves for discontinued hedging relationships	Hedging reserves recycled as the hedged item has impacted P&L*	Hedging reserves recycled as the hedged item no longer exists*
Interest rate risk	-300	-24	1	0
Foreign currency risk	186	0	31	0
Price risk	-9	0	-5	0
Cash flow hedge	**-123**	**-24**	**27**	**0**

*The P&L reclassification of the other comprehensive income relating to foreign currency and interest rate risk hedging instruments is recorded in net borrowing and other costs within the consolidated income statement.
The recycling of other comprehensive income relating to price risk hedging instruments is recorded in gross profit within the consolidated income statement.

31/12/2017 In € millions	Hedging reserves for continued hedging relationships	Hedging reserves for discontinued hedging relationships	Hedging reserves recycled as the hedged item has impacted P&L	Hedging reserves recycled as the hedged item no longer exists
Interest rate risk	-340	-27	0	0
Foreign currency risk	215	0	143	0
Price risk	6	0	-1	0
Cash flow hedge	**-119**	**-27**	**142**	**0**

6.3.4 Type of financial instruments subject to cash flow hedging

The fair value of derivatives designated as cash flow hedges (excluding commodity hedges) breaks down by hedged item as follows:

		Maturity schedule				
In € millions	Balance sheet fair value as at 31/12/2018	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	-119	102	88	-308	-11	10
Non-bond borrowings	-71	-15	-46	-10	0	0
Finance lease borrowings	-7	0	-7	0	0	0
Loans and receivables	-1	-1	0	0	0	0
Fair value of derivatives designated as cash flow hedges	**-198**	**86**	**36**	**-318**	**-11**	**10**

		Maturity schedule				
In € millions	Balance sheet fair value as at 31/12/2017	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	-80	52	175	-307	-8	9
Non-bond borrowings	-92	-20	-52	-20	0	0
Finance lease borrowings	-14	-4	-10	0	0	0
Loans and receivables	1	1	0	0	0	0
Fair value of derivatives designated as cash flow hedges	**-185**	**29**	**113**	**-327**	**-8**	**9**

6.3.5 Impacts of hedging transactions on recyclable equity

The impacts on recyclable equity (other comprehensive income), excluding deferred tax impacts, break down as follows (- debit, + credit):

In € millions	Recyclable equity
Opening balance 01/01/2017	**-205**
Recycled in profit or loss	143
Change in the effectiveness of cash flow hedging instruments	-62
Interest rate risk hedge	*101*
Foreign currency risk hedge	*-152*
Of which hedged future transactions	*0*
Price risk hedge	*-11*
Change in value of available-for-sale assets	10
Closing balance 31/12/2017	**-113**
Impact of changes in accounting method*	-13
Opening balance 01/01/2018	**-127**
Recycled in profit or loss	26
Change in the effectiveness of cash flow hedging instruments	-41
Interest rate risk hedge	*43*
Foreign currency risk hedge	*-64*
Of which hedged future transactions	*-2*
Price risk hedge	*-20*
Change in value of hedging costs	-10
Interest rate risk hedge	*0*
Foreign currency risk hedge	*-10*
Price risk hedge	*0*
Closing balance 31/12/2018	**-152**

* Impact of the retrospective adoption of IFRS 9 (see Note 1.2.2).

6.4 EQUITY

6.4.1 Share capital

On 1 January 1983, the State-owned industrial and commercial institution (EPIC) Société Nationale des Chemins de fer Français (SNCF) was created, pursuant to the French Orientation Law on Domestic Transport (LOTI) of 30 December 1982. The French State is the sole shareholder.

On the creation of EPIC SNCF (which became SNCF Mobilités on 1 January 2015), the State-owned or private real estate assets previously given under concession to the semi-public limited liability company (created on 31 August 1937) which it succeeded were appropriated to it. These assets made available by the French State, without transfer of title, are recorded in the EPIC statement of financial position under the appropriate asset headings and offset in share capital for the same amount.

As at 31 December 2018, the SNCF Mobilités share capital primarily comprised:

— €1.2 billion in capital grants essentially representing the various cash contributions of the French State; these grants, which amounted to €2.2 billion as at 31 December 2015, were reduced by €1 billion by allocation to distributable reserves following a ministerial order of November 2016;

— €2.8 billion in property grants representing the various contributions in kind received from the French State.

A dividend was approved and paid to EPIC SNCF in June 2018 for €186 million.

A dividend was approved and paid to EPIC SNCF in June 2017 for €110 million.

6.4.2 Non-controlling interests (minority interests)

Non-controlling interests break down according to the following sub-groups:

In € millions	31/12/2018	31/12/2017	Change
Geodis	11	11	0
STVA	0	0	0
Ermewa	8	7	1
CapTrain	22	21	1
Keolis	86	86	-1
Other	11	8	3
Total	**137**	**134**	**4**

The Keolis sub-group, whose main indicators are monitored by Group management (Note 3.1), is 30% owned by minority shareholders.

The condensed financial information for this sub-group, before cancellation of transactions with the rest of the group, is as follows:

In € millions	31/12/2018	31/12/2017
Revenue	5,936	5,401
Net profit/(loss) for the year	34	34
Total comprehensive income/(loss)	24	43
Cash flow generated during the period	-7	-16
Of which dividends paid to minority shareholders	*-13*	*-11*
Current assets	1,625	1,308
Non-current assets	2,501	2,550
Current liabilities	2,288	1,933
Non-current liabilities	1,433	1,532
Net assets	**405**	**392**

The approval of Keolis minority shareholders is required for divestments, disposals or restructurings exceeding a predefined threshold.

The net profit of the Keolis sub-group attributable to minority shareholders totalled €13 million for the year ended 31 December 2018 (€16 million for the year ended 31 December 2017).

7. INCOME TAX EXPENSE

Income tax expense encompasses all taxes calculated on an accounting profit or loss net of income and expenses. The following items are recognised under this line item at the bottom of the income statement:

— corporate income tax and the various additional contributions associated with it;

— sponsorship and foreign tax credits;

— fixed-rate taxes calculated on an item of net profit or loss;

— The additional corporate income tax contribution on dividends paid by a company that does not satisfy the holding conditions to be included in the tax consolidation group;

— The tax on rail company profits (Taxe sur le Résultat des Entreprises Ferroviaires - TREF): established by Article 65 of the 2011 Finance Law, it is based on corporate taxable income, before the allocation of tax loss carry-forwards, with respect to the last year closed before the tax due date. The tax was capped at €226 million as from 1 January 2016 (€200 million as from 1 January 2013) and calculated after the add-back of depreciation and amortisation charges. Taking into account its base, this tax is recorded under "Income tax expense." Only EPIC SNCF Mobilités was impacted by this tax within the Group;

— The impact of tax reassessments in respect of income tax;

— Deferred tax.

Deferred tax
The Group recognises, for each tax entity, deferred tax on all timing differences between the tax and book values of assets and liabilities in the consolidated balance sheet. Deferred tax is calculated using the liability method, applying the most recently voted tax rate at the year-end applicable to the period in which the timing differences are expected to reverse.Deferred tax assets in respect of temporary differences and tax losses or credits carried forward are recognised when recovery is deemed probable. The Group's ability to recover these tax assets is assessed through an analysis of its business plan and the uncertainties presented by the economy and Group markets. The bases used are the same as those used to calculate values in use in impairment tests.

A deferred tax liability is recognised in respect of investments in subsidiaries, joint ventures and associates on all temporary differences between the carrying amount and tax base of shares, unless:

— the Group controls the date at which the temporary difference will reverse (e.g. through a dividend distribution or the sale of an investment); and

— it is probable that this difference will not reverse in the foreseeable future.Therefore, a deferred tax liability is only recognised in respect of fully consolidated companies or joint ventures in the amount of any withholding tax due on dividend distributions planned by the Group.

A deferred tax asset is only recognised to the extent that it is probable that:

— the temporary difference will reverse in the foreseeable future; and

— taxable profits will exist against which this temporary difference can be offset.

Deferred tax assets and liabilities are not discounted and are offset in a separate line item under non-current assets and liabilities.

Income tax expense
Income tax expense other than deferred tax is offset against operating payables and receivables in the balance sheet.

7.1 INCOME TAX EXPENSE ANALYSIS

7.1.1 Tax in the income statement

In € millions	31/12/2018	31/12/2017	Change
Current tax (expense)/ income	-619	-392	-227
Deferred tax (expense)/ income	379	146	232
Total	**-240**	**-245**	**5**

The increase in the current tax expense between 2017 and 2018 was primarily due to the tax on the capital gain generated by the property disposals completed as part of the Vesta transaction for €236 million.

In 2017 and 2018, the current tax expense included the tax on rail company profits (TREF) for €226 million. This tax had a negative €148 million tax proof impact on "Differences in tax rates" in 2018 (€148 million in 2017).

The deferred tax income in 2018 was attributable to the capitalisation of deferred taxes for €397 million for EPIC Mobilités (€324 million in 2017) given the new taxable income outlook considering the prospect of greater taxable income in line with the new financial trajectory which takes into account the government announcements made in the first half of 2018, particularly with regard to the decrease in TGV infrastructure fees, as confirmed by the Government Commissioner at the Board of Directors' meeting held to approve the financial statements on 27 February 2019. This capitalisation was offset by the decrease in deferred taxes recognised in the balance sheet for -€18 million (-€151 million in 2017).

As from 1 January 2015, a new tax group within the meaning of Article 223 A bis of the French General Tax Code was set up. EPIC SNCF Mobilités, the parent of the former SNCF tax group until 31 December 2014, its consolidated subsidiaries and EPIC SNCF Réseau joined this new group, whose parent is EPIC SNCF as from 1 January 2015. Hence, subsidiary tax losses can no longer be offset against subsidiary tax profits within the SNCF Mobilités Group.

7.1.2 Tax in comprehensive income

As at 31 December 2018, the deferred tax expense recognised in other comprehensive income amounted to €11 million.

As at 31 December 2017, the deferred tax expense recognised in other comprehensive income amounted to €17 million.

7.2 TAX PROOF

For its tax proof, the Group adopted the corporate income tax rate (33.33%) applicable in France, plus the 3.3% social security contribution for the tax share exceeding €763,000.

In € millions	31/12/2018	31/12/2017
Net profit/(loss) for the year	**4,574**	**1,170**
Share of net profit/(loss) of companies consolidated under the equity method	32	39
Income tax expense	-240	-245
Net profit/(loss) before tax from ordinary activities and before the share of net profit of companies consolidated under the equity method	**4,782**	**1,376**
Income tax rate applicable in France	34.43%	34.43%
THEORETICAL INCOME TAX (EXPENSE)/INCOME	**-1,647**	**-474**
Permanent differences	-76	15
Capitalisation of prior year losses	1,270	345
Tax losses and temporary differences of the period not capitalised	-52	-53
Impairment of deferred taxes previously capitalised	-11	-22
Utilisation of tax losses and temporary differences not previously capitalised	0	-3
Differences in tax rates	196	-115
Tax credits	76	91
Prior year adjustments	0	-2
Impacts of exchange rate fluctuations	0	-24
INCOME TAX (EXPENSE)/INCOME RECORDED	**-240**	**-245**
EFFECTIVE TAX RATE	**5.03%**	**17.82%**

The heading "Capitalisation of prior year losses" in the tax proof includes the recognition of deferred tax assets for the period relating to a new and more favourable financial trajectory.

The net deferred tax position includes unrecognised deferred taxes that declined in 2018 due to the reversal of the impairment provision for TGV assets (see Note 7.3 Deferred tax sources, heading Deferred taxes not recognised).

The successive Finance Acts introduced the following measures applicable in France:

— The income tax rate was 34.43% in 2018 and will gradually decrease to 32.02% in 2019, 28.92% in 2020, 27.37% in 2021 and 25.83% as from 1 January 2022. These rates, already voted in the 2018 Finance Act, had no impact on the "Impacts of interest rate fluctuations" heading.

— With respect to tax loss carry-forwards, the allocation of prior losses to the income recognised for a fiscal year is now capped at €1 million plus 50% of the taxable income of the fiscal year exceeding this initial limit. The portion of the loss that cannot be deducted from income due to the application of these provisions can still be allocated to subsequent fiscal years, under the same conditions and for an unlimited period of time.

— Only 75% of the net financial expenses obtained according to a calculation defined by the Amending Finance Law are deductible from taxable income as from 2014. The non-deductible portion represents a permanent difference in the tax proof. The Anti-Tax Avoidance Directive (ATAD) was transposed into Article 34 of the 2019 Finance Act.

— The "Tax credits" heading mainly comprises the Competitiveness and Employment Tax Credit (CICE) for €73 million (€87 million as at 31 December 2017). It will be abolished as from 1 January 2019 and replaced by a reduction in social security contributions (by 6 points for health insurance for wages lower than 2.5 times the statutory minimum wage) and an extension of the scope of the general reduction for supplementary pension and health insurance contributions.

7.3 DEFERRED TAX SOURCES

Group tax losses carried forward as at 31 December 2018 amounted to €9.0 billion, compared to €8.5 billion as at 31 December 2017. Of this amount, €6.9 billion involve French entities for which the losses can be carried forward indefinitely (€6.5 billion as at 31 December 2017). Tax assets not recognised at this date totalled €2 billion (€3.3 billion as at 31 December 2017).

In € millions	31/12/2017	Net profit	Equity	Reclassification	Change in consolidation scope and foreign exchange	31/12/2018
Tax losses carried forward	**2,347**	**45**	**2**	**0**	**-2**	**2,391**
Employee benefits	50	3	-7	0	1	46
Differences in asset values	-75	-17	0	0	-2	-94
Finance leases	-16	2	0	0	0	-14
Tax-driven provisions	-134	-4	0	0	0	-139
Financial instruments	15	-22	2	-1	0	-6
Remeasurement of identifiable assets and liabilities acquired in business combinations	-249	24	0	0	-6	-231
Internal profits and losses	63	2	0	0	0	64
Total consolidation restatements	**-348**	**-12**	**-5**	**-1**	**-8**	**-374**
Non-deductible provisions and other tax differences	**1,858**	**-921**	**-20**	**1**	**1**	**919**
Deferred taxes not recognised	**-3,261**	**1,268**	**11**	**0**	**4**	**-1,978**
Net deferred taxes recognised	**597**	**379**	**-12**	**0**	**-5**	**959**
Deferred tax assets	969	0	0	0	0	1,358
Deferred tax liabilities	373	0	0	0	0	399
Net deferred taxes on balance sheet	**597**	0	0	0	0	**959**

8. RELATED PARTY TRANSACTIONS

As an industrial and commercial public institution wholly owned by the French State (via the French Government Shareholding Agency), SNCF Mobilités is related, in the meaning of IAS 24, "Related Party Disclosures", to all companies and entities controlled by the French State.

Disclosures on individually or collectively material transactions with these entities concern the following related parties:

— the EPICs belonging to the Public Rail Group, SNCF Réseau and SNCF;

— the French State, as shareholder, and the transport organising authorities (Régions and Île de France Mobilités (formerly STIF)); conversely, taxes paid pursuant to ordinary law are excluded from the scope of our related parties;

— ICF Group ESH low-rental housing companies.

Transactions between SNCF Mobilités Group and other State companies (EDF, Orange, La Poste, etc.) are all performed on an arm's length basis, except for transactions entered into by mutual agreement with SNCF Réseau.

No Group companies other than the parent company carry out material transactions with these related parties.

8.1 RELATIONS WITH THE PUBLIC RAIL GROUP

8.1.1 Relations with SNCF Réseau

SNCF Mobilités is currently SNCF Réseau's main customer.

8.1.1.1. Balance sheet balances

In € millions	31/12/2018	31/12/2017
SNCF Réseau net receivables*	952	820
SNCF Réseau payables	817	802
SNCF Réseau net receivables and payables	**136**	**19**

*Balance sheet headings excluding the financial receivable presented separately in assets (see Note 6.1.2).

8.1.1.2. Income and expenses

In € millions	31/12/2018	31/12/2017
Revenue with SNCF Réseau	620	587
Other operating income	90	42
Infrastructure fees paid on the French rail network*	-3,464	-3,758
Revenue net of infrastructure fees	**-2,754**	**-3,129**

* of which €3,459 million paid directly to SNCF Réseau (€3,607 million as at 31 December 2017) and €5 million through Île de France Mobilités (€151 million as at 31 December 2017).

As these transactions are between related parties owned by the French State, credit risk is considered nil. No doubtful receivables were identified.

8.1.2 Relations with SNCF

In charge of the economic and strategic steering of the Public Rail Group, SNCF carries out general safety, energy supply, IT outsourcing and general services to SNCF Mobilités. In addition, as SNCF recovered the external leases, it reinvoices the lease payments for the surface area occupied by SNCF Mobilités.

8.1.2.1. Balance sheet headings

In € millions	31/12/2018	31/12/2017
Operating receivables*	64	71
Non-current financial liabilities	0	0
Operating payables	175	113
Current financial liabilities	8	9

*Balance sheet headings excluding the financial receivables presented separately in assets (see Note 6.1.2).

8.1.2.2. Income and expenses

In € millions	31/12/2018	31/12/2017
Revenue	101	106
Purchases and external charges	-1,073	-1,145
Other income and expenses	-31	-9
Gross profit with SNCF	**-1,004**	**-1,048**

8.2 RELATIONS WITH OTHER RELATED PARTIES

8.2.1 Transactions with the French State and local communities

The information presented below concerns transactions entered into with the French State via its ministries, central authorities and transport Organising Authorities (OA), not governed by ordinary law.

The operating grants transferred to SNCF Mobilités Group by the State and local communities are presented in the following table:

In € millions	31/12/2018	31/12/2017
Operating grants received	57	42

The amounts received from the French State and the OA in connection with transport services are described in Note 3.3.

8.2.2 Transactions with ICF Group ESH low-rental housing companies

8.2.2.1. Balance sheet headings

In € millions	31/12/2018	31/12/2017
Current financial assets	11	9
Non-current financial assets	259	270
Current financial liabilities	0	0
Non-current financial liabilities	0	0

Non-current financial assets primarily comprise building loans granted by SNCF Mobilités and ICF to ESH subsidiaries and equity investments of the ESH subsidiaries. The latter amounted to €145 million (€145 million as at 31 December 2017) and were included in financial assets at fair value through equity (in available-for-sale assets as at 31 December 2017) (see Note 6.1.2.2). Given the low rental housing regulations and the SNCF Mobilités structure, these assets cannot be transferred to other Group entities.

8.2.2.2. Income and expenses

Transactions with low-rental housing companies recorded in the income statement are not material.

9. OFF-BALANCE SHEET COMMITMENTS

9.1 COMMITMENTS RECEIVED AND GIVEN

Commitments received and given are detailed in the following tables and the percentage of commitments with joint ventures included in the total amounted to:

— €1 million for commitments received as at 31 December 2018 (€1 million for 2017);

— €82 million for commitments given as at 31 December 2018 (€95 million for 2017).

		31/12/2018				31/12/2017
			Amount of commitments per period			
Commitments received (in M€)		Total commitment	Less than 1 year	1 to 5 years	More than 5 years	Total commitment
Commitments relating to financing		**1,684**	**519**	**1,065**	**100**	**1,488**
Personal collateral		63	11	4	47	47
Security interests		4	4	0	0	4
Unused confirmed credit lines	6.2.5	1,617	504	1,060	53	1,437
Commitments relating to operations		**9,951**	**2,998**	**6,147**	**806**	**9,917**
Investment commitments for operation of rail equipment	9.1.2.1	5,933	1,493	4,306	134	5,918
Purchase commitments for non-current assets other than rail equipment	9.1.2.2	1,372	423	794	155	1,557
Property sale undertakings	9.1.2.3	29	27	0	2	53
Operational and financial guarantees	9.1.2.4	1,030	677	351	3	908
Operating leases: equipment	9.1.2.5	452	185	227	39	457
Operating leases: property	9.1.2.5	1,125	189	469	467	1,014
Commitments relating to operating and fixed asset purchase agreements		10	4	0	6	10
Commitments relating to the Group consolidation scope		**17**	**0**	**0**	**17**	**17**
Security commitments (option contracts)		17	0	0	17	17
Other commitments received		**19**	**17**	**2**	**0**	**9**
Total commitments received		**11,671**	**3,534**	**7,214**	**922**	**11,430**

		31/12/2018				31/12/2017
			Amount of commitments per period			
Commitments given (in M€)		Total commitment	Less than 1 year	1 to 5 years	More than 5 years	Engagement total
Commitments relating to financing		**1,111**	**747**	**54**	**309**	**933**
Personal collateral		178	97	43	38	183
Security interests	9.1.1.1	933	650	11	271	750
Commitments relating to operations		**18,394**	**5,006**	**9,081**	**4,307**	**14,850**
Investment commitments for operation of rail equipment	9.1.2.1	9,674	2,086	4,788	2,801	6,828
Purchase commitments for non-current assets other than rail equipment	9.1.2.2	2,867	927	1,905	35	3,180
Property sale undertakings	9.1.2.3	27	27	0	0	51
Operational and financial guarantees	9.1.2.4	1,144	352	363	429	904
Customs guarantees (Geodis)		178	137	21	20	166
Operating leases: equipment	9.1.2.5	2,018	369	904	745	1,439
Operating leases: property	9.1.2.5	1,724	446	1,004	274	1,575
Commitments relating to operating and fixed asset purchase agreements		228	216	11	1	218
Firm commodity purchase commitments (electricity, diesel, etc.)	9.1.2.6	533	446	85	3	489
Commitments relating to the Group consolidation scope		**11**	**4**	**5**	**2**	**12**
Other commitments relating to the Group consolidation scope		11	4	5	2	12
Other commitments given		**51**	**11**	**25**	**15**	**37**
Total commitments given		**19,566**	**5,767**	**9,166**	**4,633**	**15,830**

9.1.1 Commitments relating to financing

9.1.1.1. Security interests

Commitments given rose by €183 million as at 31 December 2018 relating to the pledge of Siemens trains delivered to Eurostar.

9.1.2 Commitments relating to operations

A review of internal procedures relating to off-balance sheet commitments for the TER activity, reduced the opening figures for the various headings specified below.

9.1.2.1. Investment commitments for operation of rail equipment

Commitments given concern investments concluded with rolling stock manufacturers, some of whom work in cooperation with the transport Organising Authorities (OA) for the future commissioning of rail equipment. The net increase was due to the fact that investments carried out during the period were lower than the new commitments undertaken.

Commitments received correspond to investment funding receivable from the OA for ordered rolling stock. They decrease by the amount of the investments ordered by the Organising Authorities that have been carried out. Conversely, they increase in the amount of new investment orders.

The €2,847 million increase in commitments given is explained by:

— the contracting of new investment programmes for €4,647 million, mainly:

• at SNCF Voyages for €3,324 million involving 100 TGV 2020 trains (firm tranche of 50 trains and optional tranche of 50 trains) ordered from Alstom;

• at Transilien for €1,026 million involving 83 NAT trains for €759 million, 32 DUALIS trains for €161 million and 9 Régio2N ZL trains for €106 million ordered from Bombardier;

• at TER for €265 million involving 19 Régio2N trains;

• at Ermewa for €32 million involving new wagon investments;

— a decrease of €518 million for rolling stock upgrade agreements mainly relating to the review of internal procedures at TER for €574 million, slightly offset by a €32 million increase at Transilien;

— a decline of €1,352 million for residual rolling stock investments due to down payments and deliveries made:

• at Transilien for €559 million involving Régio2N trains for €254 million, NAT trains for €198 million, RER NG trains for €82 million and Tram Trains for €25 million;

• at SNCF Voyages for €272 million involving TGV 2N2 trains for €161 million and TGV 3UFC trains for €111 million;

• at Eurostar for €217 million involving Siemens trains;

• at Intercités for €117 million involving Régiolis trains;

• at TER for €187 million involving Regio2N and Régiolis trains.

The rise in commitments received in 2018, for €15 million, was mainly attributable to:

— new commitments for €1,388 million involving new orders at Transilien for €1,119 million involving 83 NAT trains for €812 million, 32 DUALIS trains for €191 million and 9 Régio2N trains for €116 million and at TER for €269 million involving 19 Régio2N trains;

— a decrease of €1,122 million relating to calls for funds and deliveries completed during the period, including at Transilien for €659 million involving Regio2N trains for €332 million, NAT trains for €213 million, RER NG trains for €91 million, Tram Trains for €23 million, at Intercités for €209 million involving OMNEO trains for €9 million and Régiolis trains for €200 million, and at TER involving Regio2N and Régiolis trains for €254 million;

— a decrease of €249 for investment grants receivable from the OAs for rolling stock renovation and maintenance, including at Transilien for €33 million and at TER for €299 million relating to the review of internal procedures, partially offset by a €83 million increase relating to the signing of an agreement for 2018-2025 with the Bourgogne – Franche Comté OA.

9.1.2.2. Purchase and financing commitments for non-current assets other than rail equipment

The €185 million decrease in commitments received to finance purchase commitments for non-current assets other than rail equipment was explained by the decrease in grants receivable from the OA:

— the decrease of €343 million, including at TER for €302 million relating to the review of internal procedures and at SNCF Gares & Connexions for €41 million relating to the progress at stations and Multimodal Exchange Hubs.

— offset by a €155 million increase primarily due to the ticketing modernisation project under the Ile de France Mobilités contract for €113 million and network expansion projects for €45 million at Transilien.

The €313 million decrease in asset purchase commitments given was attributable to:

— the decrease of €557 million, including at TER for €519 million relating to the review of internal procedures and at SNCF Gares & Connexions for €35 million relating to the progress of Île-de-France station accessibility projects;

— offset by a €247 million increase at Transilien following the review of the trajectory for investment programmes not relating to the Contrat de Plan État-Région (CPER) State-Region Contractual Plan)) for fixed installation and ticketing modernisation projects for €222 million and CPER investments for network expansion projects for €25 million.

9.1.2.3. Property sale undertakings

The decrease in commitments relating to property sale undertakings was primarily attributable to the sales completed over the period partially offset by new sale undertakings.

9.1.2.4. Operational and financial guarantees

Operating and financial guarantees given increased by €239 million mainly due to the set-up of new operating guarantees for EPIC SNCF Mobilités in the amount of €22 million and Keolis in the amount of €228 million, including the signature of a new contract in Wales for €49 million and Doha for €151 million.

Operating and financial guarantees received in the SNCF Mobilités financial statements primarily concern bank guarantees received from rail equipment suppliers Bombardier and Alstom.

The net increase for €123 million mainly corresponds to new guarantees:

— at Transilien for €131 million, including NAT trains for €115 million, RER NG trains for €39 million offset by the repayment of guarantees relating to Tram Train deliveries for €36 million;

— at SNCF Voyages for €33 million relating to TGV 2020 trains for €21 million, guarantees received from travel agencies for €28 million offset by a €14 million decline involving 3UFC TGV trains;

— offset by a €47 million decrease at Intercités and TER relating to the delivery of Régiolis and Régio2N trains.

9.1.2.5. Commitments relating to equipment and property operating leases

Equipment and property operating leases received rose by €106 million following the signing of new leases and the updating of certain property leases offset by a decrease relating to lease progress.

The sharp €728 million rise in commitments given relating to equipment and property operating leases in the SNCF Mobilités financial statements was primarily due to:

— a new rolling stock lease in Wales for €580 million at Keolis;

— new property leases for €235 million offset by a €93 million decline following the expiry of certain leases and the passage of time.

9.1.2.6. Firm commodity purchase commitments (electricity, diesel, etc.)

Commodity purchase commitments essentially concern electricity supply contracts.

The rise in commodity purchase commitments given for €44 million was primarily attributable to electricity price revaluations at SNCF Energie.

9.2 LEASE TRANSACTIONS

EPIC SNCF Mobilités carried out transactions in the form rather than substance of a lease. These transactions comprised:

— the leasing of a qualified technological equipment network to a US lessor, who immediately sub-leases it to EPIC SNCF Mobilités for a maximum period of 16 years. The assets in question are all the EPIC SNCF Mobilités ticket sale and reservation equipment; or

— the sale of rolling stock (Corail Téoz cars, TGV trains, etc. commissioned or to be delivered, etc.) to an investor who immediately sub-leases it to EPIC SNCF Mobilités for a determined period of 4 to 25 years according to the contracts;

— the leasing of rolling stock to a US lessor for a period of around 40 years, who immediately sub-leases it to EPIC SNCF Mobilités for a period of 20 years.

In certain cases, the lessor is a fiscally transparent special entity created for this transaction that can only operate for this purpose.

During the sub-leasing (16 years) or leasing (4 to 25 years) periods, all payments made and received in connection with the lease offset each other and do not impact the financial statements, apart from the net profit recognised in the transaction period under finance costs. This profit corresponds to the retrocession of a portion of the tax deferral obtained by the investor. The asset sold or leased is maintained in the Group balance sheet.

At the end of the sub-leasing or leasing periods, EPIC SNCF Mobilités has several options based on the type of transaction:

— exercise a purchase option at a pre-determined price, thus maintaining its initial profit;

— give the equipment to the lessor, who will use it for his own purpose;

— give the equipment to the lessor, for whom EPIC SNCF Mobilités will act as market sales agent for the equipment, guaranteeing a sale price at least equal to the amount of the purchase option;

— resell the equipment on the lessor's behalf, for a resale commission.

The use, replacement, operation or definition of assets is in no way affected. The risks borne by EPIC SNCF Mobilités are limited to equipment ownership, the risks generated by French law, and, depending on the case, counterparty risks covered by collateralisation contracts.

9.3 TRANSFER OF FINANCIAL ASSETS

9.3.1 Geodis factoring

SNCF Mobilités set up a revolving factoring facility for the assignment of trade receivables in the Geodis sector. The transactions cover the entire amount of assigned receivables and can be carried out on a monthly basis. Counterparty and late payment risks and the benefits associated with the receivables are transferred to the factor. As the receivables are denominated and assigned in euros, there is no foreign exchange risk. Accordingly, the Group is deemed to have transferred virtually all the risks and rewards relating to the receivables. As this involves operating receivables, assignments led to net receipts for the Group presented in «Net cash from operating activities» on the cash flow statement. Assignments at the year-end resulted in a net receipt of €170 million in 2018 (€121 million in 2017) being obtained in advance from the factor compared to the usual debt collection period.

9.3.2 Assignment of the CICE receivable

In 2016, the receivable generated by the Competitiveness and Employment Tax Credit set up by the French government (see Note 3.3.4) and recorded for the Keolis French tax consolidation group was assigned under the Dailly Law. The assignment covered the entire receivable relating to the eligible payroll paid in the calendar year. It was carried out in December, without recourse to the discount. The counterparty and late payment risks were transferred to the banking institution along with the rewards attached to the receivable, as the Group can no longer collect the future refund of the tax credit or allocate it to a future cost. As the receivable was denominated and assigned in euros, there is no foreign exchange risk. Accordingly, the Group is deemed to have transferred virtually all the risks and rewards relating to the receivable.

In 2017, the Dailly assignment led to a posting of a net receipt of €58 million in «Net cash from operating activities» on the cash flow statement.

In 2018, no receivables generated by the Competitiveness and Employment Tax Credit were carried out.

10. SCOPE OF CONSOLIDATION

10.1 NUMBER OF CONSOLIDATED COMPANIES

The number of companies consolidated by SNCF Mobilités Group breaks down as follows:

	31/12/2018	31/12/2017	Change
Parent company and fully consolidated companies	884	840	44
Equity-accounted companies (joint ventures)	49	44	5
Equity-accounted companies (significant influence)	68	67	1
Total scope of consolidation	**1,001**	**951**	**50**

10.2 ANALYSIS OF THE CONTROL OF CERTAIN ENTITIES

10.2.1 E.S.H. (Low-rental housing companies)

The assessment of control exercised over low-rental housing companies (Entreprises Sociales pour l'Habitat or ESH) is a complex issue that must be approached with pragmatism, taking into account the constraints resulting from the extremely strict regulatory framework governing low-rental housing and the focus set by SNCF Mobilités for its housing policy. It would appear that consolidation is not appropriate as:

— If SNCF Mobilités exercises influence over certain aspects of management of the ESH, it cannot be qualified as a controlling influence; SNCF Mobilités neither directs the relevant activities of the ESH pursuant to IFRS 10, nor influences policy-making pursuant to IAS 28 revised, due to the restrictions and strict supervision imposed by the Law;

— the SNCF Mobilités Group's decision to own the four ESH concerned is primarily based on institutional and general interest arguments and not on financial and asset ownership considerations, whether direct or indirect, the potential returns being very limited.

Shares in ESH are therefore retained in balance sheet assets and classified in available-for-sale financial assets (see Notes 6.1.2.4 and 8.2.2).

The main consolidated balance sheet headings of these companies were as follows:

— non-current assets €4,451 million (€4,432 million in 2017);

— non-current liabilities (debt): €2,373 million (€2,402 million in 2017).

The net indebtedness of unconsolidated ESH low-rental housing companies amounted to €2.30 billion (€2.38 billion as at 31 December 2017).

10.2.2 SOFIAP

SNCF Mobilités holds shares in a group of real-estate financing companies. Under the Socrif brand, the group comprises SNCF Habitat (a wholly-owned public interest cooperative), Sofiap (a credit institution 34% held and controlled by La Banque Postale since 20 May 2014 after having been 49% held by Crédit Immobilier de France Développement) and Soprim (a wholly-owned simplified joint stock company). Given the legal restrictions governing the returns obtained by investors from public interest cooperatives for home ownership (specific statutory regulations enacted by the French Construction and Housing Code), the Group is neither exposed to the variable returns of SNCF Habitat, nor can it exercise any power on these returns. Consequently, SNCF Habitat is not consolidated according to IFRS 10. The same is true for Sofiap and Soprim, which are indirectly held through SNCF Habitat, due to the absence of effective control. Soprim has a very limited activity. The shares are therefore retained in balance sheet assets and classified in available-for-sale financial assets. The year-end financial aggregates of Sofiap were as follows:

— non-current assets: €2,033 million (€1,937 million as at 31 December 2017);

— non-current liabilities: €2,005 million (€1,924 million as at 31 December 2017)

10.3 MAIN ENTITIES WITHIN THE SCOPE OF CONSOLIDATION

The following table lists only the main significant entities. A significant entity is any entity with revenue of over €30 million or total assets of over €50 million. The activities belonging to EPIC SNCF Mobilités are identified by the wording "EPIC".

Consolidation methods:

FC Full Consolidation

JO Joint Operation – Recognition of shares of assets, liabilities, revenues and expenses

JV Joint Venture – Equity-accounted

SI Significant Influence – Equity-accounted

NC: Non consolidated

F: Company absorbed by another Group company

Percentage interest: share in the share capital of the consolidated company held by the consolidating company, either directly or indirectly.

Percentage control: percentage of voting rights held by the consolidating company in the consolidated company, either directly or indirectly.

Geographical area	Country	Company	M	PC Year N	PI Year N	PC Year N-1	PI Year N-1
		Parent Company					
FRANCE	FRANCE	SNCF Mobilités	FC	100%	100%	100%	100%
	Segment	**SNCF Transilien, Régions and Intercités**					
FRANCE	FRANCE	SNCF – Transilien EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF – TER EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF – Intercités EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF – FC – Traction EPIC	FC	100%	100%	100%	100%
	Segment	**SNCF Voyages**					
EUROPE EXCLUDING FRANCE	AUSTRIA	Rail Holding AG	SI	17%	17%	17%	17%
	BELGIUM	THI Factory	FC	60%	60%	60%	60%
	UK	Groupe Eurostar	FC	55%	55%	55%	55%
FRANCE	FRANCE	Oui Bus	FC	95%	95%	95%	95%
	FRANCE	SNCF – Voyages – Europe EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF – Voyages – TGV EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Voyages Central EPIC	FC	100%	100%	100%	100%
	Segment	**Gares & Connexions**					
FRANCE	FRANCE	Retail & Connexions	FC	100%	100%	100%	100%
	FRANCE	SNCF – Gares & Connexions EPIC	FC	100%	100%	100%	100%
	FRANCE	Lagardère & Connexions	JV	50%	50%	50%	50%
	Segment	**Keolis**					
AFRICA, MIDDLE EAST	QATAR	RKH Qitarat LLC	SI	33%	23%	0%	0%
AMERICAS	CANADA	Keolis Canada Inc	FC	100%	70%	100%	70%
	UNITED STATES	Keolis Transit America	FC	100%	70%	100%	70%
		Keolis Commuter Services LLC	FC	100%	82%	100%	82%
ASIA, PACIFIC	AUSTRALIA	KDR Victoria Pty Ltd	FC	100%	36%	100%	36%
		KDR Gold Coast PTY LTD	FC	100%	36%	100%	36%
		KD Hunter Pty Ltd	FC	100%	36%	100%	36%
		Path Transit Pty Ltd	FC	100%	36%	100%	36%
		Southlink Pty Ltd	FC	100%	36%	100%	36%
EUROPE (EXCLUDING FRANCE)	GERMANY	Keolis Deutschland COKG	FC	100%	70%	100%	70%
	DENMARK	Keolis Danmark	FC	100%	70%	100%	70%
	UK	Govia Thameslink Railway Limited	JV	35%	24%	35%	24%
		Keolis-Amey Docklands Ltd	FC	70%	49%	70%	49%
		Keolis-Amey Metrolink	FC	60%	42%	60%	42%
		Keolis Amey Operations/ Gweithrediadau Keolis Amey Limited – the Operating Entity	FC	64%	45%	64%	45%
		London&South Eastern Railway – LSER	JV	35%	24%	35%	24%
		Nottingham Trams Ltd	FC	80%	56%	80%	56%
	NETHERLANDS	Keolis Nederland BV (ex-Syntus)	FC	100%	70%	100%	70%
	SWEDEN	Keolis Sverige	FC	100%	70%	100%	70%
FRANCE	FRANCE	Aerolis	FC	100%	70%	100%	70%
		Effia Concessions	FC	100%	70%	100%	70%
		Effia Stationnement et Mobilité	FC	100%	70%	100%	70%

Geographical area	Country	Company	M	PC Year N	PI Year N	PC Year N-1	PI Year N-1
		Keolis	FC	100%	70%	100%	70%
		Keolis Amiens	FC	100%	70%	100%	70%
		Keolis Angers	FC	100%	70%	100%	70%
		Keolis Atlantique	FC	100%	70%	100%	70%
		Keolis Besançon Mobilités	FC	100%	70%	100%	70%
		Keolis Bordeaux Métropole	FC	100%	70%	100%	70%
		Keolis Brest	FC	100%	70%	100%	70%
		Keolis Bus Verts	FC	100%	70%	100%	70%
		Keolis Caen Mobilités	FC	100%	70%	100%	70%
		Keolis CIF	FC	100%	70%	100%	70%
		Keolis Dijon Mobilités	FC	100%	70%	100%	70%
		Keolis Lille	FC	100%	70%	100%	70%
		Keolis Lyon	FC	100%	70%	100%	70%
		Keolis Nîmes	FC	100%	70%	100%	70%
		Keolis Orléans	FC	100%	70%	100%	70%
		Keolis Pays d'Aix	FC	100%	70%	100%	70%
		Keolis Rennes	FC	100%	70%	100%	70%
		Keolis Tours	FC	100%	70%	100%	70%
		SAEMES	JV	33%	23%	33%	23%
		Transpole	FC	100%	70%	100%	70%
		Transport Daniel MEYER	FC	100%	70%	100%	70%
		Transports de l'agglomération de Metz Métropole	SI	40%	32%	40%	32%
	Segment	**SNCF Logistics**					
AFRICA, MIDDLE EAST	SOUTH AFRICA	Geodis Wilson, South Africa (Pty.) Ltd.	FC	100%	100%	100%	100%
AMERICAS	BRAZIL	GW Freight Management Brazil	FC	100%	100%	100%	100%
	CHILE	Geodis Wilson Chile Limitada	FC	100%	100%	100%	100%
	UNITED STATES	Geodis USA, Inc.	FC	100%	100%	100%	100%
		Geodis America	FC	100%	100%	100%	100%
		Geodis Global Solutions USA Inc	FC	100%	100%	100%	100%
		Ozburn-Hessey Logistics, LLC (Logistic activity)	FC	100%	100%	100%	100%
		Ozburn-Hessey Transportation, LLC	FC	100%	100%	100%	100%
	MEXICO	Geodis Wilson Mexico S.A. de C.V.	FC	100%	100%	100%	100%
		Geodis Wilson Mexico S.A. de C.V. – Logistics	FC	100%	100%	100%	100%
		Geodis Global Solutions Mexico	FC	100%	100%	100%	100%
ASIA, PACIFIC	AUSTRALIA	Geodis Wilson Pty Ltd Australia	FC	100%	100%	100%	100%
	CHINA	Geodis Wilson Hong Kong Ltd.	FC	100%	100%	100%	100%
		Geodis Wilson China Limited	FC	100%	100%	100%	100%
		Combined Logistics (Hong Kong) Limited	FC	100%	100%	100%	100%
	INDIA	Geodis Overseas India	FC	100%	100%	100%	100%
	NEW ZEALAND	Geodis Wilson. New Zealand Ltd	FC	100%	100%	100%	100%
	SINGAPORE	Geodis Wilson Singapore Pte Ltd	FC	100%	100%	100%	100%
	TAIWAN	Geodis Wilson Taïwan Ltd	FC	100%	100%	100%	100%

Geographical area	Country	Company	M	PC Year N	PI Year N	PC Year N-1	PI Year N-1
EUROPE (EXCLUDING FRANCE)	GERMANY	Captrain Deutschland CargoWest GmbH	FC	100%	100%	100%	100%
		Forwardis Gmbh	FC	100%	100%	100%	100%
		Geodis Logistics Deutschland GmbH	FC	100%	100%	100%	100%
		Geodis Wilson Germany GmbH & Co KG	FC	100%	100%	100%	100%
		ITL Eisenbahngesellschaft mbH	FC	100%	100%	100%	100%
		NEB	JV	67%	34%	67%	34%
	AUSTRIA	Chemfreight (Rail Cargo Logistics)	JV	34%	34%	34%	34%
	BELGIUM	Geodis Wilson Belgium N.V.	FC	100%	100%	100%	100%
	DENMARK	Geodis Wilson Denmark A/S	FC	100%	100%	100%	100%
	SPAIN	Geodis Wilson Spain, S.L.U.	FC	100%	100%	100%	100%
		Geodis RT Spain SA	FC	100%	100%	100%	100%
	UK	Geodis Wilson UK Ltd	FC	100%	100%	100%	100%
		Geodis UK Ltd Messagerie	FC	100%	100%	100%	100%
	IRELAND	Geodis Ireland Ltd	FC	100%	100%	100%	100%
	ITALY	Geodis Wilson Italia Spa	FC	100%	100%	100%	100%
		Geodis Logistics S.P.A.	FC	100%	100%	100%	100%
		Cap Train Italia	FC	100%	100%	100%	100%
		Geodis RT Italia Italia Srl	FC	100%	100%	100%	100%
	LUXEMBOURG	LORRY Rail	FC	58%	58%	58%	58%
		Lexsis	FC	100%	100%	100%	100%
	NETHERLANDS	ALPS 2	JV	100%	50%	0%	0%
		Geodis BM Netherlands BV	FC	100%	100%	100%	100%
		Geodis RT Netherlands BV (ex Geodis Wilson Netherlands B.V.)	FC	100%	100%	100%	100%
		Geodis Logistics Netherlands BV	FC	100%	100%	100%	100%
	POLAND	Geodis Polska	FC	100%	100%	100%	100%
	SWEDEN	Geodis Sweden AB (ex Geodis Wilson Sweden AB)	FC	100%	100%	100%	100%
		Geodis Holding Sweden AB (ex Geodis Wilson Holding AB)	FC	100%	100%	100%	100%
	SWITZERLAND	PIRCO SA	FC	100%	100%	100%	100%
		Ermewa Ferroviaire	FC	100%	100%	100%	100%
		Ermewa Intermodal	FC	100%	100%	100%	100%
		BLS CARGO	SI	45%	45%	45%	45%
FRANCE	FRANCE	AKIEM Group	JV	50%	50%	0%	0%
		AKIEM Holding	JV	50%	50%	50%	50%
		AKIEM SAS	JV	50%	50%	50%	50%
		ALPS1	JV	50%	50%	50%	50%
		BM Virolle	SI	35%	35%	35%	35%
		Bourgey Montreuil Alsace	FC	100%	100%	100%	100%
		Calberson Alsace	FC	100%	100%	100%	100%
		Calberson Armorique	FC	100%	100%	100%	100%
		Calberson Bretagne	FC	100%	100%	100%	100%
		Calberson Île-de-France	FC	100%	100%	100%	100%
		Calberson Loiret	FC	100%	100%	100%	100%
		Calberson Méditerranée	FC	100%	100%	100%	100%
		Calberson Normandie	FC	100%	100%	100%	100%
		Calberson Paris Europe	FC	100%	100%	100%	100%
		Calberson Picardie	FC	100%	100%	100%	100%
		Calberson Rhône-Alpes	FC	100%	100%	100%	100%
		Calberson Sud-Ouest	FC	100%	100%	100%	100%

Geographical area	Country	Company	M	PC Year N	PI Year N	PC Year N-1	PI Year N-1
		Challenge International	FC	100%	100%	100%	100%
		Chaveneau Bernis Transport	FC	100%	72%	100%	72%
		Dusolier Calberson	FC	100%	100%	100%	100%
		Ermewa (Paris)	FC	100%	100%	100%	100%
		Ermewa Ferroviaire	FC	100%	100%	100%	100%
		Ermewa Holding	FC	100%	100%	100%	100%
		Ermewa Intermodal	FC	100%	100%	100%	100%
		Eurotainer SAS	FC	100%	100%	100%	100%
		Flandre Express	FC	100%	100%	100%	100%
		Forwardis SA	FC	100%	100%	100%	100%
		Geodis Automotive Est	FC	100%	100%	100%	100%
		Geodis BM Réseau	FC	100%	100%	100%	100%
		Geodis Calberson Aquitaine	FC	100%	100%	100%	100%
		Geodis Calberson Lille Europe	FC	100%	100%	100%	100%
		Geodis Calberson Valenciennes	FC	100%	100%	100%	100%
		Geodis Euromatic	FC	100%	100%	100%	100%
		Geodis Freight Forwarding France	FC	100%	100%	100%	100%
		Geodis Logistics Île-de-France	FC	100%	100%	100%	100%
		Geodis Logistics Rhône-Alpes	FC	100%	100%	100%	100%
		Geodis Projets	FC	100%	100%	100%	100%
		Geodis SA	FC	100%	100%	100%	100%
		Geoparts	FC	100%	100%	100%	100%
		Giraud Rhône-Alpes	FC	100%	100%	100%	100%
		Grimaldi ACL France	JV	60%	60%	60%	60%
		Naviland Cargo	FC	100%	100%	100%	100%
		Rhône Dauphiné Express	FC	100%	100%	100%	100%
		SCI Ney – Geodis	FC	100%	100%	100%	100%
		SCO Aerospace and Defence	FC	100%	100%	100%	100%
		S.M.T.R. Calberson	FC	100%	100%	100%	100%
		Sealogis	FC	100%	100%	100%	100%
		SNCF Geodis – Fret	FC	100%	100%	100%	100%
		STSI	FC	100%	100%	100%	100%
		Transfer International	FC	98%	98%	98%	98%
		Transports Bernis	FC	68%	68%	68%	68%
		VFLI	FC	100%	100%	100%	100%
		VIIA	FC	100%	100%	100%	100%
		Walbaum	FC	100%	100%	100%	100%
		Corporate					
EUROPE (EXCLUDING FRANCE)	SWITZERLAND	EUROFIMA	SI	23%	23%	23%	23%
FRANCE	FRANCE	Espaces Ferroviaires Aménagement	FC	100%	100%	100%	100%
	FRANCE	ICF	FC	100%	100%	100%	100%
	FRANCE	MASTERIS	FC	100%	100%	100%	100%
	FRANCE	NOVEDIS-ICF	FC	100%	100%	100%	100%
	FRANCE	S2FIT1	FC	100%	100%	100%	100%
	FRANCE	SNCF – FC – DFT–FM EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF – FC – DI EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF – FC – Entreprise EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF – FC – Matériel EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF – FC S&F (excluding DFT–FM) EPIC	FC	100%	100%	100%	100%
	FRANCE	SNCF Energie	FC	100%	100%	100%	100%
	FRANCE	VESTA	SI	20%	20%	100%	100%

04— STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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Statutory Auditors' report on the consolidated financial statements

For the year ended 31 December 2018

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. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

SNCF Mobilités
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Opinion

In compliance with the engagement entrusted to us on 18 April 2014 by the French Minister for the Economy, Industry and Digital Affairs, we have audited the accompanying consolidated financial statements of SNCF Mobilités for the year ended 31 December 2018.

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 2018 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.

The audit opinion expressed above is consistent with our report to the Audit, Accounts and Risk Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2018 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Emphasis of matter

Without qualifying our opinion, we draw your attention to the matter set out in Note 2.1.9 "United Kingdom's withdrawal from the European Union (Brexit)" to the consolidated financial statements, which describes the uncertainties related to this withdrawal.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of the assets of the TGV France and Europe (excluding Eurostar and Thalys) CGU

SNCF Mobilités owns assets, primarily rolling stock, for the purpose of operating its high-speed passenger train activity in France. These assets are allocated to the TGV France and Europe (excluding Eurostar and Thalys) cash-generating unit (CGU).

They are recognised in the balance sheet at cost and depreciated over their estimated useful life as determined by management. They are tested for impairment whenever an indication of impairment is identified by management in order to determine a value in use and any adjustment that might be required to their carrying amount.

The carrying amount of these assets totalled €5.3 billion at 31 December 2018, after the reversal during the year of the residual impairment of €3.2 billion.

As indicated in Notes 4.3.2.1 and 4.3.2.2 to the consolidated financial statements, in 2017 the French State initiated discussions for a new railway agreement and in May 2018, in agreement with the French rail and road office (ARAFER), announced that increases in TGV infrastructure fees would be limited to the level of inflation.

In this context, management updated the TGV strategic plan and its financial trajectory in order to take into account, in particular, the new pegging of infrastructure fees to the Consumer Price Index, the scenarios involving the arrival of rail competition, additional performance gains and the new projection of deductions in the tax on rail company profits (TREF) and the territorial solidarity tax

(CST) in line with the expected changes in Intercités activity. The TGV strategic plan for 2019-2028 was approved by the Board of Directors on 26 July 2018.

The new aforementioned items, and more specifically the new infrastructure fee indexation, have a significant impact on TGV gross profit and represent indications of increases in value for the TGV France and Europe (excluding Eurostar and Thalys) CGU. In view of this, management performed a further impairment test at 30 June 2018 to estimate the value in use of the assets of the TGV France and Europe (excluding Eurostar and Thalys) CGU, which resulted in the reversal in full of the residual impairment of €3.2 billion. No indications of impairment were identified in the second half of 2018.

Value in use is determined by management by discounting estimated future cash flows over a period of 10 years and adding a terminal value projected to infinity.

As indicated in Note 4.3.2.2 to the consolidated financial statements, these forecasts rely on a significant number of key assumptions, including (i) trends in traffic revenue in a context of radical change in the offering and in competition, (ii) the gradual arrival of rail competition, (iii) a pricing policy geared towards low prices designed to generate considerable traffic growth, (iv) an infrastructure fee trajectory pegged to the Consumer Price Index, (v) the implementation of performance plans, (vi) a gradual decline in the TREF and CST, assuming the latter tax is reduced to zero as from 2023 and (vii) an investment level taking into account performance plans and the order of 100 TGV2020 trains.

These forecasts were prepared in a context of risk and uncertainty surrounding the economic and financial assumptions used, which is exacerbated by the Law for a New Railway Pact (*loi d'habilitation pour un nouveau pacte ferroviaire*) and the mobility law which is expected to be passed in 2019.

Given the materiality of these assets and the historically recognised impairment, the degree of uncertainty surrounding the economic and financial assumptions used, and the very high level of sensitivity of recoverable amount to those assumptions, we deemed management's measurement of the value in use of the CGU's assets to be a key audit matter.

How our audit addressed this matter

We assessed the consistency of the methodology used with the appropriate accounting standards and examined the methodology for implementing the impairment test. Our work consisted primarily in:

- examining management's identification of indications of impairment or increases in value;
- based on the impairment test prepared by management, reconciling the net economic assets tested with the underlying accounting data;
- examining the process used for preparing forecasts and assessing any differences between those forecasts and past outcomes;
- comparing the cash flows used in the impairment test with the TGV strategic plan defined by management and approved by the Board of Directors of SNCF Mobilités on 26 July 2018;
- assessing the consistency of the cash flow projections with available sources of information;
- examining the methodology for calculating the recoverable amount and assessing the inputs used (discount rates and long-term growth rates) with the support of our valuation experts;
- examining the sensitivity tests performed by management and comparing the results with those described in Note 4.3.2.2 to the consolidated financial statements.

Lastly, we obtained assurance that Notes 4.3.2.1, and 4.3.2.2 to the consolidated financial statements provide appropriate disclosures on (i) the context, risks and uncertainties surrounding the assumptions used, and (ii) the analysis of sensitivity of value in use to changes in those assumptions.

Measurement of the assets of the Gares & Connexions CGU

SNCF Mobilités owns assets, primarily real estate, for the purpose of managing and operating train stations in France. These assets are allocated to the Gares & Connections cash-generating unit (CGU).

They are recognised in the balance sheet at cost and depreciated over their estimated useful life as determined by management. They are tested for impairment whenever an indication of impairment is identified by management in order to determine a value in use and any adjustment that might be required to their carrying amount.

The carrying amount of these assets totalled €1.9 billion at 31 December 2018, after the reversal during the year of the residual impairment of €0.1 billion.

As indicated in Notes 4.3.2.1 and 4.3.2.3 to the consolidated financial statements, ARAFER issued a favourable opinion on the *Document de Référence des Gares* 2018-2019 (DRG) filed in March 2018, thereby approving the rates for this period and the main principles of the new Gares & Connexions economic and pricing model. In addition, the Law for a New Railway Pact (*loi d'habilitation pour un nouveau pacte ferroviaire*), enacted on 27 June 2018, confirms, in particular, the principle of the future transfer of the train station manager to SNCF Réseau, in the form of a subsidiary, as of 1 January 2020.

Considering these items and in connection with the creation of an overall strategic plan for SNCF Mobilités, the CEO of SNCF Gares & Connexions prepared a new 2019-2028 strategic plan and its financial trajectory. The management of SNCF Gares & Connexions and SNCF Mobilités consider that, for the current scope of SNCF Gares & Connexions assets, this new trajectory can be transposed and applied to the future operating framework of Gares & Connexions in the form of an SNCF Réseau subsidiary.

Compared to the previous strategic plan drafted in 2016, this new trajectory includes indications of increases in value, particularly in terms of revenue and gross profit.

Management therefore performed an impairment test on the Gares & Connexions CGU at 30 June 2018. As the value in use determined during this test was greater than the carrying amount of the CGU's assets, the residual impairment of €0.1 billion was reversed in full at 30 June 2018. No indications of impairment were identified in the second half of 2018.

Value in use is determined by management by discounting estimated future cash flows over a period of 10 years and adding a terminal value projected to infinity.

As indicated in Note 4.3.2.3 to the consolidated financial statements, these forecasts rely on a significant number of key assumptions, including (i) the level of regulated and commercial activity, (ii) return on capital employed, (iii) gross profit margin reflecting the impact of performance plans, and (iv) the level of investment.

Given the materiality of these assets, the degree of uncertainty surrounding the economic and financial assumptions used, and the very high sensitivity of the recoverable amount to those assumptions, we deemed management's measurement of the value in use of the CGU's assets to be a key audit matter in 2018. This estimate resulted in a qualified opinion in our 2016 and 2017 reports.

How our audit addressed this matter

We assessed the consistency of the methodology used with the appropriate accounting standards and examined the methodology for implementing the impairment test. Our work consisted primarily in:

- examining management's identification of indications of increases in value;
- based on the impairment test prepared by management, reconciling the net economic assets tested with the underlying accounting data;
- examining the process used for preparing forecasts and assessing any differences between those forecasts and past outcomes;
- comparing the cash flows used in the impairment test with the strategic plan defined by management;
- assessing the consistency of the cash flow projections with available sources of information;
- examining the methodology for calculating the recoverable amount and assessing the inputs used (discount rates and long-term growth rates) with the support of our valuation experts;
- examining the sensitivity tests performed by management and comparing the results with those described in Note 4.3.2.3 to the consolidated financial statements.

Lastly, we obtained assurance that Notes 4.3, 4.3.2.1 and 4.3.2.3 to the consolidated financial statements provide appropriate disclosures on (i) changes in the context in which Gares & Connexions operates, (ii) the assumptions used, and (iii) the analysis of sensitivity of value in use to changes in those assumptions.

Measurement of the Eurostar CGU's intangible assets and financial liabilities

At 31 December 2018, goodwill and intangible assets with an indefinite useful life allocated to the Eurostar cash-generating unit (CGU) amounted to €615 million. As indicated in Note 4.3.1.4 to the consolidated financial statements, the impairment test performed by management to determine the recoverable amount of these assets (€2,063 million) consists in discounting the CGU's estimated future cash flows based on estimates and assumptions rendered uncertain due to the difficulty in gauging the implications of issues related, in particular, to the positioning of the competition and to Brexit.

Furthermore, a financial liability corresponding to the irrevocable commitment made by SNCF Mobilités to purchase the interests in Eurostar owned by the CDPQ/Hermès consortium and SNCB, which is included in the €1.3 billion liability corresponding to non-controlling interest purchase commitments, has been recognised at fair value on the same basis.

Given (i) the materiality of those assets in the Group's financial statements, (ii) the estimates and assumptions used to determine their recoverable value, which is based on discounted future cash flow forecasts, the achievement of which is inherently uncertain, and (iii) the high level of sensitivity of recoverable amount to those assumptions, we deemed management's measurement of the value in use of these assets and the associated purchase commitments to be a key audit matter.

How our audit addressed this matter

We assessed the consistency of the methodology applied with the appropriate accounting standards and examined the methodology for implementing the test. Our work consisted primarily in:

- based on the impairment test prepared by management, reconciling the net economic assets tested and the financial liabilities with the underlying accounting data;
- analysing the process used for preparing forecasts and assessing any differences between those forecasts and past outcomes;
- comparing the cash flows used in the impairment test with the strategic plan defined by management and approved by the Board of Directors of Eurostar on 28 November 2018;
- assessing the consistency of the cash flow projections with available sources of information;
- examining the methodology for calculating the recoverable amount and assessing the inputs used by management (discount rates and long-term growth rates) with the support of our valuation experts;
- examining the sensitivity tests performed by management and comparing the results with those described in Note 4.3.1.4 to the consolidated financial statements.

Lastly, we obtained assurance that Note 4.3.1.4 and Note 2.1.9 "United Kingdom's withdrawal from the European Union (Brexit)" to the consolidated financial statements provide appropriate disclosures on (i) the context, risks and uncertainties surrounding the assumptions used, and (ii) the analysis of sensitivity of value in use to changes in those assumptions, given the impossibility for the Group to estimate, at the reporting date, the consequences of a no deal.

As stated in prior years and in Note 4.3.1.4 to the consolidated financial statements, given the uncertainty surrounding the assumptions and the very high level of sensitivity of recoverable amount to those assumptions, we consider that the estimated value of these assets and the associated purchase commitments could vary significantly over time.

Estimate of deferred tax assets

At 31 December 2018, deferred tax assets in the balance sheet amounted to €1,358 million, taking into account the recognition of additional deferred tax assets of €389 million, and deferred tax liabilities amounted to €399 million.

As described in Note 7 to the consolidated financial statements, deferred tax assets arising on temporary differences or tax loss carryforwards are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to offset them in the future. The probability of this occurring is assessed through an analysis based primarily on the business plans used for impairment testing purposes.

Given the materiality of the deferred taxes and the uncertainty surrounding certain economic and financial assumptions, particularly those used in the business plans for TGV, Gares & Connexions and Eurostar, as described in this report, we deemed management's estimate of deferred tax assets recognised in the balance sheet to be a key audit matter.

How our audit addressed this matter

We familiarised ourselves with the method used by management to identify the deferred tax asset bases and we assessed its consistency with accounting standards.

We assessed the probability of there being sufficient future taxable profit to offset the tax loss carryforwards generated at the year-end, where necessary with guidance from our tax experts.

We examined by sampling that the rates used to calculate deferred taxes corresponded to the rates enacted at the year-end.

We also assessed the consistency of the estimates of future taxable profits, as defined by IAS 12, underlying the recognition and recoverability of the deferred tax assets with the business plans used for impairment testing purposes and presented to the Board of Directors.

We also assessed the appropriateness of the disclosures provided in Note 7 "Income tax expense" and, in particular, Note 7.3 "Deferred tax sources" to the consolidated financial statements.

As stated in prior years and in Notes 4.3.2.2, 4.3.2.3 and 4.3.1.4 to the consolidated financial statements, given the uncertainty surrounding the assumptions underlying the business plans of TGV, Gares & Connexions and Eurostar, we consider that the estimated value of these assets could vary significantly over time.

Measurement of employee benefit obligations

Employees of SNCF Mobilités qualify for various post-employment benefit plans, which are classified, where appropriate on the basis of legal analyses, as either defined-benefit or defined-contribution plans.

At 31 December 2018, the defined benefit plans gave rise to the recognition of a net liability of €1,668 million after taking into account plan assets measured at €341 million. Employee benefit obligations mainly comprise:

- post-employment benefit plans, social welfare initiatives and compensation for work-related injuries;
- other long-term benefit plans such as long-service awards and similar benefits, and gradual cessation of activity.

As indicated in Note 5 to the consolidated financial statements, these obligations are primarily measured on an actuarial basis using financial and demographic assumptions such as discount rate, mortality, staff turnover and projected future salary increases.

As indicated in Note 5 to the consolidated financial statements, since the creation of the SNCF Employee Pension and Provident Fund (*Caisse autonome de Prévoyance et de Retraite du Personnel de SNCF*), the special retirement plan for employees with SNCF qualifying status is considered to be a defined-contribution plan. No liability is recognised for defined-contribution plans as the Group does not have any obligation beyond the contributions paid each year.

Given the complexity of the plans and the analysis underlying their classification, the number of employee benefit plans in the Group and the materiality of the associated liabilities, the complexity of the actuarial calculations performed, the degree of uncertainty surrounding the underlying financial and demographic assumptions, and the very high level of sensitivity of the actuarial value of the liability to those assumptions, we deemed management's estimate of the value of its employee benefit obligations to be a key audit matter.

How our audit addressed this matter

We familiarised ourselves with the procedure used by management to classify and measure its main employee benefit obligations.
Our work also consisted in:

- obtaining and examining internal and external documentation relating to these benefit obligations, including statements of plan assets;
- assessing, on the basis of management's analyses:
    - the classification of new post-employment benefit plans as defined-benefit or defined-contribution,
    - the potential impact of developments and events during the year on the classification of existing plans, and in particular changes in contribution rates and appeals to the French Council of State (*Conseil d'État*);
- verifying, on a sample basis, the basic data used in the actuarial calculations against the underlying accounting data;
- assessing, with the guidance of our actuarial experts, the appropriateness of the main actuarial assumptions used to measure the benefit obligations according to the type and duration thereof and the available market data (discount and inflation rate, mortality, staff turnover and projected future salary increases);
- verifying the consistency of the principles and methods used to measure and recognise the net liability with the prevailing contractual, legal and regulatory provisions.

Lastly, we obtained assurance that Notes 4.5.2.1 and 5 to the consolidated financial statements provide appropriate disclosures on the classification of certain obligations, the description of the outcome of the appeal and the sensitivity of the value of the obligations to the assumptions used.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

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

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of SNCF Mobilités by the French Minister for the Economy, Industry and Employment on 21 April 2008 for PricewaterhouseCoopers Audit and by the French Minister for the Economy, Industry and Digital Affairs on 18 April 2014 for Ernst & Young Audit.

At 31 December 2018, PricewaterhouseCoopers Audit and Ernst & Young Audit were in the eleventh and the fifth consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it expects to liquidate the company or to cease operations.

The Audit, Accounts and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;

- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion.

- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit, Accounts and Risk Committee

We submit a report to the Audit, Accounts and Risk Committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit, Accounts and Risk Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit, Accounts and Risk Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit, Accounts and Risk Committee.

Neuilly-sur-Seine and Paris-La Défense, 28 February 2019

The Statutory Auditors

PricewaterhouseCoopers Audit		ERNST & YOUNG Audit	
Laurent Daniel	François Guillon	Christine Vitrac	Denis Thibon