

# SNCF GROUP 2014 HALF-YEAR RESULTS

**MATHIAS EMMERICH**

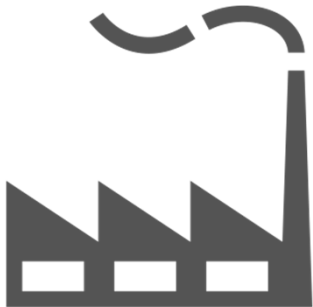
SNCF GROUP EXECUTIVE VP FINANCE, PURCHASING, INFORMATION TECHNOLOGY

31 JULY 2014

# BACKGROUND AND HIGHLIGHTS

# THE FRENCH ECONOMY REMAINED SLUGGISH IN THE FIRST HALF OF 2014...

GDP  
STABLE/UNCHANGED



~+0.0%

CONSUMER  
SPENDING  
STABLE/UNCHANGED



~+0.0%

RISE IN VAT ON  
TRAIN FARES

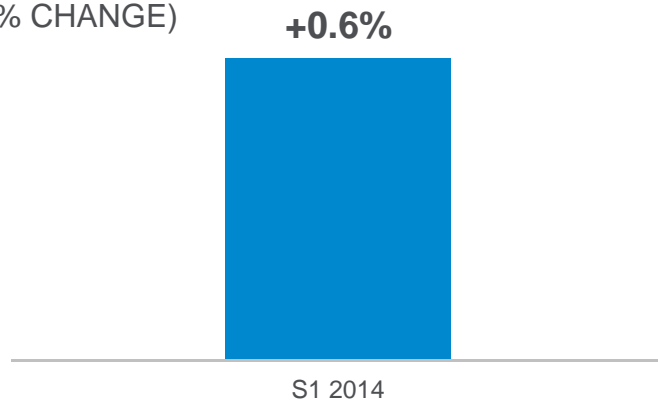


From 7 to 10%

# ... IMPACTING ALL GROUP OPERATIONS

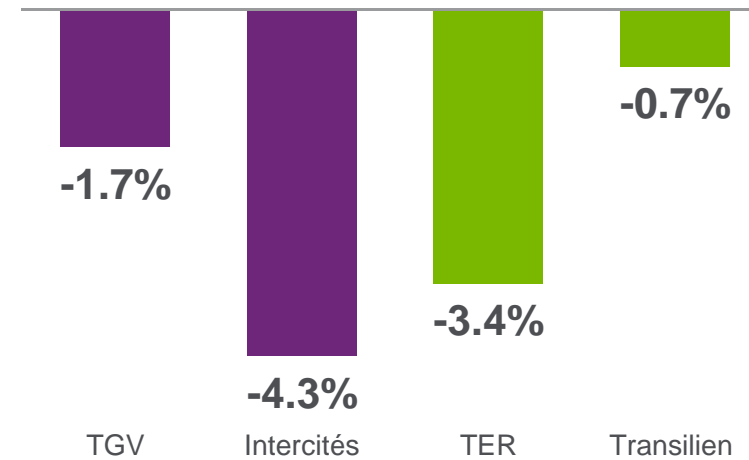
## FREIGHT TRANSPORT: LIMITED GROWTH

TREND IN REVENUE:  
H1 2014 VS H1 2013  
(% CHANGE)



## PASSENGER TRAFFIC: DOWN

TREND IN PASSENGER TRAFFIC:  
H1 2014 VS H1 2013<sup>4</sup>  
(% CHANGE)



SNCF Voyages (TGV): excluding impact of strikes and assuming identical product offering, traffic was unchanged in H1 2014

## HIGHLIGHTS 1/2

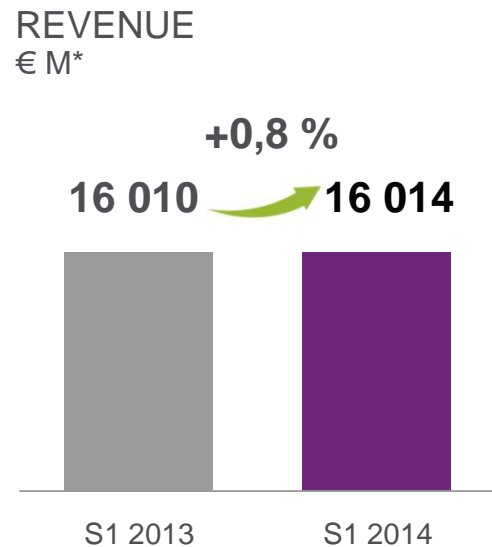
- With the French economy still struggling, SNCF Group continued its drive to become **the global benchmark for excellence in mobility and logistics services.**
- **Revenue totalled €16.0 billion at 30 June 2014, up 0.8%** from H1 2013 at constant scope of consolidation and exchange rates.
- The major loss in revenue linked to the rail strike in June (nearly €210 million) undermined the rally seen at the beginning of the year, and led to a 0.4% fall in France.
- Operations not affected by the strike did well, especially those outside France. **Revenue from international business rose 5.6%**, bearing out our growth strategy. Keolis in particular reported a 6.8% rise in revenue, with +14.0% growth outside France.

## HIGHLIGHTS 2/2

- Despite on-going efforts to boost operational efficiency and cut costs, **EBITDA was down by €229 million at mid-year. Two-thirds of this decline (nearly €170 million) was due to the strike.** Continued rises in track access charges, particularly for TGV high-speed rail, accounted for the rest.
- Following the strike, SNCF Group adopted additional measures to cut structural costs further and reduce investments. Our aim is to offset the two-thirds reduction in EBITDA caused by the strike, and to meet targets for free cash flow and debt.
- **Net profit was a positive €224 million.**
- **Investment rose during the period to €1.1 billion, while net debt was lower than at the end of June 2013.**

# SNCF GROUP OVERVIEW: H1 2014

# HALF-YEAR REVENUE OF €16.0 BILLION, UP 0.8% JUNE RAIL STRIKES CUT SALES BY NEARLY €210 MILLION



- Revenue rose **5.6% on international markets** vs -0.4% in France
- June strike led to major loss in revenue that undermined growth reported at the end of May
- The 13-day strike cut revenue by €208 million
- **Discounting the strike, revenue rose by 2.1%**
  
- Excluding the SNCF Infra business unit, international operations accounted for 25%\*\* of total revenue

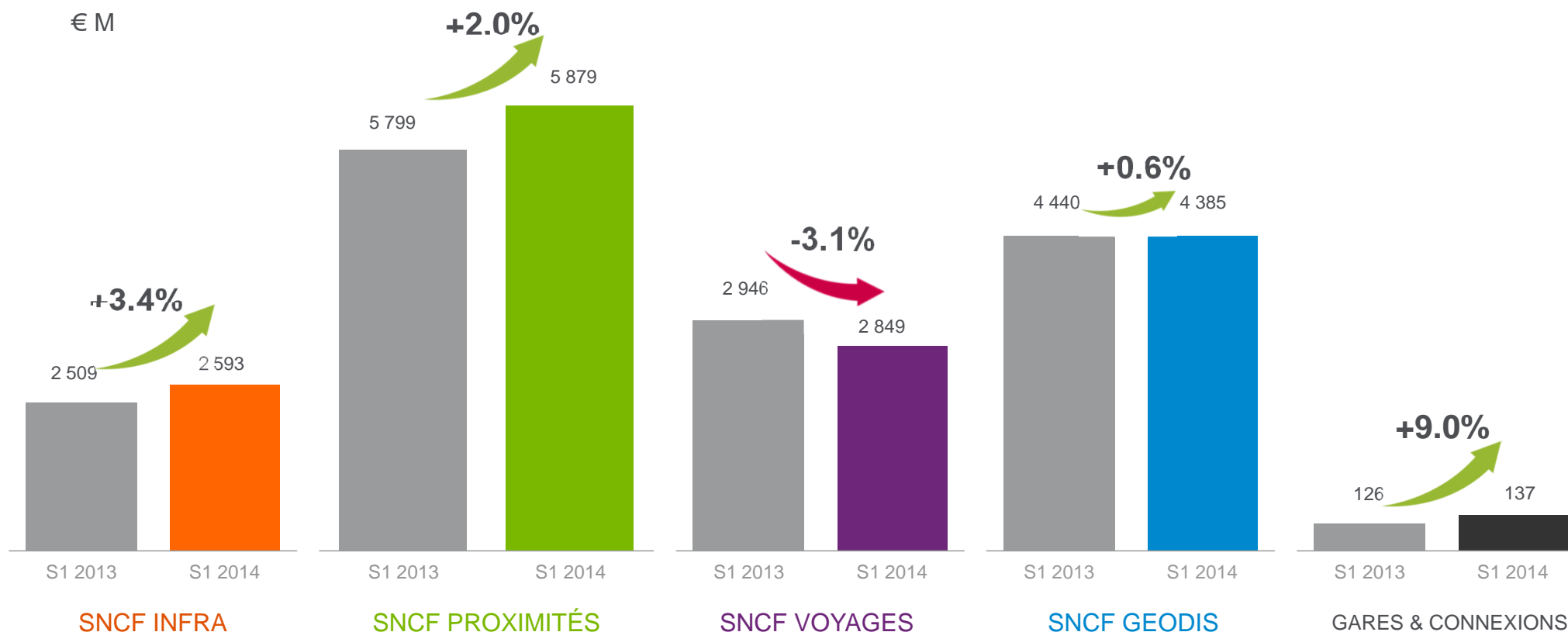
\* At constant scope of consolidation and exchange rates

\*\* Including Keolis in the UK and Eurostar, **sales volumes outside France account for over 28% of the total.**



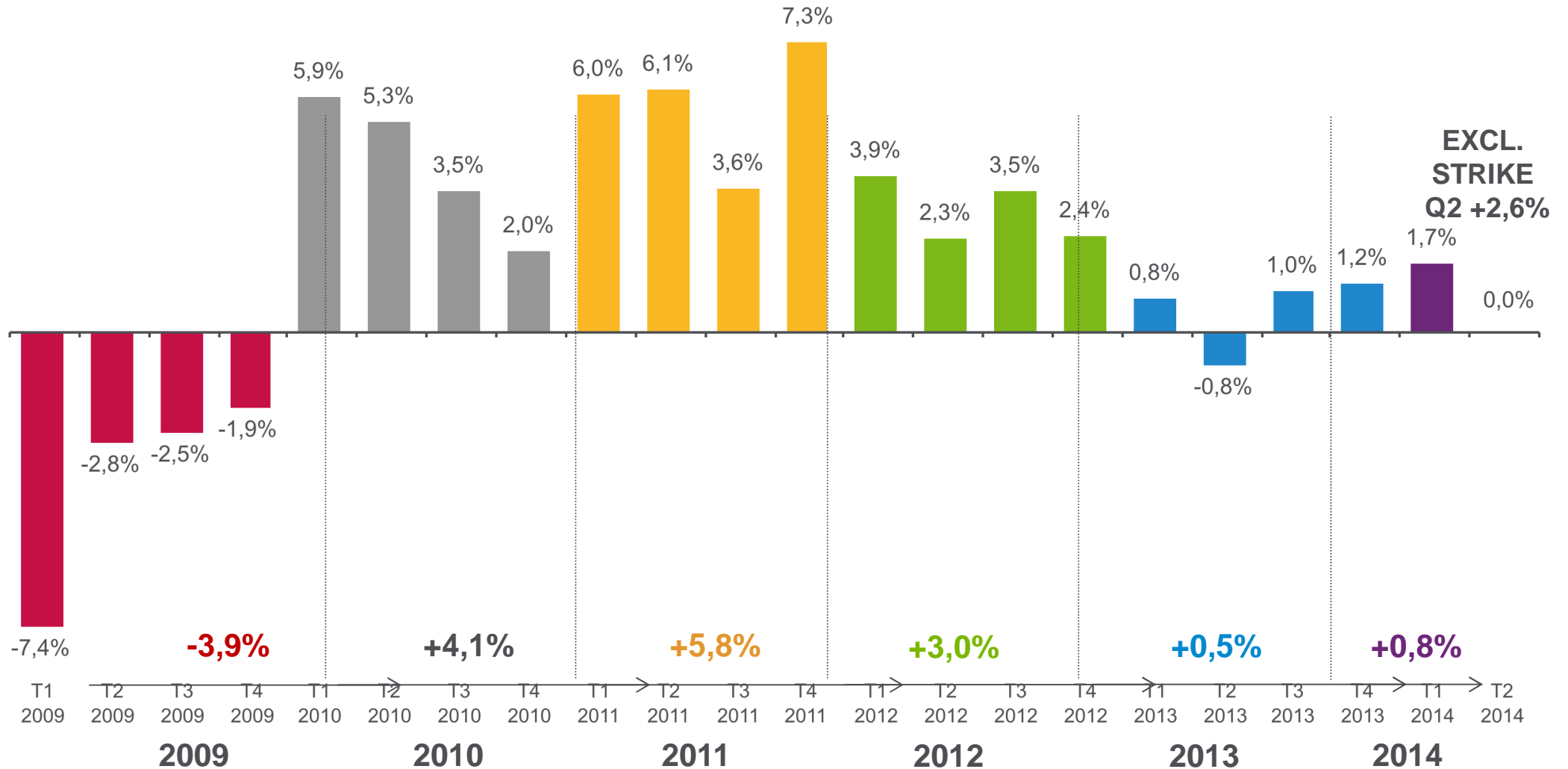
# REVENUE BY BUSINESS UNIT

€ M



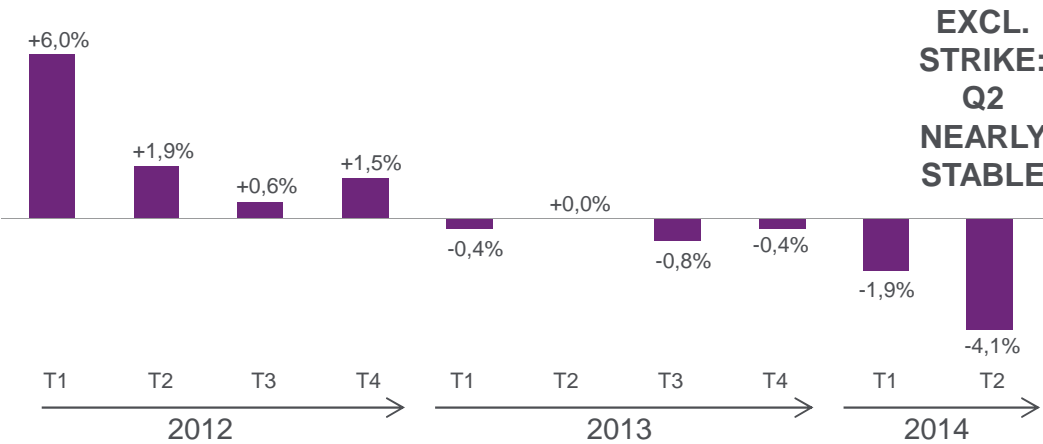
- Good rise for SNCF Proximités (+2.0%) including Keolis +6.8%, with a 14.0% increase on international markets
- SNCF Infra continued to rise (+3.4%) due to major track upgrades
- SNCF Voyages reported a 3.1% decline due to poor economic conditions (ongoing crisis, rise in VAT), stepped-up competition from low-cost flights and car-sharing, and the rail strike in June.

# GROWTH IN SNCF GROUP REVENUE BY QUARTER

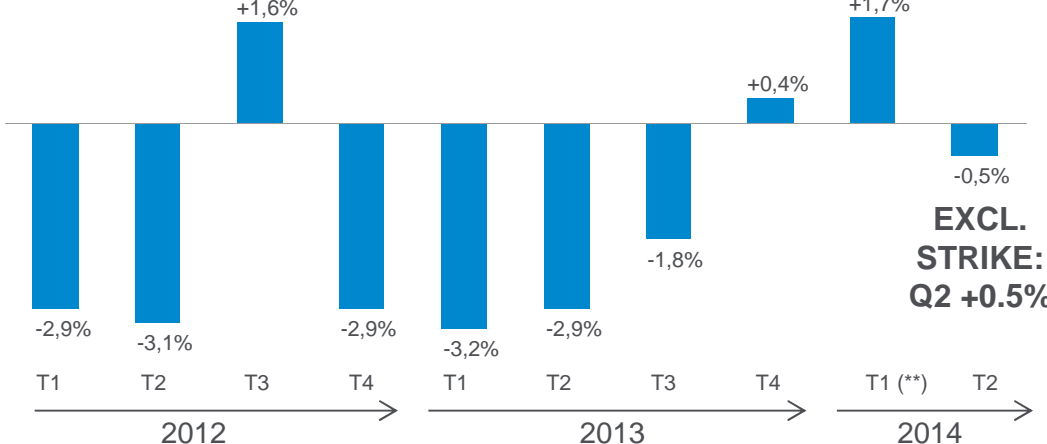


# RAIL STRIKE IN JUNE HIT SNCF VOYAGES BUSINESS UNIT PARTICULARLY HARD

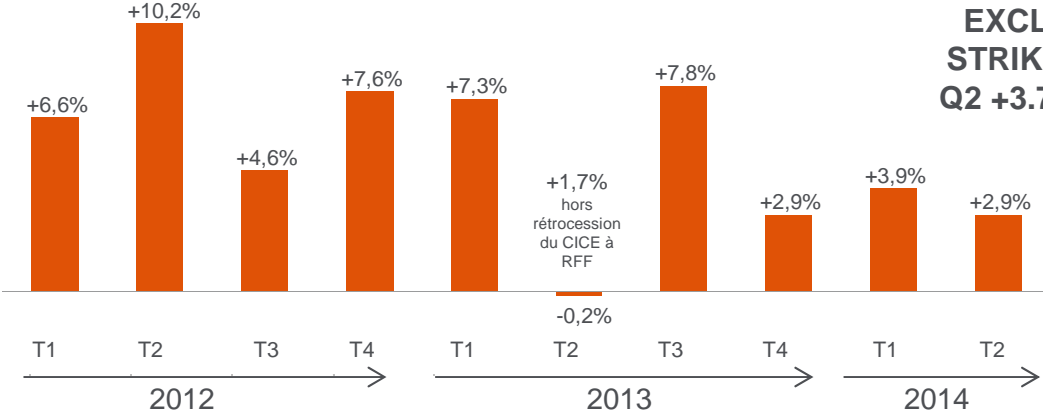
**SNCF VOYAGES**  
IN %



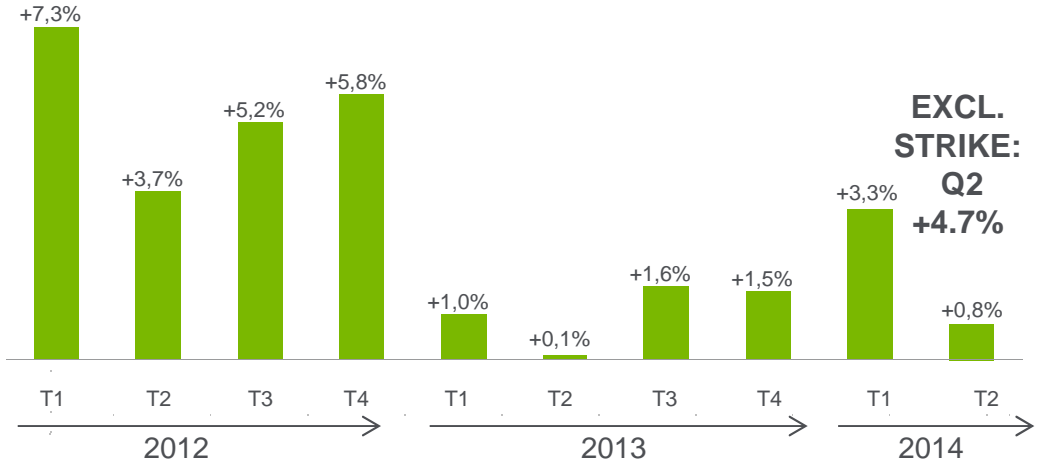
**SNCF GEODIS**  
IN %



**SNCF INFRA**  
IN %

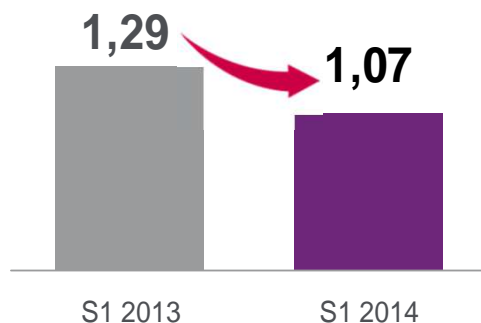


**SNCF PROXIMITÉS**  
IN %



## DESPITE UNRELENTING EFFORTS TO BOOST OPERATIONAL EFFICIENCY AND CUT COSTS, THE JUNE STRIKE AND THE RISE IN TGV TRACK ACCES CHARGES IN PARTICULAR TOOK A TOLL

EBITDA  
(€ BN)



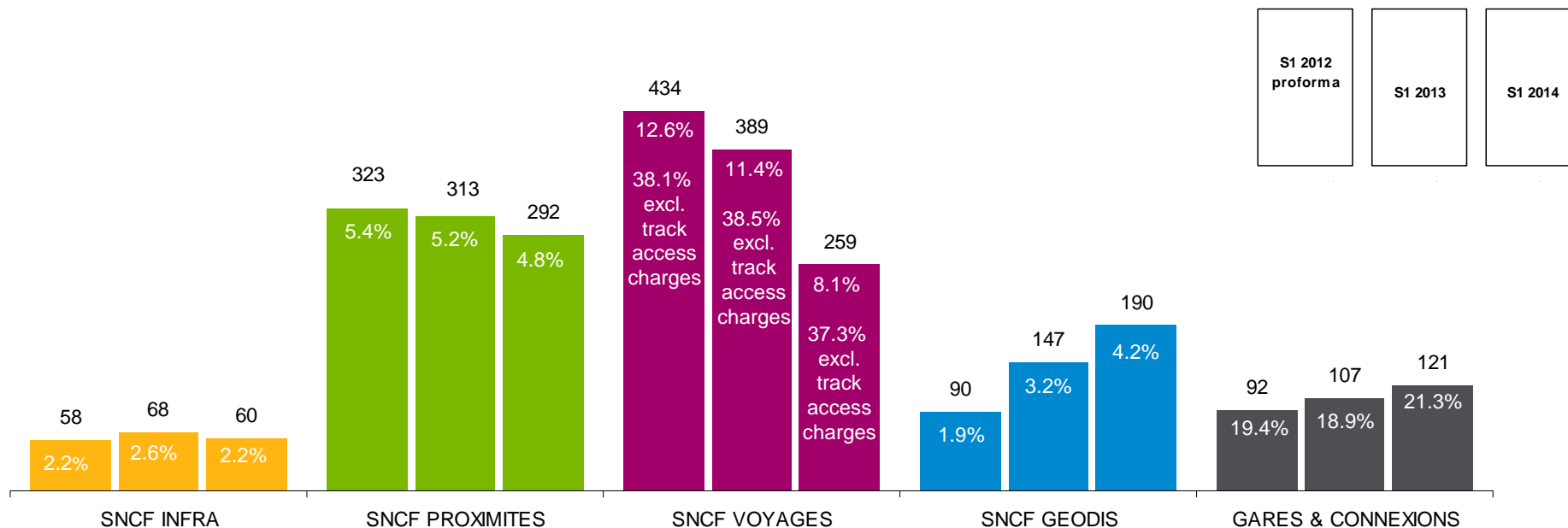
EXCLUDING IMPACT OF JUNE STRIKE:  
EBITDA €1.23 BN

STRIKE = TRIMMED EBITDA BY 2/3

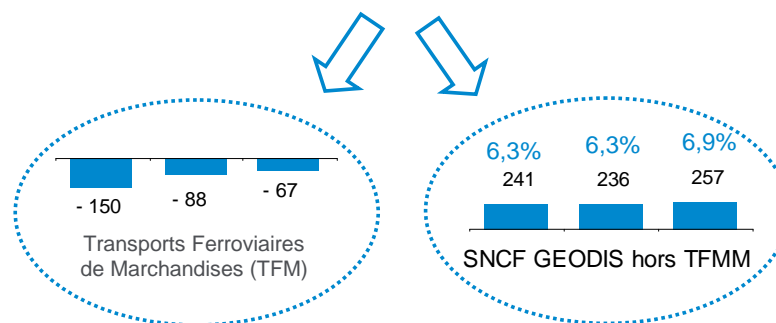
- Despite ongoing programmes to boost our performance:
  - Industrial performance = operational efficiency and costs (EBITDA +€1.3 bn full year in 2020)
  - Reduced structural costs = savings of €700 million starting in 2015 (> €300 million savings already recorded at June 30)
- The **rail strike in June** generated major losses in revenue across all business units and cancelled out growth recorded through the end of May. **It cut EBITDA by ~€170 million.**
- Overall profitability of operations stood at 6.7% of revenue in H1 2014 vs 8.1% in H1 2013
- Patchy performance: rise at SNCF Geodis including Geodis and Fret SNCF, but decline at SNCF Voyages

# TREND IN EBITDA BY BUSINESS UNIT

IN € M AND AS % OF REVENUE

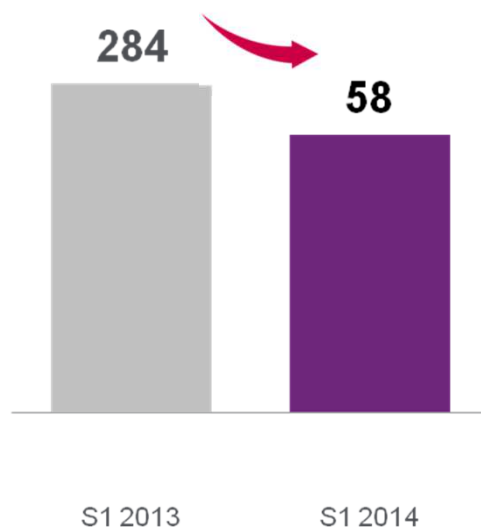


- Steep rise for SNCF Geodis, which is pursuing plans to adapt its cost structure, thanks to upswings at Fret SNCF and Geodis.
- EBITDA down at SNCF Voyages, linked to rising track access charges and lower ticket revenues (due to sluggish economy, low-cost fares, VAT and impact of strike).

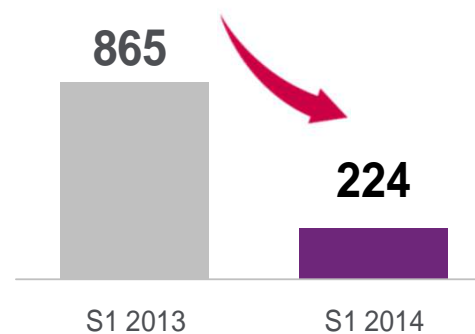


# NET PROFIT OF €224 MILLION, A DECLINE DUE PRIMARILY TO THE FALL IN EBITDA CAUSED BY RAIL STRIKE

RECURRING NET PROFIT  
€ M



NET PROFIT (ATTRIBUTABLE TO  
EQUITY HOLDERS OF PARENT CO.)  
€ %



# FINANCIAL POSITION

# SUBSTANTIAL INVESTMENT POLICY CONTINUES IN 2014

## €1,497M

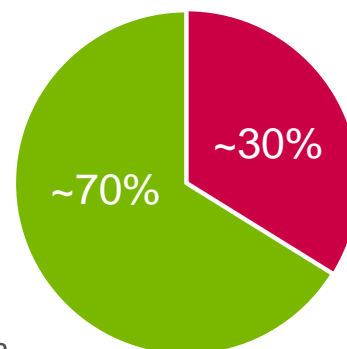
GROSS INVESTMENT  
INCLUDES OUTLAYS FINANCED BY  
TRANSPORT ORGANIZING AUTHORITIES

## €1,097 M

SNCF  
CAPITAL INVESTMENTS

### ROLLING STOCK

- Francilien trainsets in the Paris region
- Tram-Train trainsets
- TGV high-speed rail trainsets
- Locomotives
- Rolling stock for Keolis, Geodis, STVA, Akiem and Ermewa



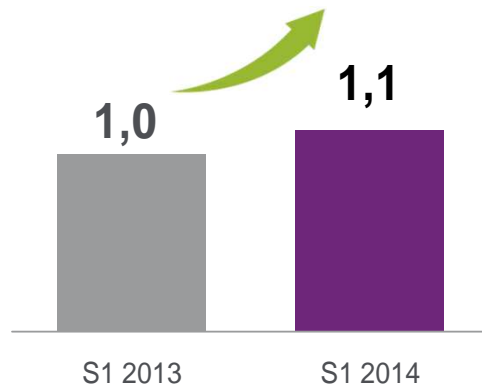
### OTHER FIXED ASSETS

- Station refits and upgrades, including Paris region
- Service and repair centres
- Equipment for track maintenance and engineering works
- IT systems for rail operations

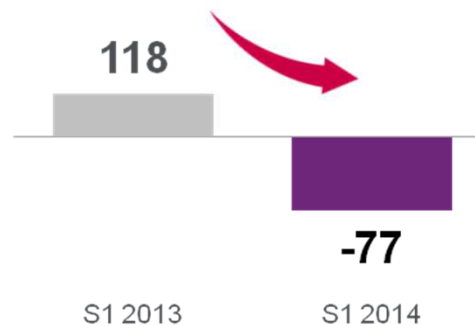


# DESPITE PERSISTENTLY HIGH INVESTMENT, NET DEBT WAS DOWN AT 30 JUNE 2014, WITH FINANCIAL TREND STABILIZED IN MID-YEAR

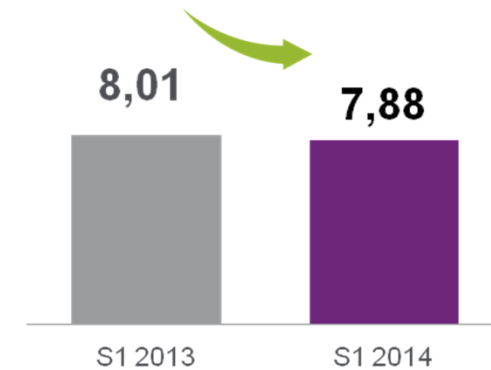
INVESTMENT  
€ BN



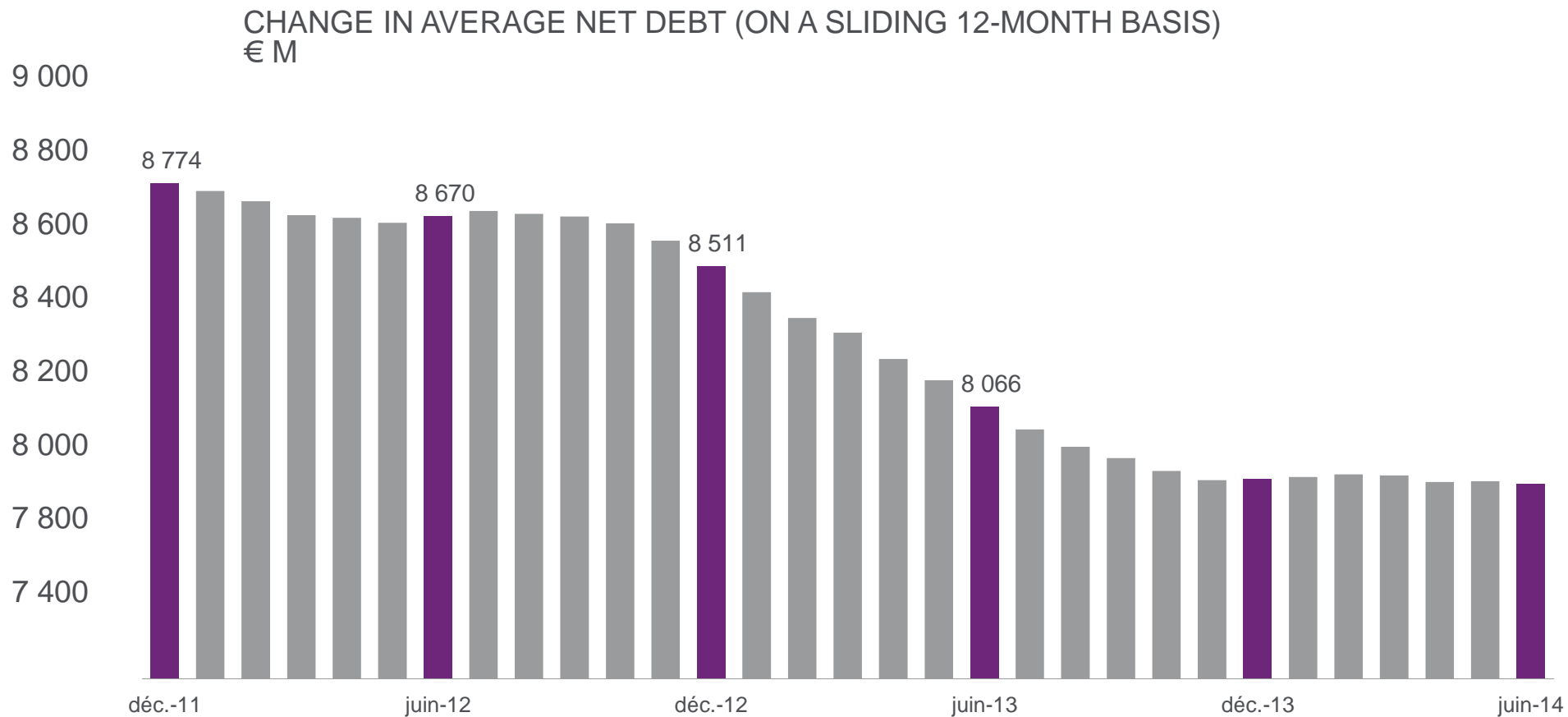
FREE CASH FLOW LIBRE  
€ BN



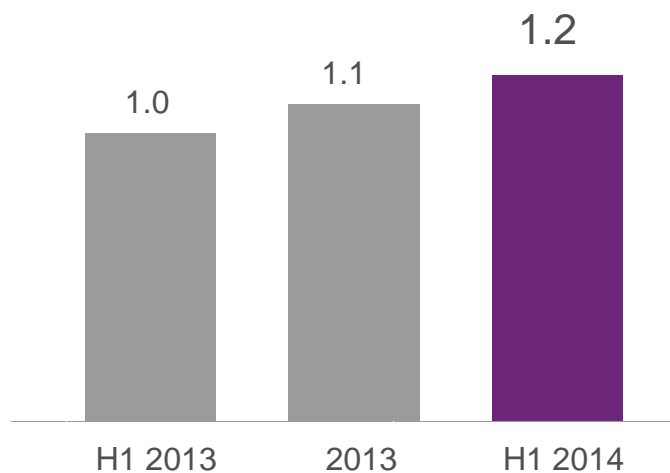
NET DEBT  
€ BN



# SNCF GROUP DEBT STABILIZES

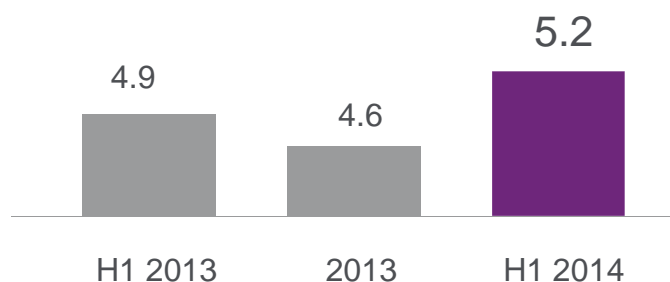


## H1 2014 GEARING OF 1.2, AND RATIO OF RESTATED NET DEBT/EBITDA OF 5.2— LESS FAVOURABLE THAN IN 2013



### NET DEBT / EQUITY (GEARING)

- Gearing for H1 2014 was 1.2, or a slight 0.1 point worsening compared with year-end 2013



### RESTATED NET DEBT\* / EBITDA\*\*

- Ratio at 30 June 2014 had worsened (to 5.2 from 4.6 at 31 December 2013)

(\*) Restatement initiated by rating agencies (S&P), 2013 method.

(\*\*) EBITDA over sliding 12-year period for H1 2014 and H1 2013

# CHALLENGES AND OUTLOOK FOR YEAR-END 2014

SNCF GROUP  
2014 HALF-YEAR RESULTS  
31 JULY 2014



# SLUGGISH ECONOMY AND REVENUE LOST DUE TO RAIL STRIKE MAKE YEAR-END 2014 OUTLOOK UNCERTAIN



## PROJECTED REVENUE

- Slight increase in freight volumes, modest rise in passenger traffic and contraction from SNCF Voyages.  
SNCF Infra and Keolis are poised to do well, driven by expanding international markets.



## EBITDA

- A determined rise at SNCF Geodis and Keolis to offset difficulties at:
  - Intercités: operations are structurally loss-making despite an agreement with the French State that is now nearly totally financed by SNCF;
  - SNCF Voyages (TGV high-speed rail): steady traffic, fall in average customer spend, and ongoing rises in track access charges



## INVESTMENT

- A selective, optimized approach to investments totalling €2.1 billion, needed to ensure quality service, particularly in the Paris region



## FREE CASH FLOW

- Target calling for positive free cash flow and control of debt

## AS A RESULT:

- On the whole, 2014 targets are in keeping with the first-year financial trend defined in our Excellence 2002 roadmap.
- This assumes unrelenting pursuit of our performance plans and **completion of a new cost-reduction programme addressing structural costs and reduced investments between now and 2014**, along with an upturn in the French economy by the end of this year.
- **Economic and financial goals** are critical. SNCF must maintain its financial room for manoeuvre if it is to pursue investment and **win out over increasingly aggressive competitors**.
- In addition to roll-out of additional cost-cutting measures, H1 2014 earnings underscore the extreme fragility of the TGV and Intercités business models. Talks now under way could lead to key decisions in the future.

THANK YOU