31 DECEMBER 2016

FINANCIAL REPORT SNCF MOBILITÉS

SNCF.COM

MANAGEMENT STATEMENT FOR FINANCIAL REPORT

LA PLAINE SAINT-DENIS, 23 FEBRUARY 2017,

We attest that, to the best of our knowledge, the consolidated financial statements have been prepared in accordance with the applicable accounting principles and give a true and fair view of the assets and liabilities and the financial position of the Group as of 31 December 2016 and of the results of its operations for the year then ended, and that the accompanying management report fairly presents the changes in operations, results and financial position of the Group and a description of its main risks and uncertainties.

GUILLAUME PEPY
THE CHAIRMAN

MATHIAS EMMERICH
EXECUTIVE VICE-PRESIDENT, PERFORMANCE

01—
ANNUAL MANAGEMENT REPORT

IFRS. In € millions

SNCF MOBILITÉS GROUP IN 2016

1 MAJOR EVENTS OF 2016

1.1 CAPITAL GRANT REDUCTION

Pursuant to the rail reform law of 4 August 2014 and decree 2014-949 of 20 August 2014 on governance and capital transactions, the French State approved, by order dated 17 November 2016, a €1,000 million reduction in the capital grant for EPIC SNCF Mobilités, via a transfer to distributable reserves.

Following this transaction, the capital grant for EPIC SNCF Mobilités amounts to €1.2 billion as at 31 December 2016. Property grants remain unchanged at €2.8 billion (see Note 6.4 to the consolidated financial statements).

1.2 PERFORMANCE CONTRACTS WITH THE FRENCH STATE

In accordance with the rail reform law of 4 August 2014, a strategic framework agreement was established to be concluded between SNCF and the French State. Updated every three years for a ten-year term, this framework agreement includes operating agreements (so-called "performance contracts") to be concluded between the French State and SNCF Mobilités, and between the French State and SNCF Réseau. The agreement determines the objectives assigned by the French State in terms of service quality for the benefit of all rail companies, rail transport organising authorities and users. It also consolidates the financial trajectories and the sustainable and human development components of contracts. Currently submitted to the ARAFER (French Rail and Road Regulatory Body) for its opinion, the agreement will be transmitted to the French Parliament accompanied by the opinion.

The performance contract to be concluded between SNCF Mobilités and the French State was approved by the SNCF Mobilités Board of Directors on 16 December 2016. 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. Updated every three years for a ten-year term, this contract determines in particular the objectives assigned to EPIC SNCF Mobilités 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.

1.3 REVERSAL OF THE IMPAIRMENT LOSS RECOGNISED FOR GARES & CONNEXIONS

Following the performance contract and financial trajectory approval by the SNCF Mobilités Board of Directors on 16 December 2016, management reviewed its strategic plan, and specifically that of the Gares & Connexions CGU. The trajectory review and ensuing impairment test resulted in the recognition of an impairment loss reversal for €273 million under the "Impairment losses" heading in the consolidated income statement.

Detailed information is shown in Note 4.3 to the consolidated financial statements.

1.4 INTERCITÉS

Following the roadmap presented on 7 July 2015, the French Secretary of State for Transport announced the following measures on 19 February 2016 as part of an update:

— the renewal of rolling stock for Trains d'Équilibre du Territoire (TET), including an investment in backbone lines of around €1.5 billion by 2025.

— the discontinuation of funding for 6 out of 8 night lines (the Paris-Briançon, and Paris-Rodez / Latour de Carol night lines will be maintained), for which a Call for Expressions of Interest was initiated to assess all the proposals likely to be drawn up for these 6 lines, including the management of operations by another authority.

— the continuation of discussions with the Regions, to develop the current TET offering, based on the recommendations of the Duron commission.

On 21 July 2016, the Secretary of State for Transport announced that, in the absence of buyers, the 6 night lines would gradually close on 1 October 2016, 1 July and 1 October 2017. It also announced the signing of a new five-year (2016-2020) agreement with SNCF Mobilités this fall, which should provide better passenger service and a return to business equilibrium for SNCF Mobilités. The Secretary of State further confirmed the financing of significant investments and continuing cooperation with the regions regarding certain lines.

On 16 December 2016, the 2016-2020 agreement that will break even over the period was validated by the SNCF Mobilités Board of Directors. Furthermore, the Amending Finance Law of 29 December 2016 raised the contribution expected from the French State compared to the initial Finance Act. Hence, the provision for losses on completion of €106 million recognised as at 31 December 2015 for the first year (2016) of the future agreement was fully reversed. The reversal includes an unused portion of €83 million, mainly due to the additional contributions granted (see Note 4.3 to the consolidated financial statements). Since the net carrying amount of the investments made prior to 2011, the year in which the first agreement came into effect, were no longer guaranteed in the new agreement, an impairment loss was recorded in the income statement for an amount of -€84 million. Even if the new agreement breaks even over the period, the expected flows will, however, be insufficient to cover the net carrying amount of these assets.

1.5 LOSS OF CONTROL OF AKIEM

To encourage the development of the locomotive leasing activity conducted by its wholly owned subsidiary Akiem, the Group sold 50% of its shares to an investor partner on 5 February 2016. The partnership agreement grants joint control rather than exclusive control to SNCF Mobilités. The transaction's effective date was 30 June 2016, contingent to the fulfilment of conditions precedent, and specifically the opinion of the Competition Authority. Akiem has been equity-accounted as of this date. As at 31 December 2015, and pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of this company are presented under "Assets classified as held for sale" and "Liabilities associated with assets classified as held for sale" in the statement of financial position. Detailed information is shown in Note 4.2 to the consolidated financial statements.

1.6 EARLY RECEIPT OF THE COMPETITIVENESS AND EMPLOYMENT TAX CREDIT (CICE) RECEIVABLE

SNCF, head of the tax consolidation group that includes SNCF Mobilités, partially monetised its CICE receivable up to the share of SNCF Mobilités for fiscal years 2015 and 2016. The transaction resulted in an early cash inflow of this receivable for €316 million as at 31 December 2016.

Detailed information is shown in Note 9 to the consolidated financial statements.

1.7 EXIT OF THE UNITED KINGDOM FROM THE EUROPEAN UNION (BREXIT)

In a referendum held on 23 June 2016, the United Kingdom voted in favour of leaving the European Union (Brexit). In the UK, the Group transports passengers (mainly through Eurostar and joint ventures within Keolis) and freight (through the Geodis and STVA subsidiaries in particular). In 2016, the UK subsidiaries contributed €1,376 million to Group revenue, of which €1,003 million for Eurostar. As at 31 December 2016, the joint ventures within Keolis represent an equity-accounted value of €31 million in the consolidated statement of financial position.

At this stage, it is too early to determine whether the decision expressed by the British people will have financial and/or business consequences for the Group.

1.8 LABOUR MOVEMENT

A portion of the EPIC SNCF Mobilités employees conducted a strike in the first half of 2016 as part of the renegotiation of the labour agreement following the set-up of a branch agreement and a core decree by the French State applicable to all rail players. Although there was a significant mobilisation to limit customer impacts, the conflict had consequences for nearly all the Group businesses. Specifically, there were revenue losses and additional costs for customer compensation.

2 KEY FIGURES

In € millions	**31/12/2016**	**31/12/2015***
Revenue	30,517	29,296
Gross profit	2,284	2,401
Gross profit excluding competition fine	2,284	2,597
Current operating profit/(loss)	878	558
Operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method	1,238	-1,331
Finance cost	-301	-265
Net profit/(loss) for the year attributable to equity holders of the parent	511	-2,187
Cash from operations	1,475	1,654
Net investments	1,961	1,845
Current operating profit after share of net profit of companies consolidated under the equity method	925	485
ROCE[1]	5,2.%	2.7%
Employees	193,718	196,152

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1 to the consolidated financial statements).

1 - 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.

In € millions	**31/12/2016**	**31/12/2015**
Net debt	7,974	7,772

3 SUBSEQUENT EVENTS

The main subsequent events at the year-end closing are as follows.

3.1 ORDER OF NEW ROLLING STOCK EQUIPMENT

A purchase order for the construction of New Generation (NG) RER trains was approved by the SNCF Mobilités' Board of Directors on 11 January 2017 following a call for tenders conducted by SNCF Mobilités at the request of the STIF.

This contract, the most significant ever signed for the European rail sector and for SNCF Mobilités, concluded between the STIF, the Alstom-Bombardier consortium and SNCF Mobilités, covers the construction of 255 NG RER trains for the RER D and the RER E (Eole), for a total of €3.75 billion.

The first tranche of an estimated amount of €1.55 billion was signed on the same date for 71 trains, with an initial delivery expected for mid-2021.

Furthermore, on 23 February 2017, the SNCF Mobilités' Board of Directors validated the acquisition of 15 TGV 3 UFC (Océane) trains from Alstom. In addition to the order of new RER NG trains, this acquisition brings post-closing rolling stock investment commitments to more than €4 billion.

These commitments had no impact on the 31 December 2016 consolidated financial statements.

3.2 NEW SECTOR BREAKDOWN

The publication of Decree 2016-1468 on 28 October 2016 leads to adjusting the positioning as from 1 January 2017 of Gares & Connexions within SNCF Mobilités by creating a business unit of full exercise. Accordingly, segment reporting will be modified to present this business unit separately and no longer as a segment within SNCF Voyageurs.

3.3 SIGNATURE OF PROPERTY BILLS OF SALE

Property disposals concluded in January 2017 generated capital gains for a total of €103 million. These disposal gains will be recorded in 2017 under the heading "Net proceeds from asset disposals" in the consolidated income statement. An amount of €86 million was collected from these disposals, of which €41 million at the very beginning of January 2017.

3.4 BOND ISSUE

On 2 February 2017, SNCF Mobilités issued a 12-year €1 billion fixed-rate bond swapped at floating rates for half the amount. Both the bond and swap mature on 2 February 2029. Furthermore, SNCF Mobilités benefits from a swaption to revert to a fixed rate in the amount of €250 million with a maturity date of 20 April 2017.

3.5 REDUCTION IN THE TERRITORIAL SOLIDARITY TAX (CST)

In a letter sent to the Chairman of SNCF Mobilités dated 13 February 2017, the French Prime Minister decided to reduce, as from 2017 and until 2022, the CST paid by SNCF Mobilités. The total reduction will amount to €420 million and will have an impact on gross profit in the income statement.

This decision was made in the context of a reorganisation of Trains d'Équilibre du Territoire (TET) following the roadmap presented by the Government on 7 July 2015 and that was achieved by a new 2016-2020 balanced agreement over the period (see Note 2.1 to the consolidated financial statements). It is consistent with the recommendations of the French Court of Auditors of 13 February 2015 to reduce the weight of SNCF Mobilités' contribution to TET financing.

It is not offset by any increase in expenses for SNCF Mobilités or decrease in the financial compensation receivable from the French State with regard to TET, as the financial trajectory of the agreement signed with Intercités is not challenged.

Finally, it had no impact on the 31 December 2016 consolidated financial statements.

3.6 ARAFER'S OPINION ON THE DRR 2018

In its opinion of 1 February 2017, ARAFER did not validate the rates proposed by SNCF Réseau in the Document de Référence du Réseau for 2018 (DRR 2018). The possible impacts of this opinion were not taken into account in the impairment tests (see Note 4.3 to the consolidated financial statements), since the Group considers that the discussions with the Authority are still ongoing.

GROUP RESULTS AND FINANCIAL POSITION

1 GENERAL OBSERVATIONS ON GROUP RESULTS

In € millions	31/12/2016	31/12/2015*	Change 2016 (in €M)	Change vs 2015 (in %)
Revenue	**30,517**	**29,296**	**1,221**	**4.2%**
Infrastructure fees	-4,248	-4,179	-68	1.6%
Purchases and external charges, excluding infrastructure fees	-12,458	-11,519	-939	8.1%
Taxes and duties other than income tax	-1,036	-996	-41	4.1%
Employee benefit expense	-10,923	-10,623	-300	2.8%
Other income and expenses	431	422	10	2.3%
Gross profit	**2,284**	**2,401**	**-117**	**-4.9%**
Gross profit excluding the competition fine	**2,284**	**2,597**	**-313**	**-12.1%**
Depreciation and amortisation	-1,442	-1,585	143	-9.0%
Net movement in provisions	36	-258	294	-114.0%
Current operating profit	**878**	**558**	**320**	**57.3%**
Net proceeds from asset disposals	138	240	-102	-42.6%
Fair value remeasurement of the previously held interest	26	686	-660	-96.2%
Impairment losses	149	-2 742	2 892	-105.4%
Operating profit/(loss)	**1,191**	**-1,258**	**2,449**	**-194.7%**
Share of net profit/(loss) of companies consolidated under the equity method	47	-73	120	-164.1%
Operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method	**1 238**	**-1,331**	**2,569**	**-193.0%**
Net finance costs of employee benefits	-21	-6	-16	274.7%
Net borrowing and other costs	-279	-260	-20	7.6%
Finance cost	**-301**	**-265**	**-35**	**13.3%**
Net profit/(loss) before tax	**937**	**-1,597**	**2,534**	**-158.7%**
Income tax expense	-443	-657	213	-32.5%
Net profit/(loss) from ordinary activities	**494**	**-2,254**	**2,747**	**-121.9%**
Net profit/(loss) from transferred operations, net of tax	-	69	-69	-100.0%
Net profit/(loss) for the year	**494**	**-2,184**	**2,678**	**-122.6%**
Net profit/(loss) for the period attributable to equity holders of the parent	**511**	**-2,187**	**2,698**	**-123.4%**
Net profit/(loss) for the year attributable to non-controlling interests (minority interests)	-18	2	-20	-851.1%
Gross profit /revenue	*7.5%*	*8.2%*		
Gross profit excluding the competition fine	*7.5%*	*8.9%*		
Current operating profit /revenue	*2.9%*	*1.9%*		
ROCE [1]	*5.2%*	*2.7%*		

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1 to the consolidated financial statements).
1- See definition of ROCE in Key figures.

1.1 COMPARABILITY OF FINANCIAL STATEMENTS

The comparability of the 2016 results with those of 2015 was impacted by the following changes:

In € millions		Impact on changes in revenue
SNCF Voyageurs		
SNCF Transilien, Régions et Intercités	**Changes in 2015 Group structure[1]**	
	Deconsolidation of SNCF Infra - indirect impact	40
	Creation of EPIC SNCF - indirect impact	7
	Other	0
Voyages SNCF	**Changes in 2015 Group structure[1]**	
	Creation of THI Factory	40
	Acquisition of control of Eurostar	405
	Acquisition of control of Eurostar - indirect impact	-32
	Deconsolidation of SNCF Infra - indirect impact	4
	Creation of EPIC SNCF - indirect impact	2
	Exchange rate fluctuations	**-64**
Gares & Connexions	**Changes in 2015 Group structure[1]**	
	Deconsolidation of SNCF Infra - indirect impact	27
	Creation of EPIC SNCF - indirect impact	6
	Acquisition of control of Eurostar - indirect impact	-6
SNCF Logistics		
Geodis TFMM Ermewa STVA & Other	**Changes in 2016 Group structure**	
	Loss of control of Akiem (Ermewa)	-21
	Acquisition of control of Thalès Geodis Freight Logistics (Geodis)	15
	Changes in 2015 Group structure[1]	
	Acquisition of OHL Group (Geodis)	1,090
	Deconsolidation of SNCF Infra - indirect impact (All)	54
	Creation of EPIC SNCF - indirect impact (All)	4
	Other	-1
	Exchange rate fluctuations (All)	**-113**
Keolis		
	Changes in 2016 Group structure	
	Acquisition of Transports Daniel Meyer	30
	Acquisition of Ormont Transport	8
	Acquisition of Le Cab	12
	Acquisition of Cars Gembloutois	2
	Other	1
	Changes in 2015 Group structure[1]	
	Acquisition of ATE group	41
	Acquisition of Voyages Fouache	6
	Other	3
	Exchange rate fluctuations	**-25**
Corporate		
	Changes in 2016 Group structure	
	Loss of control of Akiem - indirect impact	6
	Changes in 2015 Group structure[1]	
	Acquisition of Ouicar	3
	Deconsolidation of SNCF Infra - indirect impact	63
	Creation of EPIC SNCF - direct impact	-8
	Creation of EPIC SNCF - indirect impact	25
	Acquisition of control of Eurostar - indirect impact	-3
	Exchange rate fluctuations	**0**
Total Group structure and exchange rate impacts		**1,622**

1- Operations carried out in 2015 having an impact on 2015/2016 revenue trends.

1.2 2016 RESULTS

1.2.1 Revenue

Consolidated revenue of the SNCF Mobilités Group amounted to €30,517 million for the year ended 31 December 2016, for an increase of €1,221 million (+4.2%) compared to 2015, attributable to:

— a Group structure impact for €1,824 million (see 1.1),

— a foreign exchange impact of -€202 million (see 1.1),

— an organic decrease of -€402 million (-1.4%) for the Group; the changes for the segments were as follows:

SNCF Transilien, Régions and Intercités	**-€43 million**	**-0.5%**
Voyages SNCF	**-€284 million**	**-4.3%**
Gares & Connexions	**-€60 million**	**+15.5%**
SNCF Logistics	**-€60 million**	**-0.7%**
Keolis	**-€8 million**	**-0.2%**

1.2.2 Gross profit

Standing at €2,284 million in 2016, gross profit declined by €117 million, or 4.9%. Excluding the competition fine (see Note 4.5.2.1 to the consolidated financial statements), gross profit decreased by €313 million. Gross profit (excluding the competition fine) over revenue decreased from 8.9% to 7.5% between 2015 and 2016.

Lost gross profit attributable to the labour strikes in the first half of 2016 was estimated at €131 million.

In € millions	**31/12/2016**	**31/12/2015**	**Change 2016 *vs* 2015**		**Change 2016 *vs* 2015 on a constant Group structure and exchange rate basis**	
Revenue	30,517	29,296	1,221	4.2%	-402	-1.4%
Employee benefit expense	-10,923	-10,623	-300	2.8%	-71	0.7%
Purchases and external charges (excluding infrastructure fees, traction energy and fuel costs) and other income and expenses	-11,037	-10,045	-992	9.9%	202	-2.0%
Infrastructure fees	-4,248	-4,179	-68	1.6%	79	-1.9%
Traction energy and fuel prices	-990	-1,053	63	-6.0%	99	-9.4%
Taxes and duties other than income tax	-1,036	-996	-41	4.1%	-24	2.4%
Gross profit	2,284	2,401	-117	-4.9%	-116	-4.9%
Gross profit excluding the competition fine	*2,284*	*2,597*	*-313*	*-12.1%*	*-312*	*-12.0%*
Gross profit/revenue	*7.5%*	*8.2%*				
Gross profit excluding the competition fine/ revenue	*7.5%*	*8.9%*				

NB : The analyses concerning gross profit involve changes on a constant Group structure and exchange rate basis.

The €79 million (-1.9%) decrease in **infrastructure fees** was due for €71 million to the impact of the labour strikes in the first half of 2016

Purchases of **traction energy and fuel** decreased by €99 million (-9.4%) under the combined impact of lower volumes and a drop in oil and electricity prices.

1.2.3 Current operating profit

Current operating profit stood at €878 million, up by €320 million compared to 2015.

The revenue to current operating profit conversion rate thus rose from 1.9% in 2015 to 2.9% in 2016.

The €117 million decline in gross profit is offset by the net movement in provisions: a reversal of €36 million in 2016, compared to a charge of -€258 million in 2015.

Furthermore, depreciation and amortisation declined by €143 million, mainly in line with the impairment losses on TGV assets recorded at the end of 2015.

1.2.4 Operating profit

Operating profit increased by €2,449 million, amounting to +€1,191 million.

Net proceeds from asset disposals in 2016 comprised a €68 million gain generated by the Akiem Group structure transaction (see Note 1.5 of Major events of 2016). The balance of the heading essentially comprises real estate disposals.

The **fair value remeasurement of the previously held interest** heading was impacted by the loss of control in Akiem (see Note 1.5 of Major events of 2016); in 2015, the heading had been impacted by the acquisition of control of Eurostar International Limited.

Impairment losses in 2016 (+€149 million) mainly comprised an impairment reversal of €273 million for the Gares & Connexions cash-generating unit (see Note 1.3 of Major events of 2016) and the impairment of Intercités assets for -€84 million (see Note 1.4 of Major events of 2016). In 2015, this heading primarily comprised the impairment of TGV assets for -€2,200 million and the Gares & Connexions cash-generating unit for -€450 million.

1.2.5 Share of net profit/(loss) of companies consolidated under the equity method

In 2015, the balance of this heading comprised for -€91 million the share of the net loss of Eurostar International Limited (EIL) for the first 5 months of the year. This amount had been impacted by EIL's redemption of the preference share held by the British shareholder HMT prior to the acquisition of control by SNCF Mobilités.

1.2.6 Finance cost

The item increased by €35 million, primarily due to a change in the valuation assumptions used for the provision for employee benefits (see Note 5 to the consolidated financial statements).

1.2.7 Income tax expense

Income tax expense declined by €213 million between 2015 and 2016. The previous year had been impacted by the impairment of EPIC SNCF Mobilités' deferred taxes in the amount of €272 million. Furthermore, the Tax on rail company profits (TREF) increased to €252 million in 2016, compared to €200 million in 2015. The expense recorded included a TREF adjustment of €26 million with respect to the 2015 net income.

1.2.8 Net profit/(loss) for the year attributable to equity holders of the parent

As a result of all these changes, net profit attributable to equity holders of the parent company totalled €511 million, compared to a loss of -€2,187 million in 2015, after recognition of a net loss attributable to non-controlling interests (minority interests) of -€18 million.

The €2,698 million increase in the heading was attributable for €2,677 million to non-recurring items, primarily impairment losses.

Recurring net profit decreased by -€21 million, standing at +€289 million at the end of 2016.

ROCE (calculated on current operating profit after share of net profit of companies consolidated under the equity method) increased from 2.7% to 5.2%.

2 ACTIVITIES AND RESULTS BY SEGMENT

SNCF Mobilités Group's activity is organised according to three business units backed by support functions: SNCF Voyageurs, SNCF Logistics and Keolis. Within these business units, SNCF Mobilités Group's activity is broken down into eight segments.

SNCF Voyageurs comprises the following three segments:

— SNCF Transilien-Régions-Intercités, Voyages SNCF, and Gares & Connexions.

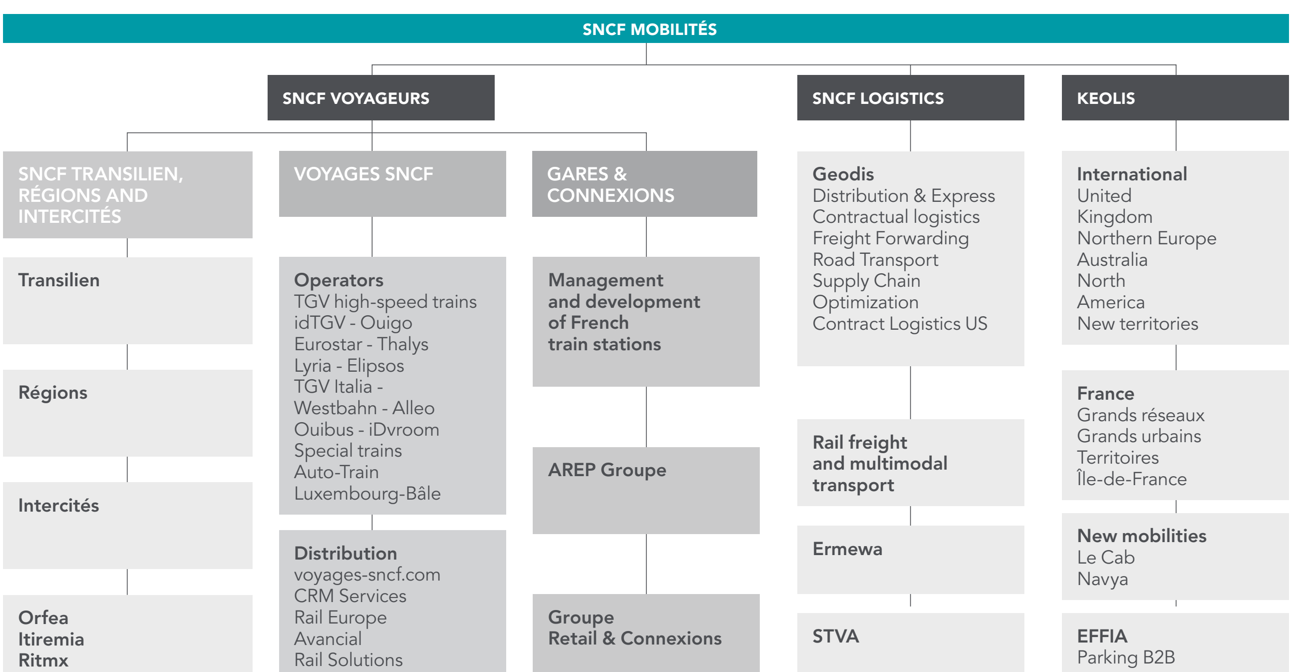
SNCF Logistics is broken down into four segments:

— Geodis, Rail freight and multimodal transport (TFMM), Ermewa and STVA.

Keolis is a segment on its own.

SNCF Infra, in charge of delegated infrastructure management activities for SNCF Réseau and engineering and fully impacted by the law of 4 August 2014 on rail reform, was removed from SNCF Mobilités Group on 1 July 2015, and has no longer contributed to the consolidated income statement and balance sheet since that date. As this division meets the definition of a "discontinued operation" in accordance with the terms adopted by IFRS 5, its corresponding financial data was reclassified under the line item "Net profit/(loss) from transferred operations, net of tax" in the 2015 income statement.

Further information on the SNCF Infra division is provided in Note 2.4.



Only the main subsidiaries are presented in this organisational chart and those that follow.

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 voyageurs	SNCF Logistics	Kéolis	Corporate	SNCF Mobilités
External revenue	15,136	10,040	4,978	364	30,517
Gross profit	1,319	490	294	180	2,284
Current operating profit/(loss)	646	161	41	29	878
Current operating profit after share of net profit of companies consolidated under the equity method	648	177	67	33	925
Net investments	-1,105	-385	-264	-208	-1,961

Unless stated otherwise, the analyses of results by segment are not restated for Group structure 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. SNCF VOYAGEURS

In € millions	SNCF Transilien, Régions et Intercités	Voyages SNCF	Gares & Connexions	Total SNCF Voyageurs
External revenue	7,876	6,816	443	15,136
Gross profit	481	633	206	1,319
Current operating profit/(loss)	319	230	98	646
Current operating profit after share of net profit of companies consolidated under the equity method	319	232	97	648
Net investments	-152	-733	-219	-1,105

2.1.1 SNCF Transilien, Régions et Intercités

SNCF TRANSILIEN, RÉGIONS AND INTERCITÉS

PARENT COMPANY	SUBSIDIARIES
Transilien	Orfea
Régions	Itiremia
Intercités	Ritmx

SNCF Transilien, Régions and Intercités offer local transport services, medium-distance links (Intercités), rail transport regulated services (TER, Transilien), and services covering passenger transport (Itiremia, Ritmx) and housing for group employees (Orfea).

In € millions	2016	2015	Change
External revenue	7,876	7,872	4
Gross profit	481	539	-58
Gross profit / revenue at SNCF Transilien, Régions and Intercités level	*6%*	*6.3%*	
Current operating profit	319	201	118
Current operating profit after share of net profit of companies consolidated under the equity method	319	201	118
Net investments	-152	-163	11

Highlights

Transilien

— Effective 1 January 2016, the STIF-SNCF Mobilités 2016-2019 agreement provides for th g and the reinforcement of service quality, with an additional anti-fraud revenue objective of €10 million per year.

— On 10 February, SNCF and Siemens signed a contract for the implementation of NExTEO. This is the first major contract concluded as part of the Eole project (westward extension of the RER E). This new operating system will boost train circulation and speed (120 km/h). Its implementation represents a genuine leap forward for passenger travel in Île-de-France.

— SNCF, RATP, Comutitres and the STIF have created a joint platform dedicated to a Ticketing Modernisation Programme. The project's goal is to jointly design the future of ticketing between the Île-de-France transport players including, for example, pay-per-use, post-payment or the use of a bank card as a travel pass.

— On 13 July 2016, the STIF Board adopted the rolling stock master plan providing for the renewal or refurbishment of 708 trains.
— To open up a region that is currently poorly served by public transport, tram line T4 will be extended from Gargan station to Clichy-Montfermeil. Work began on 18 October 2016.

Régions

— The year 2016 was marked by the preliminary work to renew and extend several agreements.

— A new four-year Cap TER 2020 programme was set up with the Organising Authorities to build daily mobility and put SNCF in a winning position when regional passenger transport is opened up to competition.

— A new TER agreement was signed with the Grand Est region on 19 December 2016 for the period 2017-2024. This new agreement will boost the transport offering considerably, with 200 additional trains daily.

Intercités

— Intercités has boosted its commercial efforts focused on low fares to contain the competition and the decline in traffic. It has also pursued its efforts to improve customer service with a production quality that surpasses objectives, particularly in terms of performance.

— The fleet renovation work continued in 2016 to improve passenger comfort. Certain programmes were finalised, including Paris-Limoges-Toulouse and Paris-Clermont Ferrand.

— On 6 October 2016, the French State announced the order of 15 TGV trains for the Bordeaux-Marseille southern cross-span by 2021 and confirmed the exercise of the option to order 30 Régiolis trains as well as the drafting of specifications to supply new Intercités trains for the Paris-Limoges and Paris-Clermont-Ferrand backbone lines.

2016 results

— Revenue

2016 revenue was virtually unchanged compared to 2015 (+€4 million). Adjusted for Group structure impacts, revenue fell by €43 million (-0.5%), of which -€51 million for Régions and -€18 million for Intercités. Transilien business improved by €25 million. The labour strikes in the first half of 2016 had a €115 million impact on the segment's revenue.

— Gross profit

Gross profit for SNCF Transilien, Régions and Intercités diminished by -€58 million (-11%) between 2015 and 2016. The change was largely due to the strike impact.

— Current operating profit

Current operating profit increased by €118 million in line with the positive change in the net movement in provisions by €185 million (see Note 1.4 of Major events of 2016).

— Net investments

The net investments of SNCF Transilien, Régions and Intercités were stable.

2017 outlook

Transilien

— In 2017, Transilien will pursue its investment programme, as stipulated in the STIF agreement, focusing on the modernisation of ticketing and an objective of having 700 new or refurbished trains by 2021.

— Transilien will also accompany the major work to its network (€800 million per year) while anticipating the impacts on traffic.

— By the end of 2017, Transilien will ensure that it meets its contractual commitments for station services, security measures and anti-fraud.

Régions

— Via its CAP TER 2020 programme, TER has set the following objectives:

• regain sales and increase revenue in an uncertain free pricing context for Regions;

• enhance service quality, by significantly reducing the number of cancelled trains and improving punctuality;

• manage its operating costs.

Intercités

— Intercités will pursue its sales and marketing initiatives in order to stabilise passenger revenue and traffic.

— The new TET (Trains d'Equilibre du Territoire) agreement will be rolled out by Intercités. Teams will be formed around an ambitious project tailored to the new scope of regulated lines.

2.1.2 Voyages SNCF

VOYAGES SNCF

	PARENT COMPANY	SUBSIDIARIES
OPERATORS	TGV France Ouigo	iDTGV
	TGV Europe	Eurostar Westbahn Lyria Elipsos Thalys Alleo TGV Italia
	Auto-Train Luxembourg-Bâle Special trains	Ouibus iDVroom
DISTRIBUTION		voyages-sncf.com CRM Services Rail Europe Avancial Rail Solutions

Voyages SNCF offers its customers:

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

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

In € millions	2016	2015	Change
External revenue	6,816	6,746	70
Gross profit	633	867	-235
Gross profit / revenue at Voyages SNCF level	*8.5%*	*11.7%*	
Current operating profit	230	307	-77
Current operating profit after share of net profit of companies consolidated under the equity method	232	204	28
Net investments	-733	-599	-134

Highlights

— In March, Voyages-sncf.com announced the creation of a subsidiary in China and the purchase of Rail Plus, a rail specialist in Australia and New Zealand. The group carries out its extra-European activities under the Rail Europe brand. Following these transactions, this region will become Rail Europe's second largest market after the United States.

— Thalys launched IZY, a new low-cost offering, during the first half of 2016. It has reinforced its position as the Paris-Brussels leader and has also become the first European rail company to offer such a significant international service at reduced fares. The purpose of the IZY low fares is to attract a leisure clientele that are willing to go without on-board services (Wi-Fi, catering, etc.) and attach less importance to travel time.

— This summer, Ouibus announced the expansion of its network. It has quadrupled its offering with more than 1,500 trips and double the number of destinations served in France and Europe.

— The last 106 km section of the second phase of the LGV Est line was commissioned on 3 July 2016. The completion of this line has reduced the travel time between the Gare de l'Est and Strasbourg to 1hr46, compared to 2hr20 previously.

2016 results

— Revenue

Voyages SNCF revenue rose by €70 million (+1.0%).
This trend breaks down as follows:

- a favourable Group structure impact of €419 million, which is detailed in Note 1.1 Comparability of the financial statements,

- a negative foreign exchange impact of -€64 million.

On a constant Group structure and exchange rate basis, Voyages SNCF revenue fell by -€284 million (-4.3%). This decline reflects lower traffic revenue (-€244 million), of which -2.7% for the TGV France activity, affected by the labour conflicts in 2016 and -9.3% for the Europe activity, mainly penalised by the terrorist attacks.

— Gross profit

Gross profit fell by -€235 million in line with the decrease in revenue.

— Current operating profit

The current operating profit of Voyages SNCF declined by €77 million, amounting to €230 million. The decrease in gross profit was partly offset by the reduction in depreciation and amortisation due to asset impairments in 2015.

— Current operating profit after share of net profit of companies consolidated under the equity method

In 2015, the item had been impacted by the share of the net loss of Eurostar for €91 million. This amount had been impacted by Eurostar's redemption of the preference share held by the British shareholder HMT prior to the acquisition of control by SNCF Mobilités.

— Net investments

Net investments amounted to €733 million in 2016, compared to €599 million in 2015. This rise was primarily due to the rise in investments by the subsidiary Thalys and the TGV France activity.

2017 outlook

— In July 2017, Voyages SNCF will commission the Océane and Armorique high speed lines.

— Ouigo will pursue its development in 2017 with new services to Bordeaux and Strasbourg.

— Revenue will continue to be boosted by traffic and Voyages SNCF will continue to enhance its offering by improving the customer experience and launching a new price range.

2.1.3 Gares & Connexions

GARES & CONNEXIONS	
PARENT COMPANY	**SUBSIDIARIES**
Management and development of French train stations	AREP Groupe Groupe Retail & Connexions

The purpose of Gares & Connexions is to introduce innovative services into stations, while inventing new areas of mobility for towns and cities. The main subsidiaries included in this division are the AREP group (architecture and urban planning) and the Retail & Connexions group (commercial enhancement of stations).

In € millions	2016	2015	Change
External revenue	443	356	87
Gross profit	206	220	-14
Gross profit / revenue at Gares & Connexions level	*16.6%*	*18.2%*	
Current operating profit	98	102	-4
Current operating profit after share of net profit of companies consolidated under the equity method	97	101	-5
Net investments	-219	-183	-35

Highlights

— Gares & Connexions is pursuing the roll-out of multimodal exchange hubs, particularly in Cannes, Bordeaux and Versailles Chantiers. The year 2016 was also marked by the delivery of the refurbished train station in Grenoble.

— The decree authorising Sunday openings for shops in twelve French stations was published in the Official Journal in February 2016.

— In 2016, Gares & Connexions had to deal with a substantial increase in security costs in order to safeguard stations (installation of security gates for Thalys and reinforcement of security teams).

— In October 2016, the Conseil d'État validated the unfavourable opinion issued on 17 February 2015 by ARAFER on the fee project relating to the regulated services of Gares & Connexions in passenger train stations for the 2016 service timetable.

2016 results

— Revenue

Gares & Connexions revenue rose by €87 million (+24.4%). Taking into account Group structure impacts, revenue increased by €60 million. The change was mainly driven by higher revenues in all its non-regulated activities.

— Gross profit

Gross profit decreased by €14 million between 2015 and 2016. The decline is mostly due to the strike impact and higher station security costs that were not passed on to carriers.

— Current operating profit

Current operating profit fell by €4 million. The item was in line with the fall in gross profit but was impacted by lower depreciation and amortisation charges for €10 million following the impairment losses of the Gares & Connexions assets recognised for the period ended 30 June 2015.

— Net investments

The rise in Gares & Connexions investments mainly involved asset renovation operations in the stations on the Océane and Armorique high speed lines commissioned in 2017.

2017 outlook

— In 2017, Gares & Connexions will pursue the sales strategy for concessions and fees. The search for revenue outside the rail system should directly improve service offered to passengers, investment funding and the control of expenses invoiced to carriers and the Organising Authorities.

— The French Government's report on the transfer of station management to SNCF Réseau, the Regions or a specific public institution incorporated within the Group, that was to be submitted to the French Parliament at the end of 2016, is still pending.

— The new pricing model is still being negotiated and adapted.

2.2 SNCF LOGISTICS

SNCF LOGISTICS		
DIVISIONS	**PARENT COMPANY**	**SUBSIDIARIES**
GEODIS		Geodis
ERMEWA		Ermewa Group
RAIL FREIGHT AND MULTIMODAL TRANSPORT (TFMM)	SNCF Freight	Naviland Cargo Captrain VFLI Lorry Rail
STVA		STVA

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

In € millions	2016 Geodis	TFMM	Ermewa	STVA	Other	Total	2015	Change
External revenue	7,902	1,476	350	312	0	10,040	9,070	969
Gross profit	320	-95	264	6	-5	490	295	195
Gross profit excluding competition fine						490	491	
Gross profit / revenue at SNCF Logistics level						*4.8%*	*3.2%*	
Gross profit excluding the competition fine / revenue at SNCF Logistics level						*4.8%*	*5.4%*	
Current operating profit	148	-127	140	9	-8	161	-71	232
Current operating profit after share of net profit of companies Consolidated under the equity method	154	-126	149	8	-8	177	-68	245
Net investments	-110	-59	-211	-5	0	-385	-309	-76

Highlights

Geodis

— Business volumes increased, driven by the acquisition of the logistics firm OHL, Freight Forwarding and contractual logistics activities and a vigorous activity in all business segments with an acceleration at the year-end.

— Geodis has extended its partnership with Air Liquide for transport operations originating from German sites. The new 4-year contract concerns the shipping of atmospheric gas and hydrogen from the Frankfurt and Ludwigshafen sites to industrial clients and hospitals in Northern Europe and Scandinavia.

— In April, Kaporal and Geodis signed a new 4-year contract to manage the brand's logistics from its warehouse in Grans (Bouches-du-Rhône).

— On 30 June 2016, Geodis entered into a 3-year partnership with Playmobil France to transport toys from the German warehouse to resellers located in France.

TFMM

— The Transport Ferroviaire de Marchandises et Multimodal (TFMM) division posted numerous commercial successes in 2016: new international combined transport agreements were concluded for Belgian (Inter Ferry Boat), Spanish (Sesé) and Franco-Italian (Cemat/Novatrans) operators, contract renewals and extensions (extension of KombiVerkehr traffic, two-year extension of the Uniper contract for coal traffic and one-year extension for the Arkema contract).

— In a declining macro-economic context (major cereal crisis, competition from low price Chinese steel imported into Europe, ongoing oil crisis, etc.), Fret SNCF continued its efforts in order to optimise its resources and therefore maintain its 2016 gross profit on a par with that of 2015 (excluding the strike impacts).

— The TFMM subsidiaries (other rail freight and multimodal transport operators) maintained a high sales momentum.

Ermewa

— On 5 February 2016, the Group sold 50% of its Akiem shares to an investor partner. The partnership agreement grants joint control rather than exclusive control to SNCF Mobilités (see Note 1.5 of Major events of 2016).

STVA

— The year 2016 was marked by contract renewals, particularly with Porsche and Mercedes in Germany.

2016 results

— Revenue

2016 revenue was up €969 million (+10.7%) compared to 2015. It was affected by:

• a Group structure impact for +€1,143 million, which is described in Note 1.1 Comparability of the financial statements;

• a foreign exchange impact for -€113 million.

At constant Group structure and exchange rates, revenue decreased by 0.7% (-€60 million). Excluding the impact of the first-half strikes (-€54 million), revenue was stable (-€6 million or -0.1%).

— Gross profit

Gross profit rose by €195 million; after taking into account Group structure and foreign exchange impacts, gross margin increased by €169 million. Adjusted for the impact of the 2015 competition authority fine (-€196 million) and the impact of the first-half 2016 strikes (-€46 million), this increase totalled €19 million (of which +€8 million for Geodis, -€2 million for TFMM, and +€6 million for STVA).

— Current operating profit

Current operating profit rose by €232 million, in line with the gross profit trend. Added to this was a positive change in the net movement in provisions (net charge of €36 million in 2016 compared to a net charge of €75 million in 2015).

— Net investments

SNCF Logistics' investments rose by €76 million, mainly driven by the increase in investments for Contractual Logistics projects (Geodis) and the purchase of wagons and containers by Ermewa.

2017 outlook

Geodis

— In the first half of 2017, Geodis will gradually roll out its new commercial agreements with IBM.

— In 2017, Geodis will pursue its productivity plans to stabilise the gross profit/revenue ratio at around 4%.

TFMM

— In 2017, in the multimodal transport activity, the deployment of new rail motorways will be resumed, with the relaunch of the Calais-Le Boulou line, the development of the Paris-Sète line and launch of the Calais-Orbassano line.

STVA

— The diversification of the client portfolio will continue in 2017. The takeover of the Renault Distribution contract in Germany and new contract wins are expected.

Ermewa

— The renewal of the Fret SNCF contract during the year will be a major challenge for the Ermewa Group (contract involving approximately 8,000 wagons).

— In 2017, more than 1,000 wagons and 4,000 new containers will be delivered and leased, resulting in the growth of the Eurotainer fleet and the renewal of the Ermewa fleet.

2.3 KEOLIS

KEOLIS

KEOLIS International
UK
Northern Europe
Australia
North America
New territories

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

New mobilities
Le Cab
Navya

Effia
Parking
B2B

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

In € millions	2016	2015	Change
External revenue	4,978	4,907	71
Gross profit	294	261	34
Gross profit /revenue at Keolis level	*5.8%*	*5.2%*	
Current operating profit	41	28	13
Current operating profit after share of net profit of companies consolidated under the equity method	67	50	17
Net investments	-264	-277	13

Highlights

— In mid-January, Keolis announced its acquisition of Transports Daniel Meyer, a major bus and coach transport operator in Île-de-France. With this strategic growth transaction, Keolis will extend its coverage in Île-de-France and bolster its positioning in future projects involving the Grand Paris Express.

— In early January 2016, EFFIA became the principal industrial shareholder of Société Anonyme d'Economie Mixte d'Exploitation du Stationnement de la Ville de Paris (SAEMES, semi-public parking system operator for the City of Paris), with a 33.27% stake. EFFIA, which already manages over 30,000 parking spaces in Île-de-France, has therefore partnered with the second largest Île-de-France car park operator in terms of revenue, SAEMES (€45 million in revenue 25,000 spaces). SAEMES operates major car parks, including the no.1 car park in Paris in terms of revenue, Lyon-Méditerranée, at the Gare de Lyon.

— Keolis was chosen as the future operator of the first automated subway in Shanghai as part of the Shenka joint venture.

— Keolis was chosen by the Organising Authorities of the Rhine-Ruhr metropolitan region in Germany to operate the suburb train network which serves 11 million inhabitants in this region around Dortmund. Keolis thus confirms its leadership in the Mass Transit services sector.

— The municipality of Almere, the seventh largest city in the Netherlands, has entrusted Syntus Keolis Group with the management of its bus network for a period of ten years and a total amount of €400 million.

2016 results

— Revenue

2016 revenue was up €71 million (+1.4%) compared to 2015. This trend breaks down as follows:

- a Group structure impact of €103 million, which is detailed in Note 1.1 Comparability of the financial statements;
- a foreign exchange impact of -€25 million.

At constant Group structure and exchange rates, Keolis revenue decreased by -€8 million (-0.2%). The international decline was partly offset by the development of Effia's activities.

— Gross profit

Gross profit for Keolis rose by €34 million. Excluding the Group structure and exchange rate impact, it increased by €22 million. This increase was mainly driven by international business (+€12 million), with improved profitability in North America.

— Current operating profit

Current operating profit for Keolis improved by €13 million, largely in line with the gross profit trend.

— Net investments

Keolis' investments slightly declined. The decrease in France was partly offset by the investments of Effia (car parks) and international subsidiaries (North America and Australia).

2017 outlook

— Internationally, Keolis will work on major calls for tenders particularly in Riyad in Saudi Arabia and Doha in Qatar for their subway projects.

— In a context of intense competition, Keolis will demonstrate its ability to set itself apart, particularly by reducing its offering without any loss of appeal, boosting receipts, and developing anti-fraud measures and digital technology.

— In July 2017, KeolisAmey, the UK joint venture created by Keolis (60%) and the UK firm Amey (40%), will begin to operate and maintain Metrolink, the Manchester tram network, which is also the largest tram network in the UK with 37 million passengers each year and a fleet of 120 trams.

2.4 SNCF INFRA

SNCF INFRA	
PARENT COMPANY	**SUBSIDIARIES**
Rail network operation and management	
Engineering	**Systra**
Works and maintenance	**SFERIS**

SNCF Infra included the following activities prior to its transfer to SNCF Réseau on 1 July 2015:

— delegated infrastructure management activities on behalf of SNCF Réseau (traffic management and network maintenance);

— rail infrastructure engineering (Systra).

The SNCF Infra division was classified as a transferred operation following the enactment of law 2014-872 of 4 August 2014.

The table below presents the data contributed by SNCF Infra to SNCF Mobilités indicators prior to its reclassification under "Net profit/(loss) from transferred operations, net of tax" in the income statement, pursuant to the adoption of IFRS 5. Consequently, these figures do not contribute to the Group indicators for the first half of 2015.

In € millions	H1 2015
External revenue	2,760
Gross profit	63
Gross profit / revenue at SNCF Infra level	*2.2%*
Current operating profit	4
Current operating profit after share of net profit of companies consolidated under the equity method	5
Net investments	-65

3 NET INVESTMENTS AND NET DEBT

3.1 NET INVESTMENTS

In € millions	2016	2015	Change	
Net investments	-1,961	-1,845	-116	+6%
Disposals	427	317	110	+35%
Investments, net of disposals	-1,534	-1,528	-5	+0%

Net investments stood at €1,961 million as at 31 December 2016, an increase of €116 million compared to 2015. The level of investment increased at Voyages SNCF (TGV France and Thalys) and SNCF Logistics (impact of the OHL acquisition and higher investments at Ermewa).

Disposals rose by €110 million compared to 2015; disposals for the year mainly involved real estate assets.

3.2 GROUP NET DEBT

In € millions	31/12/2016	31/12/2015	Change
Non-current debt	14,305	13,876	428
Non-current receivables	-4,545	-4,810	265
Net non-current debt used to calculate net debt	**9,760**	**9,066**	**694**
Current debt	3,991	3,837	154
Current receivables	-5,777	-5,131	-646
Net current debt used to calculate net debt	**-1,786**	**-1,295**	**-491**
Net debt	**7,974**	**7,772**	**202**
Gearing (Net debt / Equity)	**1.7**	1.7	

Net debt stood at €8.0 billion as at 31 December 2016, for a gearing (Net debt / Equity) of 1.7 (1.7 as at 31 December 2015). Net debt as a percentage of gross profit increased from 3.0 as at 31 December 2015 to 3.5 as at 31 December 2016. The gross profit of 31 December 2015 that was used for the calculation did not include the competition fine for the Distribution and Express activity.

Net debt was impacted by the following movements in 2016:

Opening net debt	**7,772**
Cash from operations	-1,475
Net investments	1,961
Disposals	-427
Dividends received from companies consolidated under the equity method	-31
Group structure transactions	-429
Change in operating WCR	697
Dividends paid	176
Change in fair value, amortised cost, translation difference	-31
Change in tax WCR	-263
Other	25
Closing net debt	**7,974**

3.3 FINANCING SOURCES AND DEBT MANAGEMENT

Non-current debt increased by €0.4 billion, while current debt rose by €0.2 billion.

These changes were essentially due to:

— the issue of new bonds for +€0.7 billion;

— the increase in cash liabilities for +€0.7 billion;

— the repayment of new loans contracted with credit institutions for -€0.3 billion;

— the decrease in finance lease liabilities for -€0.2 billion;

— bond issue repayments for -€0.1 billion;

— Current receivables decreased by €0.6 billion, while non-current receivables decreased by €0.3 billion;

— These changes were essentially due to:

— the increase in cash and cash equivalents for +€0.5 billion;

— the repayment of the SNCF Réseau receivable for -€0.1 billion;

EPIC SNCF Mobilités is responsible for managing most of the Group's net debt, carrying 92% 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	25-Nov.-16
Moody's	Aa3	Stable	17-May-16
Fitch Ratings	AA	Stable	5-Sept.-16

3.4 GROUP EXPOSURE TO MARKET RISKS

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 consolidated financial statements.

4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND RATIOS

In € millions	31/12/2016	31/12/2015*
Goodwill	2,373	2,359
Intangible assets	1,783	1,896
Property, plant and equipment	12,803	12,394
Non-current financial assets	5,988	6,339
Investments in companies consolidated under the equity method	653	450
Deferred tax assets	872	987
Non-current assets	**24,472**	**24,425**
Operating assets	7,516	7,384
Current financial assets	1,348	1,150
Cash and cash equivalents	4,584	4,024
Current assets	**13,448**	**12,558**
Assets classified as held for sale	1	645
Total assets	**37,921**	**37,628**
Principal	3,971	4,971
Consolidated reserves	-30	1,540
Net profit for the year	511	-2,186
Equity attributable to equity holders of the parent	**4,453**	**4,324**
Non-controlling interests (minority interests)	130	136
Total equity	**4,582**	**4,461**
Non-current employee benefits	1,577	1,476
Non-current provisions	1,151	1,102
Non-current financial liabilities	15,481	15,152
Deferred tax liabilities	416	471
Non-current liabilities	**18,625**	**18,201**
Current employee benefits	104	114
Current provisions	222	354
Operating liabilities	10,395	10,628
Operating liabilities	**10,721**	**11,096**
Current financial liabilities	3,992	3,837
Current liabilities	**14,713**	**14,933**
Liabilities associated with assets classified as held for sale	1	33
Total equity and liabilities	**37,921**	**37,628**
Gearing (Net debt / Equity)	*1.7*	*1.7*
Net debt / Gross profit	*3.5*	*3.0*

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1 to the consolidated financial statements).

The statement of financial position recorded the following changes in 2016:

— a €409 million increase in net property, plant and equipment primarily due to:

• acquisitions, net of disposals, for +€2,012 million;

• depreciation and impairment, net of reversals, for -€1,491 million.

— a -€113 million decrease in net intangible assets primarily due to:

• acquisitions, net of disposals, for +€216 million;

• depreciation and impairment, net of reversals, for -€278 million;

• the impact of translation differences for -€82 million.

— an increase of €203 million in companies consolidated under the equity method, of which €166 million relating to the loss of control in Akiem;

— a -€697 million decline in the operating working capital requirement;

— a decline in assets classified as held for sale and liabilities associated with assets classified as held for sale, mainly due to the loss of control in Akiem;

— an increase in equity attributable to equity holders of the parent, which mainly includes the net profit for the period (€511 million), the negative change in fair value of cash flow hedges (-€28 million), the actuarial gains and losses on post-employment benefit plans (-€38 million), the negative change in translation differences (-€128 million) and the dividend paid to EPIC SNCF (-€126 million).

— a breakdown of financial assets and liabilities is shown in Note 6.1 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 received for the activities of SNCF Transilien, Régions and Intercités.

5.1 PUBLIC SERVICE ORDERS

The table below shows the Group revenue generated with SNCF Réseau, Régions, STIF and the French State.

The revenue realised with SNCF Réseau was primarily generated by the SNCF Infra division transferred on 1 July 2015 as part of the rail reform. The revenue shown below corresponds to the revenue realised by the SNCF Infra division in the first half of 2015 and presented under the heading "Net profit/(loss) from transferred operations, net of tax" in the income statement.

In € millions	31/12/2016	31/12/2015	Change
Compensation of Infrastructure Manager by SNCF Réseau	0	1,573	-1,573
including traffic and circulation management	*0*	*460*	-460
including network and asset management	*0*	*1,114*	-1,114
Work for SNCF Réseau	159	1,266	-1,107
Total SNCF Réseau	**159**	**2,839**	-2,680
Compensation for regional rates	509	514	-5
Services for the Organising Authorities	4,391	4,161	230
Total Régions and STIF	**4,900**	**4,675**	225
Socially-motivated prices	15	19	-3
Defence	145	146	-1
Trains d'Equilibre du Territoire (TET)	356	298	58
Total French State	**517**	**463**	54
TOTAL	**5,576**	**7,978**	-2,401

Work for SNCF Réseau in 2016 mainly comprised services performed by Gares & Connexions.

The services for the Organising Authorities and STIF increased by €225 million compared to 2015 following the renegotiation of certain agreements and the offering's development.

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	31/12/2016	31/12/2015	Change
Operating grants	50	42	8
Cash inflows from concession financial assets	814	787	27
Investment grants relating to intangible assets and PP&E	617	546	70
TOTAL	**1,481**	**1,376**	**105**

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 AVERAGE WORKFORCE

	31/12/2016	31/12/2015	Change		Change on a constant Group structure basis	
SNCF Transilien, Régions and Intercités	46,845	46,740	+0.2%	105	+0.2%	105
Voyages SNCF	23,523	24,113	-2.4%	-590	-2.4%	-590
Gares & Connexions	3,688	3,501	+5.4%	187	+5.4%	187
SNCF Logistics	51,568	52,494	-1.8%	-925	-1.8%	-960
Including the Geodis division	*39,344*	*39,636*	*-0.7%*	*-292*	*-0.9%*	*-373*
Keolis	55,757	55,092	+1,.2%	665	+0.2%	130
Corporate	12,336	14,213	-13,.2%	-1,877	-4.4%	-630
TOTAL	**193,718**	**196,152**	**-1.2%**	**-2,434**	**-0.9%**	**-1,757**

The reduction in the SNCF Logistics workforce that was attributable to the slowdown in activity observed for certain business units of this segment.

The decrease in the Corporate workforce essentially stems from the delayed impact of the 2015 transfers to EPIC SNCF.

The change in the workforce of subsidiaries in recent years mainly reflects the changes in Group structure:

	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012	Fiscal 2011
Parent company[1]	87,615	90,429	154,272	155,371	156,110	156,047
Subsidiaries	106,102	105,723	91,491	89,200	87,844	89,043
TOTAL	**193,718**	**196,152**	**245,763**	**244,570**	**243,954**	**245,090**

1- Including seconded employees.

6.2 MAIN AGREEMENTS SIGNED IN 2016

The following collective agreements were signed with representative trade union organisations:

— the agreement relating to the attribution and remuneration of economic and trade union training leave signed on 8 March 2016.

— the collective agreement on work time organisation signed on 14 June 2016.

— the collective agreement on the development of wage increases involving former apprentices signed on 28 October 2016.

These three agreements are applicable within the Public Rail Group.

7 CHALLENGES AND OUTLOOK

For SNCF Mobilités, 2016 will have been a challenging year, due to the terrorist attacks, 24 days of strikes, an ongoing lacklustre French economy and, in the travel industry, aggressive competition boosted by low oil prices (car pooling players, low-cost airlines). In the freight sector, business was curbed by low air and sea freight rates, and at the national level, hampered economic activity in the steel and cereal markets (poor harvest in the summer of 2016).

In this context, SNCF Mobilités continued to strengthen its aggressive sales policy in its passenger rail transport business with "low prices" and low-cost offers (particularly the new IZY offering by Thalys and extension of Ouigo to the Atlantic), and its logistics activities. In 2016, the Mobilités Group pursued its development and expanded its international activity.

Furthermore, in response to the economic emergency, management accelerated its performance plans and exercised a tight control over expenses and investments.

The outlook for 2017 has been considered on a prudent basis, in a context which remains uncertain and difficult, marked by high uncertainty in freight (questions over the conduct of global trade, reopening of free trade agreements) and passenger travel (intense intermodal competition for Voyages SNCF and, for regulated transport operators, occasionally complicated relations with the Organising Authorities).

Revenue growth, estimated at +2.1%, reflects the counter-effect of strikes, an upsurge in international traffic and the opening of new high-speed lines (LISEA, TGV Est Phase 2, Bretagne Pays de Loire, Nîmes-Montpellier bypass). However, the new LISEA and Bretagne Pays de Loire lines will generate a negative margin.

Priority is given to marketing follow-up measures, faster productivity gains and ongoing strict financial management.

Regaining customers in passenger activities will be the priority, mainly through:

— the ongoing roll-out of Ouigo and the enhancement of the offering by improving the customer experience (on-board Internet);

— in the regions, the set-up of operations based on an ambitious project: Cap TER 2020;

— the step-up in door-to-door transport by developing our offers (iDPASS, iDCAB, iDVROOM among others) and rolling out digital tools within production processes (ticketing) and customer relationships.

In 2017, the emergency measures initiated in 2016 will be extended: initiatives undertaken in the performance plans will reduce expenses and investments will be controlled.

These proactive measures will be undertaken while pursuing the three major priorities, i.e. the development of mass transit, international business and digital technology.

Breakdown by business unit

SNCF Voyageurs
Priority is given to security and safety.

The Group will continue to accelerate its mobility offerings, with the launch of the Océane and Armorique high-speed lines in July 2017 and the ongoing roll-out of Ouigo in Bordeaux and Strasbourg.

The regional train offering will continue to adapt to incorporate the various modes of transport and services in order to boost the competitiveness of its activity.

Finally, Ouibus will also continue to expand so as to serve 120 destinations in France and Europe.

The changes undertaken at SNCF Gares & Connexions will be extended, both in terms of securing train stations and developing stores to directly benefit passenger services. Furthermore, the publication of Decree 2016-1468 on 28 October 2016 adjusted the positioning of Gares & Connexions within SNCF Mobilités, as from 1 January 2017, by creating a business unit in its own right.

SNCF Logistics
The strategy adopted to develop the business of the US logistics firm OHL that was acquired at the end of 2015 will be pursued.

There will also be a focus on the ongoing turnaround of Fret SNCF, in keeping with the trajectory initiated since 2010 and the business strategy boost for Rail Transport Operators.

Keolis
In France, the challenge is to maintain its role as leader in urban transport while nearly 50% of contracts are being renewed. Internationally, the emphasis will be on strengthening the positions of the bus activity with confirmed tenders in the United States and Australia, participating in major calls for tender in the UK and launching the automatic subway in Hyderabad (India).

CORPORATE GOVERNANCE

1 THE BOARD OF DIRECTORS

The Board of Directors of the industrial and commercial public enterprise SNCF Mobilités comprises eighteen members, including, in addition to the SNCF Executive Board chairman:

— four representatives of the French State appointed by decree, based on the report of the Transport Minister:

• one at the recommendation of the Transport Minister;

• one at the recommendation of the Minister for Economy and Finance;

• one at the recommendation of the Budget Minister;

• one at the recommendation of the Minister for Sustainable Development.

— Two members chosen for their expertise and appointed by decree:

• a representative of passengers;

• a representative chosen for his expertise in the protection of the environment and mobilities.

— five prominent figures chosen by SNCF Mobilités to represent it;

— six members, including a management representative, elected by employees of the Company and its subsidiaries having a minimum workforce of 200 members.

A decree lays down the parent company by-laws and sets the procedures for the appointment and election of Board members (Decree no. 2015-138 of 10 February 2015 relating to the mandates and by-laws of SNCF Mobilités).

Board members are appointed for a five-year term of office. A director may not exercise more than two consecutive terms of office. Directors receive no compensation for their activities.

The Government Commissioner or, in his absence, the Assistant Government Commissioner, has an advisory seat on the Board and all committees created.

The head of the Transport Economic and Finance Control Office or his representative has an advisory seat on the Board and all committees and commissions.

The Board Secretary and the Secretary of the Joint Labour-Management Committee also have a seat on the Board. The Board of Directors holds at least six meetings annually.

The Board of Directors has five committees:

Audit and Risk Committee, responsible for reviewing the annual and half-year financial statements, risk mapping and the annual internal audit work programme;

Contracting Committee, consulted on projects involving government or private contracts, acquisitions, disposals, building exchanges, based on predetermined thresholds set by the Board;

Passengers Committee, responsible for monitoring rail transport agreements between local authorities, public institutions and SNCF Mobilités, and more generally overall passenger problems;

Transport and Logistics Committee, responsible for reviewing the activity and strategies of the SNCF Logistics business unit;

Tenders Committee, responsible for examining the company's responses to the various calls for tender in which it will compete.

2 MANAGEMENT TEAM

The Chairman appoints the members of the Executive Committee and defines their tasks. Within their areas of expertise, Executive Committee members are delegated powers by the Chairman enabling them to act and decide in his name. The Executive Committee has five members (including the Chairman).

02— SNCF MOBILITÉS GROUP CONSOLIDATED FINANCIAL STATEMENTS

IFRS. in € millions

CONSOLIDATED INCOME STATEMENT

In € millions	Note	31/12/2016	31/12/2015 *
Revenue	3	30,517	29,296
Purchases and external charges	3	-16,705	-15,698
Employee benefit expense	3	-10,923	-10,623
Taxes and duties other than income tax	3	-1,036	-996
Other operating income and expenses	3	431	422
Gross profit	**3**	**2,284**	**2,401**
Gross profit excluding competition fine		***2,284***	***2,597***
Depreciation and amortisation	4.1.4	-1,442	-1,585
Net movement in provisions	4.5	36	-258
Current operating profit/(loss)		**878**	**558**
Net proceeds from asset disposals	4.1.5	138	240
Fair value remeasurement of the previously held interest	4.2	26	686
Impairment losses	4.3	149	-2,742
Operating profit/(loss)		**1,191**	**-1,258**
Share of net profit/(loss) of companies consolidated under the equity method	4.2	47	-73
Operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method		**1,238**	**-1,331**
Net borrowing and other costs	6.1	-279	-260
Net finance costs of employee benefits	5.3	-21	-6
Finance cost		**-301**	**-265**
Net profit/(loss) before tax from ordinary activities		**937**	**-1,597**
Income tax expense	7	-443	-657
Net profit from ordinary activities		**494**	**-2,254**
Net profit/(loss) from transferred operations, net of tax **	4.2	0	69
Net profit for the year		**494**	**-2,184**
Net profit/(loss) for the year attributable to equity holders		**511**	**-2,187**
Net profit/(loss) for the year attributable to non-controlling interests (minority interests)		-18	2

*Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1).

** The standard wording for this line item "Net profit/(loss) from discontinued operations, net of tax" has been modified since it only includes the net profit of operations transferred as part of the rail reform.

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	31/12/2016	31/12/2015*
Net profit/(loss) for the year*	**494**	**-2,184**
Other comprehensive income:		
Change in foreign currency translation	-219	-19
Tax on change in foreign currency translation	17	2
	-203	**-17**
Change in value of available-for-sale assets	-1	-14
Tax on change in value of available-for-sale assets	1	1
	-1	**-13**
Change in fair value of cash flow hedges	-20	95
Tax on change in fair value of cash flow hedges	-7	-3
	-27	**93**
Share of recyclable other comprehensive income of companies consolidated under the equity method	2	75
Total recyclable other comprehensive income	**-229**	**137**
Actuarial gains and losses arising from employee defined benefit plans	-64	142
Tax on actuarial gains and losses arising from defined benefit plans	7	-4
	-57	**137**
Share of non-recyclable other comprehensive income of companies consolidated under the equity method	0	10
Total non-recyclable other comprehensive income	**-57**	**147**
Total comprehensive income/(loss) for the year*	**208**	**-1,900**
Total comprehensive income/(loss) attributable to equity holders of the parent*	**319**	**-1,909**
Total comprehensive income attributable to non-controlling interests (minority interests)	-112	10

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1).

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

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED ASSETS

In € millions	Note	31/12/2016	31/12/2015*
Goodwill	4.2	2,373	2,359
Intangible assets	4.1	1,783	1,896
Property, plant and equipment	4.1	12,803	12,394
Non-current financial assets	6	5,988	6,339
Investments in companies consolidated under the equity method	4.2	653	450
Deferred tax assets	7	872	987
Non-current assets		**24,472**	**24,425**
Inventories and work-in-progress	4.4	661	621
Operating receivables	4.4	6,855	6,763
Operating assets		**7,516**	**7,384**
Current financial assets	6	1,348	1,150
Cash and cash equivalents	6	4,584	4,024
Current assets		**13,448**	**12,558**
Assets classified as held for sale	4.2.2	1	645
Total assets		**37,921**	**37,628**

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1).

CONSOLIDATED EQUITY AND LIABILITIES

In € millions	Note	31/12/2016	31/12/2015*
Share capital	6.4	3,971	4,971
Consolidated reserves		-30	1,540
Net profit/(loss) for the year attributable to equity		511	-2,186
Equity attributable to equity holders of the parent		**4,453**	**4,324**
Non-controlling interests (minority interests)	6.4	130	136
Total equity		**4,582**	**4,461**
Non-current employee benefits		1,577	1,476
Non-current provisions	4.3	1,151	1,102
Non-current financial liabilities	6	15,481	15,152
Deferred tax liabilities	7	416	471
Non-current liabilities		**18,625**	**18,201**
Current employee benefits	5	104	114
Current provisions	4.5	222	354
Operating liabilities	4.4	10,395	10,628
Operating liabilities		**10,721**	**11,096**
Current financial liabilities	6	3 ,992	3,837
Current financial liabilities		**14,713**	**14,933**
Liabilities associated with assets classified as held for	4.2	1	33
Total equity and liabilities		**37 ,921**	**37,628**

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € millions	Share capital	Non-recyclable reserves	Group translation reserves	Cash flow hedges	Available-for-sale assets	Reserves of transferred operations, net of tax*	Equity attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests (minority interests)	Total equity
Equity restated as at 31/12/2014	**4,971**	**-450**	**4**	**-276**	**24**	**82**	**2,524**	**6,878**	**106**	**6,984**
Net profit/(loss) for the year*	-	-	-	-	-	2	-2,188	-2,187	2	-2,184
Other comprehensive income	-	135	-11	90	-13	1	76	277	8	285
Total comprehensive income	**-**	**135**	**-11**	**90**	**-13**	**3**	**-2,113**	**-1,909**	**10**	**-1,899**
Dividends paid	-	0	-	-	0	-66	3	-63	-	-63
Dividends of subsidiaries	-	-	-	-	0	-	0	-	-23	-23
Capital transactions	-	-	-	-	-	5	-5	0	31	31
Group structure transactions	-	-4	1	0	-	-25	-502	-529	8	-522
Other changes**	-	-2	-1	5	-7	-1	-47	-53	5	-48
Equity published as at 31/12/2015	**4,971**	**-320**	**-7**	**-181**	**4**	**-1**	**-141**	**4,324**	**136**	**4,461**
Net profit for the year	-	-	-	-	-	-	511	511	-18	494
Other comprehensive income	-	-38	-128	-28	-1	-	3	-192	-94	-286
Total comprehensive income	**-**	**-38**	**-128**	**-28**	**-1**	**-**	**514**	**319**	**-112**	**208**
Dividends paid	-	0	-	-	-	0	-126	-126	-	-126
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-50	-50
Capital transactions	-1,000	-	-	-	-	-	1,000	0	0	0
Changes in scope, non-controlling interests and non-controlling interest purchase commitments	0	0	-2	6	0	1	-63	-58	155	97
Other changes	-	0	0	0	0	-	-6	-7	0	-7
Equity published as at 31/12/2016	**3,971**	**-358**	**-138**	**-204**	**3**	**0**	**1,178**	**4,453**	**130**	**4,582**

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1).

** Impacts of an adjustment to the calculation of employee benefits.

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

CONSOLIDATED CASH FLOW STATEMENT

In € millions	Note	31/12/2016	31/12/2015*
Net profit/(loss) for the year	IS[1]	**494**	**-2,184**
Eliminations:			
share of profit of associates	IS[1]	-47	73
deferred tax expense (income)		47	289
depreciation, amortisation, impairment losses and provisions		1,183	4,521
revaluation gains/losses (fair value)		-25	-39
net proceeds from disposals and gains and losses on dilution		-177	-1,008
Other non-cash income and expenses		0	1
Cash from operations after net borrowing costs and taxes		**1,475**	**1,654**
Eliminations:			
current income tax expense (income)		397	362
net borrowing costs		292	298
dividend income		-9	-9
Cash from operations before net borrowing costs and taxes		**2,155**	**2,305**
Impact of change in working capital requirement		-697	294
Taxes paid (collected)		-134	-615
Dividends received		40	63
Cash flow from operating activities		**1,364**	**2,046**
Acquisitions of subsidiaries net of cash acquired		-95	-566
Disposals of subsidiaries, net of cash transferred		136	-39
Purchases of intangible assets and property, plant and equipment	4.1	-2,585	-2,323
Disposals of intangible assets and property, plant and equipment		427	317
New concession financial assets		-769	-818
Cash inflows from concession financial assets	3.2	814	787
Purchases of financial assets		-13	-12
Disposals of financial assets		34	18
Changes in loans and advances		81	37
Changes in cash assets		-210	146
Investment grants received		617	546

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1).
1- Consolidated income statement.

In € millions	Note	31/12/2016	31/12/2015*
Cash flow used in investing activities		**-1,563**	**-1,908**
Cash from equity transactions		-12	31
Issue of debt instruments		1,187	434
Repayments of borrowings net of inflows from SNCF Réseau and Public Debt Fund (PDF) receivables[3]		-607	-982
Net borrowing costs paid		-291	-309
Dividends paid to Group shareholders	Chg. in eq.[2]	-126	-63
Dividends paid to minority interests	Chg. in eq.[2]	-50	-23
Increase/(decrease) in cash borrowings		706	-729
Cash flow from/(used in) financing activities	6	**806**	**-1,640**
Effects of exchange rate changes		-8	-5
Impact of changes in accounting policies		-1	0
Impact of changes in fair value		47	-1
Increase (decrease) in cash and cash equivalents		**645**	**-1,509**
Opening cash and cash equivalents		3,652	5,161
Closing cash and cash equivalents		4,297	3,652

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1).
2- Consolidated statement of changes in equity.
3- Of which cash inflows of €138 million for SNCF Réseau receivable (€362 million in 2015) and €0 million for PDF receivable (€92 million in 2015).

Pursuant to the options proposed by IFRS 5 "Assets held for sale and discontinued operations", the cash flows of the SNCF Infra division, which was transferred on 1 July 2015 in connection with the rail reform, were not presented separately in the cash flow statement but are detailed in Note 4.2.

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 L2141-10 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 2016 were approved by the Board of Directors on 23 February 2017.

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 company 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 2016 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 2016 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 2016, as described in a grey inset in each note to the financial statements;

— elected accounting options and exemptions applied in the preparation of the 2016 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 not adopted in advance for the preparation of the 2016 consolidated financial statements

The Group has not opted for the early application of the other standards and interpretations applicable to fiscal years starting on or after 31 December 2016, regardless of whether they were adopted by the European Commission.

In particular, the Group did not adopt the following standards for its 2016 consolidated financial statements:

Standard or interpretation	Summarised description	Expected impacts	Date of adoption (period beginning as of)
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 continuous or at a given 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.	Analysis ongoing	IASB: 01/01/2018 EU: 01/01/2018 Group: 01/01/2018
IFRS 9 "Financial instruments"	The purpose of the revised standard is to replace 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.	Analysis ongoing	IASB: 01/01/2018 EU: 01/01/2018 Group: 01/01/2018
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 ongoing	IASB: 01/01/2019 with possible early adoption as of 01/01/2018 EU: Not adopted Group: awaiting adoption
Amendments to IAS 7 "Disclosure Initiative"	This amendment provides for additional disclosures on changes in liabilities arising from financing activities as well as for changes in the financial assets covering these financial liabilities. The entity shall state for each change in liabilities the nature of the flows associated with the outflow of resources so as to enable a reconciliation between the statement of financial position and the cash flow statement.	Analysis ongoing	IASB: 01/01/2017 EU: Not adopted Group: awaiting adoption

1.2 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 2016 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 2016 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, requiring 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 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.

— **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.

1.3 BASIS OF CONSOLIDATION

1.3.1 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 2016 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.

1.3.2 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 2016

2.1.1 Capital grant reduction

Pursuant to the rail reform law of 4 August 2014 and decree 2014-949 of 20 August 2014 on governance and capital transactions, the French State approved, by order dated 17 November 2016, a €1,000 million reduction in the capital grant for EPIC SNCF Mobilités, via a transfer to distributable reserves.

Following this transaction, the capital grant for EPIC SNCF Mobilités amounts to €1.2 billion as at 31 December 2016. Property grants remain unchanged at €2.8 billion (see Note 6.4 to the consolidated financial statements).

2.1.2 Performance contracts with the French state

In accordance with the rail reform law of 4 August 2014, a strategic framework agreement was established to be concluded between SNCF and the French State. Updated every three years for a ten-year term, this framework agreement includes operating agreements (so-called "performance contracts") to be concluded between the French State and SNCF Mobilités, and between the French State and SNCF Réseau. The agreement determines the objectives assigned by the French State in terms of service quality for the benefit of all rail companies, rail transport organising authorities and users. It also consolidates the financial trajectories and the sustainable and human development components of contracts. Currently submitted to the ARAFER (French Rail and Road Regulatory Body) for its opinion, the agreement will be transmitted to the French Parliament accompanied by the opinion.

The performance contract to be concluded between SNCF Mobilités and the French State was approved by the SNCF Mobilités Board of Directors on 16 December 2016. 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. Updated every three years for a ten-year term, this contract determines in particular the objectives assigned to EPIC SNCF Mobilités 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.

2.1.3 Reversal of the impairment loss recognised for Gares & Connexionss

Following the performance contract and financial trajectory approval by the SNCF Mobilités Board of Directors on 16 December 2016, management reviewed its strategic plan, and specifically that of the Gares & Connexions CGU. The trajectory review and ensuing impairment test resulted in the recognition of an impairment loss reversal for €273 million under the "Impairment losses" heading in the consolidated income statement.

Detailed information is shown in Note 4.3 to the consolidated financial statements.

2.1.4 Intercités

Following the roadmap presented on 7 July 2015, the French Secretary of State for Transport announced the following measures on 19 February 2016 as part of an update:

— the renewal of rolling stock for Trains d'Équilibre du Territoire (TET), including an investment in backbone lines of around €1.5 billion by 2025;

— the discontinuation of funding for 6 out of 8 night lines (the Paris-Briançon, and Paris-Rodez / Latour de Carol night lines will be maintained), for which a Call for Expressions of Interest was initiated to assess all the proposals likely to be drawn up for these 6 lines, including the management of operations by another authority;

— the continuation of discussions with the Regions, to develop the current TET offering, based on the recommendations of the Duron commission.

On 21 July 2016, the Secretary of State for Transport announced that, in the absence of buyers, the 6 night lines would gradually close on 1 October 2016, 1 July and 1 October 2017. It also announced the signing of a new five-year (2016-2020) agreement with SNCF Mobilités this fall, which should provide better passenger service and a return to business equilibrium for SNCF Mobilités. The Secretary of State further confirmed the financing of significant investments and continuing cooperation with the regions regarding certain lines.

On 16 December 2016, the 2016-2020 agreement that will break even over the period was validated by the SNCF Mobilités Board of Directors. Furthermore, the Amending Finance Law of 29 December 2016 raised the contribution expected from the French State compared to the initial Finance Act. Hence, the provision for losses on completion of €106 million recognised as at 31 December 2015 for the first year (2016) of the future agreement was fully reversed. The reversal includes an unused portion of €83 million, mainly due to the additional contributions granted (see Note 4.3 to the consolidated financial statements). Since the net carrying amount of the investments made prior to 2011, the year in which the first agreement came into effect, were no longer guaranteed in the new agreement, an impairment loss was recorded in the income statement for an amount of -€84 million. Even if the new agreement breaks even over the period, the expected flows will, however, be insufficient to cover the net carrying amount of these assets.

2.1.5 Loss of control of Akiem

To encourage the development of the locomotive leasing activity conducted by its wholly owned subsidiary Akiem, the Group sold 50% of its shares to an investor partner on 5 February 2016. The partnership agreement grants joint control rather than exclusive control to SNCF Mobilités. The transaction's effective date was 30 June 2016, contingent to the fulfilment of conditions precedent, and specifically the opinion of the Competition Authority. Akiem has been equity-accounted as of this date. As at 31 December 2015, and pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of this company are presented under "Assets classified as held for sale" and "Liabilities associated with assets classified as held for sale" in the statement of financial position. Detailed information is shown in Note 4.2 to the consolidated financial statements.

2.1.6 Early receipt of the competitiveness and employment tax credit (CICE) receivable

SNCF, head of the tax consolidation group that includes SNCF Mobilités, partially monetised its CICE receivable up to the share of SNCF Mobilités for fiscal years 2015 and 2016. The transaction resulted in an early cash inflow of this receivable for €316 million as at 31 December 2016.

Detailed information is shown in Note 9 to the consolidated financial statements.

2.1.7 Exit of the United Kingdom from the European Union (Brexit)

In a referendum held on 23 June 2016, the United Kingdom voted in favour of leaving the European Union (Brexit). In the UK, the Group transports passengers (mainly through Eurostar and joint ventures within Keolis) and freight (through the Geodis and STVA subsidiaries in particular). In 2016, the UK subsidiaries contributed €1,376 million to Group revenue, of which €1,003 million for Eurostar. As at 31 December 2016, the joint ventures within Keolis represent an equity-accounted value of €31 million in the consolidated statement of financial position.

At this stage, it is too early to determine whether the decision expressed by the British people will have financial and/or business consequences for the Group.

2.1.8 Labour movement

A portion of the EPIC SNCF Mobilités employees conducted a strike in the first half of 2016 as part of the renegotiation of the labour agreement following the set-up of a branch agreement and a core decree by the French State applicable to all rail players. Although there was a significant mobilisation to limit customer impacts, the conflict had consequences for nearly all the Group businesses. Specifically, there were revenue losses and additional costs for customer compensation.

2.2 SUBSEQUENT EVENTS

The main subsequent events are as follows.

2.2.1 Order of new rolling stock equipment

A purchase order for the construction of New Generation (NG) RER trains was approved by the SNCF Mobilités' Board of Directors on 11 January 2017 following a call for tenders conducted by SNCF Mobilités at the request of the STIF.

This contract, the most significant ever signed for the European rail sector and for SNCF Mobilités, concluded between the STIF, the Alstom-Bombardier consortium and SNCF Mobilités, covers the construction of 255 NG RER trains for the RER D and the RER E (Eole), for a total of €3.75 billion.

The first tranche of an estimated amount of €1.55 billion was signed on the same date for 71 trains, with an initial delivery expected for mid-2021.

Furthermore, on 23 February 2017, the SNCF Mobilités' Board of Directors validated the acquisition of 15 TGV 3 UFC (Océane) trains from d'Alstom. In addition to the order of new RER NG trains, this acquisition brings post-closing rolling stock investment commitments to more than €4 billion.

These commitments had no impact on the 31 December 2016 consolidated financial statements.

2.2.2 New sector breakdown

The publication of Decree 2016-1468 on 28 October 2016 leads to adjusting the positioning as from 1 January 2017 of Gares & Connexions within SNCF Mobilités by creating a business unit of full exercise. Accordingly, segment reporting will be modified to present this business unit separately and no longer as a segment within SNCF Voyageurs.

2.2.3 Signature of property bills of sale

Property disposals concluded in January 2017 generated capital gains for a total of €103 million. These disposal gains will be recorded in 2017 under the heading "Net proceeds from asset disposals" in the consolidated income statement. An amount of €86 million was collected from these disposals, of which €41 million at the very beginning of January 2017.

2.2.4 Bond issue

On 2 February 2017, SNCF Mobilités issued a 12-year €1 billion fixed-rate bond swapped at floating rates for half the amount. Both the bond and swap mature on 2 February 2029. Furthermore, SNCF Mobilités benefits from a swaption to revert to a fixed rate in the amount of €250 million with a maturity date of 20 April 2017.

2.2.5 Reduction in the Territorial Solidarity Tax (CST)

In a letter sent to the Chairman of SNCF Mobilités dated 13 February 2017, the French Prime Minister decided to reduce, as from 2017 and until 2022, the CST paid by SNCF Mobilités. The total reduction will amount to €420 million and will have an impact on gross profit in the income statement.

This decision was made in the context of a reorganisation of Trains d'Équilibre du Territoire (TET) following the roadmap presented by the Government on 7 July 2015 and that was achieved by a new 2016-2020 balanced agreement over the period (see Note 2.1). It is consistent with the recommendations of the French Court of Auditors of 13 February 2015 to reduce the weight of SNCF Mobilités' contribution to TET financing.

It is not offset by any increase in expenses for SNCF Mobilités or decrease in the financial compensation receivable from the French State with regard to TET, as the financial trajectory of the agreement signed with Intercités is not challenged.

Finally, it had no impact on the 31 December 2016 consolidated financial statements.

2.2.6 ARAFER'S opinion on the DRR 2018

In its opinion of February 2017, ARAFER did not validate the rates proposed by SNCF Réseau in the Document de Référence du Réseau for 2018 (DRR 2018). The possible impacts of this opinion were not taken into account in the impairment tests (see Note 4.3), since the group considers that the discussions with the Authority are still ongoing.

3 GROSS PROFIT

Gross profit is equal to revenue plus incidental income, net of expenses directly related to operating activities.

Transport activity revenue is recognised based on the effective and complete transportation of passengers and freight. Revenue recognised in the systems on the issue of a passenger transport ticket is adjusted at the period-end for tickets issued but not used, which are recorded in "Deferred income" under "Operating payables."

Pursuant to IFRIC 13, customer loyalty programmes are measured and recognised at the fair value of the unused point's consideration in "Deferred income" under "Operating payables," with an offsetting decrease in revenue. This deferred income is transferred through profit or loss under the "Revenue" heading as and when the loyalty points are used by customers.

Revenue includes contributions of the French State and Organising Authorities. They comprise price subsidies covering socially motivated prices introduced by the French State and contributions remunerating global services within a contractual framework or specific services.

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 are recognised below gross profit under "Net change in provisions". In this case, the gross profit allocation is entered when the loss becomes effective.

Charges to provisions for liabilities and charges are also recognised under "Net movement in provisions," as are unused reversals. Used reversals are recognised with the expense they hedge within gross profit.

3.1 SEGMENT REPORTING

3.1.1 Determination of segments presented

The activity of SNCF Mobilités is based on three business units: SNCF Voyageurs, SNCF Logistics and Keolis. Within these business units, eight operating segments are regularly examined by the SNCF Mobilités Executive Committee in order to assess their performance and allocate resources. Segment reporting was adapted for SNCF Logistics to reflect the more precise breakdown that is now regularly transmitted to the Executive Committee for analysis. Comparative information has therefore been restated. These segments, which target different customers and sell separate products and services, are as follows:

— SNCF Voyageurs comprising:

• SNCF Transilien, Régions and Intercités: local transport activities of the Group encompassing medium-distance links (Trains d'Équilibre du Territoire - Intercités), rail transport regulated services (TER, Transilien, etc.), and additional services covering passenger transport (Itiremia, Ritmx) and housing for Group employees (Orfea).

• 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.

• Gares & Connexions: dedicated to the development and operation of all stations and the non-discriminatory welcome of all operators.

— SNCF Logistics comprising:

• 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, locomotives, mainline locomotives or shunters);

• STVA: multimodal logistics for new and used finished vehicles.

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

These segments rely on common support functions (Corporate), 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.

SNCF Infra, in charge of delegated infrastructure management activities for SNCF Réseau and engineering and fully impacted by the law of 4 August 2014 on rail reform, was removed from SNCF Mobilités Group on 1 July 2015, and has no longer contributed to the consolidated income statement and balance sheet since that date.

Revenue generated by SNCF Infra with the Group's other segments amounted to €151 million in 2015.

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.

Net indebtedness is no longer included in the segment indicators as it is no longer monitored for each sector.

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

	31/12/2016				
In € millions	**External revenue**	**Internal revenue**	**Revenue**	**Gross profit**	**Net investments**
SNCF Transilien, Régions and Intercités	7,876	537	8,413	481	-152
Voyages SNCF	6,816	662	7,478	633	-733
Gares & Connexions	443	794	1,238	206	-219
Intra-business unit eliminations	0	-1,738	-1,738	0	0
SNCF Voyageurs	**15,136**	**255**	**15,391**	**1,319**	**-1,105**
Geodis	7,902	63	7,965	320	-110
TFMM	1,476	80	1,556	-95	-59
Ermewa Group	350	110	460	264	-211
STVA	312	0	312	6	-5
Other	0	1	1	-5	0
Intra-business unit eliminations	0	-161	-161	0	0
SNCF Logistics	**10,040**	**93**	**10,133**	**490**	**-385**
Keolis	**4,978**	**97**	**5,075**	**294**	**-264**
Corporate	**364**	**1,846**	**2,210**	**180**	**-208**
Inter-business unit		-2,292	-2,292		
TOTAL	**30,517**	**0**	**30,517**	**2,284**	**-1,961**

In € millions	External revenue	Internal revenue	Revenue	Gross profit	Gross profit excluding competition fine	Net investments[1]
						31/12/2015
SNCF Transilien, Régions and Intercités	7,872	631	8,503	539	539	**-163**
Voyages SNCF	6,746	649	7,394	867	867	**-599**
Gares & Connexions	356	851	1,208	220	220	**-183**
Intra-business unit eliminations	0	-1,714	-1,714	0	0	**0**
SNCF Voyageurs	**14,974**	**417**	**15,391**	**1,626**	**1,626**	**-946**
Geodis	6,873	110	6,982	58	254	-76
TFMM	1,551	121	1,672	-46	-46	-64
Ermewa Group	347	145	492	295	295	-158
STVA	298	0	298	1	1	-6
Other	1	1	3	-12	-12	-5
Intra-business unit eliminations	0	-196	-196	0	0	0
SNCF Logistics	**9,070**	**181**	**9,251**	**295**	**491**	**-309**
Keolis	**4,907**	**95**	**5,002**	**261**	**261**	**-277**
Corporate	**345**	**2,569**	**2,914**	**219**	**219**	**-248**
Inter-business unit		-3,263	-3,263			
TOTAL	**29,296**	**0**	**29,296**	**2,401**	**2,597**	**-1,845**

1- Including the net investments of SNCF Infra (€65 million in the first half of 2015).

Revenue generated by the SNCF Voyageurs business unit, after elimination of transactions internal to this business, totalled €15,391 million for the year ended 31 December 2016 (€15,391 million for the year ended 31 December 2015), of which €15,136 million in external revenue (€14,974 million for the year ended 31 December 2015).

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 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 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 Régions 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. the OA can acquire it at the end of the arrangement's term.

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 IAS 39 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.

Transactions with transport organising authorities had the following impacts on the Group's consolidated financial statements:

In € millions	31/12/2016	31/12/2015	Change
Services with the OA (Regions and STIF)	4,354	4,131	223
Services with the French state as OA of the Trains d'Equilibre du Territoire	346	263	82
Interest income arising from concession financial assets	48	65	-17
Impacts on revenue	**4,747**	**4,460**	**288**
Cash inflows from concession financial assets	814	787	27
Investment grants relating to intangible assets and PP&E	617	546	70
Impacts on cash flow used in investing activities	**1,431**	**1,334**	**97**
Concession intangible assets	44	48	-4
Concession non-current financial assets	1,227	1,279	-52
Impacts on non-current assets	**1,272**	**1,328**	**-56**

3.3 OTHER GROSS PROFIT ITEMS

3.3.1 Purchases and external charges

Purchases, sub-contracting and other external charges break down as follows:

In € millions	31/12/2016	31/12/2015	Change
Sub-contracting	-5,729	-5,368	-360
Infrastructure fees payable to SNCF Réseau	-3,702	-3,766	65
Eurotunnel and other infrastructure fees	-546	-413	-133
Purchases and external charges	-5,740	-5,098	-641
Traction energy and fuel	-990	-1,053	63
Purchases and external charges	**-16,705**	**-15,698**	**-1,007**

The rise in "Purchases and external charges" was attributable to the acquisitions of control in OHL and Eurostar in 2015, and the creation of the new EPIC SNCF entity following the rail reform.

3.3.2 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 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 2016, the employee benefit expenses and headcount break down as follows:

In € millions	31/12/2016	31/12/2015	Change
Wages and salaries	-10,438	-10,265	-173
Other employee benefits	-11	-13	2
Profit-sharing and incentive schemes	-29	-30	1
Seconded and temporary employees	-445	-315	-130
Employee benefit expense	**-10,923**	**-10,623**	**-300**
Average number of equivalent full-time employees	**193,718**	**196,152**	**-2,434**

3.3.3 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 (Contribution de Solidarité Territoriale - CST) 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	31/12/2016	31/12/2015	Change
IFER	-270	-263	**-7**
Property taxes	-110	-86	**-23**
Territorial Economic Contribution	-248	-286	**38**
Territorial Solidarity Tax	-90	-90	**0**
Other taxes and duties other than in-come tax	-319	-270	-49
Taxes and duties other than income	**-1,036**	**-996**	**-41**

3.3.4 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. As of 1 January 2017, it will be raised to 7%.

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 2016, "Other operating income and expenses" totalled €431 million (€422 million for the year ended 31 December 2015). Besides the portion relating to the CICE tax, it includes accrued income relating to the T1 2013 and 2014 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 primarily comprise the customer base, leasehold rights, licences and software and trade names acquired during business combinations. They 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.

	31/12/2016			31/12/2015*		
In € millions	**Gross**	**Amortisation and impairment**	**Net**	**Gross**	**Amortisation and impairment**	**Net**
Concessions, patents, software	1,166	-843	324	1,025	-719	307
Concession intangible assets (Note 3.2)	161	-117	44	149	-100	48
Other intangible assets	1,957	-683	1,274	2,021	-580	1,441
Intangible assets in progress	146	-5	141	103	-3	100
TOTAL	**3,430**	**-1,647**	**1,783**	**3,298**	**-1,403**	**1,896**

Movements in intangible assets break down as follows:

In € millions	Concessions, patents, software	Concession intangible assets	Other intangible assets	Intangible assets in progress	TOTAL
Net carrying amount as at 01/01/2015	**231**	**57**	**629**	**169**	**1,086**
Acquisitions	40	7	23	131	**202**
Disposals	-2	0	-18	-1	**-20**
Amortisation	-134	-21	-93	0	**-247**
Impairment losses	0	0	-1	-7	**-7**
Change in consolidation scope	42	0	907	0	**949**
Exchange differences	0	0	-10	0	**-10**
Other changes	128	5	3	-193	**-57**
Net carrying amount as at 31/12/2015*	**307**	**48**	**1,441**	**100**	**1,896**
Acquisitions	31	2	31	154	**218**
Disposals	-1	0	-1	0	**-2**
Amortisation	-130	-23	-116	0	**-269**
Impairment losses	-3	0	0	-6	**-9**
Change in consolidation scope	1	0	11	0	**12**
Exchange differences	1	0	-83	0	**-82**
Other changes	117	17	-9	-106	**20**
Net carrying amount as at 31/12/2016	**324**	**44**	**1,274**	**141**	**1,783**

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1).

As at 31 December 2015, the impacts in the "Change in consolidation scope" heading are mainly attributable to the acquisition of Eurostar and OHL.

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.

— Fixed installations:

• current maintenance and repair expenses (technical inspections, maintenance con-tracts, 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:

	31/12/2016			31/12/2015		
In € millions	**Gross**	**Depreciation and impairment**	**Net**	**Gross**	**Depreciation and impairment**	**Net**
Land and buildings	11,722	-5,788	5,934	11,313	-5,765	5,548
Industrial and technical plant and other assets (ITP)	3,874	-2,535	1,338	3,770	-2,433	1,337
Transportation equipment	32,547	-23,307	9,240	32,303	-22,913	9,390
Property, plant and equipment in progress	1,011	-9	1,002	824	-60	764
Total excluding grants	**49,154**	**-31,639**	**17,515**	**48,209**	**-31,170**	**17,040**
Investment grants	-9,090	4,379	-4,712	-8,685	4,040	-4,645
TOTAL	**40,063**	**-27,260**	**12,803**	**39,524**	**-27,130**	**12,394**

Movements in property, plant and equipment, after investment grants, break down as follows:

In € millions	Land and buildings	ITP	Transportation equipment	Property, plant and equipment in progress	Investment grants	Total net of grants
Net carrying amount as at 01/01/2015	**5,825**	**1,500**	**10,684**	**761**	**-4,454**	**14,317**
Acquisitions	32	78	1,440	777	-588	**1,739**
Disposals	-101	-11	-52	2	0	**-161**
Depreciation, net of grants released	-373	-253	-1,252	0	382	**-1,498**
Impairment losses	-417	-208	-2,049	-59	0	**-2,733**
Change in consolidation scope	88	51	1,054	6	1	**1,200**
Exchange differences	-1	1	-23	0	0	**-23**
Other changes	494	180	-411	-724	15	**-447**
Net carrying amount as at 31/12/2015	**5,548**	**1,337**	**9,390**	**764**	**-4,645**	**12,394**
Of which assets under finance lease	*84*	*5*	*1 050*	*0*	*0*	*1,138*
Acquisitions	19	105	1,177	897	-430	**1,768**
Disposals	-95	-14	-77	0	3	**-183**
Depreciation, net of grants released	-344	-237	-1,067	0	361	**-1,287**
Impairment losses	276	-19	-93	-7	0	**157**
Change in consolidation scope	62	10	13	0	-1	**85**
Exchange differences	-5	0	-134	0	0	**-139**
Other changes	473	156	31	-652	0	**8**
Net carrying amount as at 31/12/2016	**5,934**	**1,338**	**9,240**	**1,002**	**-4,712**	**12,803**
Of which assets under finance lease	*58*	*4*	*854*	*0*	*0*	916

A breakdown of depreciation charges and impairment losses recorded in the income statement is presented in Notes 4.1.2 and 4.3. The impact on the "Impairment losses" heading in 2016 is attributable to:

— the impairment loss recognised for Intercités for -€84 million;

— the reversal of the impairment loss recognised for the Gares & Connexions CGU for €273 million.

The impact on the "Impairment losses" heading in 2015 was attributable to:

— the impairment loss recognised for the France and Europe CGU (excluding Eurostar and Thalys) for €2,200 million;

— the impairment loss recognised for the Corporate function regarding the support assets of the TGV France and Europe (excluding Eurostar and Thalys) CGU for €38 million;

— the impairment loss recognised for the Gares & Connexions CGU for €450 million.

The impacts on the "Change in consolidation scope" heading in 2015 were mainly attributable to the acquisition of Eurostar and the creation of the rail company THI Factory.

"Other changes" were impacted in the amount of €47 million in 2016 (€50 million in 2015) by the upwards revaluation of the dismantling component relating to rolling stock containing asbestos offset against a provision (see Note 4.5).

In 2015, "Other changes" included the impact of the reclassification of Akiem property, plant and equipment to "Assets classified as held for sale" for -€498 million.

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 2016, assets made available by the French State, without transfer of title, which are recorded in the SNCF Mobilités Group balance sheet, amounted to €441 million for land and €308 million for buildings and upgrades. As at 31 December 2015, they amounted to €465 million and €339 million.

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	31/12/2016	31/12/2015
Intangible assets	-218	-202
Property, plant and equipment	-2,198	-2,331
Total acquisitions	**-2,416**	**-2,534**
incl. non-current assets held as finance-leasing	*-38*	*-37*
Acquisitions excluding finance-leasing	**-2,378**	**-2,496**
Investment working capital	-207	173
Intangible assets and PP&E capital expenditure flows	**-2,585**	**-2,323**

Capital expenditure for 2016 primarily comprised:

— software developed in-house, either already brought into service or still under development, of which €96 million for the parent company EPIC SNCF Mobilités;

— acquisitions and upgrades to stations and buildings totalling €765 million (including the creation of the Tangentielle Légère Nord (TLN) line, creation or adaptation of maintenance workshops for Régiolis trains, upgrades to the Paris Montparnasse station, extension of the EOLE West line, restructuring of the Bordeaux St Jean station, upgrades to the multimodal exchange hubs of Grenoble, Rennes and Lorient, upgrade to the Versailles Chantiers station);

— acquisition and renovation of rail and road equipment totalling €1,176 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 €430 million, including €225 million for rail equipment and €205 million for fixed installations.

Capital expenditure for 2015 primarily comprised:

— software developed in-house, either already brought into service or still under development, of which €95 million for the parent company EPIC SNCF Mobilités;

— acquisitions and upgrades to stations and buildings totalling €676 million (including the creation of the Tangentielle Légère Nord (TLN) line, track renewals, implementation of the TGV master development plan (development of garage and maintenance capacities), creation or adaptation of maintenance workshops for Régiolis trains, upgrade to the Versailles Chantiers station, upgrades to the multimodal exchange hubs of Grenoble and Rennes and replacement of track-to-train radio communication systems with GSMR technology);

— acquisition and renovation of rail and road equipment totalling €1,440 million (of which acquisition of TGV Duplex and Euroduplex trains, wagons, transcontainers, rail freight locomotives and containers, renovation of TGVs and electrical railcars).

Asset-financing grants received totalled €588 million, including €394 million for rail equipment and €195 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	31/12/2016	31/12/2015	Change
Amortisation of intangible assets	-269	-236	-34
Depreciation of property, plant and equipment	-1,651	-1,834	184
Grants released to profit or loss	363	379	-16
Reversal of liabilities relating to concession assets excluded from the scope of IFRIC 12	115	106	10
Depreciation and amortisation	**-1,442**	**-1,585**	**143**

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	31/12/2016	31/12/2015	Change
Disposal of intangible assets	9	-17	27
Disposal of property, plant and equipment	111	215	-104
Disposals of financial assets	17	42	-25
Net proceeds from asset disposals	**138**	**240**	**-102**

As at 31 December 2016, net proceeds from the disposal of assets primarily concerned the Akiem transaction (see Note 4.2.1.2) and the sales of various complexes and properties by:

— EPIC SNCF Mobilités for €39 million;

— ICF-NOVEDIS for €35 million.

As at 31 December 2015, net proceeds from the disposal of property, plant and equipment were related to:

— EPIC SNCF Mobilités for €184 million (including €50 million regarding the resolution of the arbitration procedure with RTE involving the sale of high-voltage lines);

— ICF-NOVEDIS for €18 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 1.2. 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:

Groupings	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 in other comprehensive income in accordance with IAS 39.

Movements in goodwill in 2016 break down as follows:

In € millions	Gross value	Impairment	Net value
As at 1 January 2015	**1,748**	**-363**	**1,385**
Acquisitions	1,020	-1	1,019
Disposals	-4	1	-3
Foreign exchange	7	0	7
Other changes	-48	0	-48
As at 31 December 2015	**2,722**	**-363**	**2,359**

In € millions	Gross value	Impairment	Net value
As at 1 January 2016	**2,722**	**-363**	**2,359**
Acquisitions	56	0	56
Impairment losses	0	0	0
Disposals	0	0	0
Foreign exchange	-41	0	-41
Other changes	0	0	0
As at 31 December 2016	**2,736**	**-363**	**2,373**

Acquisitions in 2015 involve investments in Eurostar, THI Factory and OHL. The 2015 figures were mainly impacted by the finalisation of the OHL purchase price (see Note 4.2.1.1).

The other changes in 2015 are related to the decision to bring a new investor to Akiem (see Notes 4.2.1.2 and 4.2.3.1).

The main goodwill balances recorded by the Group at the balance sheet date were as follows:

In € millions	31/12/2016	31/12/2015	Change
Keolis	548	499	49
Voyages SNCF	417	479	-62
SNCF Logistics	1,387	1,361	26
of which Geodis CGU	*1,179*	*1,153*	*26*
of which Rail Freight Fleet Management CGU	*198*	*198*	*0*
of which other rail companies	*10*	*10*	*0*
Corporate / Performance	21	21	0
TOTAL	**2,373**	**2,359**	**14**

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.

4.2.1.1 Update of the OHL (Ozburn-Hessey Logistics) purchase price allocation

On 2 November 2015, and via its wholly owned subsidiary Geodis, SNCF Logistics acquired OHL, which has been fully consolidated since that date, in order to strengthen its US presence.

As at 31 December 2015, the provisional goodwill recognised totalled €671 million. In accordance with IFRS 3 "Business Combinations", the comparative fiscal year was restated for the update of the purchase price allocation in 2016. The new fair values identified for the acquired assets and liabilities are as follows:

In € millions	Values recognised on the acquisition date
Intangible assets	179
Property, plant and equipment	47
Non-current financial assets	12
Investments in companies consolidated under the equity method	1
Deferred tax assets	27
Non-current assets	*264*
Inventories and work-in-progress	1
Operating receivables	179
Cash and cash equivalents	86
Current assets	*267*
Total assets	**531**
Non-current provisions	13
Non-current financial liabilities	243
Deferred tax liabilities	2
Non-current liabilities	*258*
Operating liabilities	201
Current liabilities	*201*
Total liabilities	**458**
Net assets at 100%	**73**
100% share of fair value of net assets acquired	**73**
Goodwill	486
Cost of the business combination	**559**

Compared to the published 2015 fiscal year, the update had the following impacts:

— goodwill was reduced from €671 million to €486 million;

— additional intangible assets were recognised for €163 million (customer relations and technology);

— additional deferred tax assets were recognised for €31 million;

— additional non-current provisions were recognised for €9 million.

The update had no impact on:

— the brand identified for OHL in the amount of €15 million ($17 million) and then derecognised, as Geodis decided to abandon it as part of its single brand policy;

— the line item "Acquisitions of subsidiaries net of cash acquired" in the consolidated cash flow statement.

The purchase price allocation has been definitive since 2 November 2016. The goodwill was allocated to the Geodis CGU.

4.2.1.2 Loss of control of Akiem

To encourage the development of Akiem, 50% of the investment was transferred to a new investor partner. The company, which was initially fully consolidated, was equity-accounted as of 30 June 2016, the date on which exclusive control was reduced to a joint control and Akiem became a joint venture. Pursuant to IAS 28 "Investments in associates" and IFRS 10 "Consolidated financial statements", the transaction breaks down into two movements in the consolidated financial statements: the loss of control in the fully consolidated entity and the entry of a new equity-accounted entity, whose capitalised goodwill is calculated in accordance with IFRS 3 "Business combinations". The assets and liabilities acquired and the equity accounting value break down as follows:

In € millions	Provisional values recognised on the equity accounting date
Non-current assets	671
Current assets	60
Total assets	**732**
Non-current liabilities	430
Current liabilities	33
Total liabilities	**463**
Net assets at 100%	**269**
50% share of fair value of net assets acquired	**134**
Goodwill	32
Cost of the business combination	**166**

The cost of the business combination comprises the fair value of the previously held share.

The transaction breaks down as follows:

— a disposal gain of €94 million (of which €68 million under "Net proceeds from asset disposals" and €26 million under "Fair value remeasurement of the previously held interest" for the retained share);

— a €444 million decline in net indebtedness;

— net cash inflow net of the cash transferred with the subsidiary of €47 million;

— a €166 million increase in investments in companies consolidated under the equity method;

— goodwill of €32 million included in investments in companies consolidated under the equity method;

The recognition of the transaction remains provisional. The purchase price allocation period runs until 30 June 2017.

The impacts relating to the loss of control of Akiem generated the following changes in the Group's off-balance sheet commitments as at 31 December 2016:

— a sharp €269 million increase with regard to commitments given, relating to security interests for €129 million, rail equipment investments for €30 million and property leases for €110 million;

— a sharp €302 million decrease with regard to commitments received, relating to personal collateral for €72 million and property leases for €230 million.

4.2.2 Investments in companies consolidated under the equity method

The Group holds several investments in joint ventures and associates, consolidated under the equity method. The recognition principles are described in Note 1.3.1.

The movements in the heading over the year break down as follows:

In € millions	31/12/2016	31/12/2015
As at 1 January	**450**	**956**
Group share in net profit/(loss)	43	-73
Impairment	4	0
Share of net profit/(loss) of companies consolidated under the equity method	*47*	*-73*
Change in consolidation scope	187	-467
Reclassification to assets classified as held for sale	0	2
Share in other comprehensive income	0	9
Distribution	-32	-53
Translation differences	1	77
As at 31 December	**653**	**450**
Of which: *Significant joint ventures*	*206*	*32*
Significant associates	*340*	*333*
Other companies consolidated under the equity method	*107*	*85*

In 2016, the change in consolidation scope line item mainly corresponds to the loss of control of Akiem, which was equity-accounted as of 30 June 2016 (see Note 4.2.1.2). The value of the investments, after completion of the PPA, amounted to €166 million, including embedded goodwill of €32 million. In addition, the Group acquired a 23.2% stake in SAEMES (parking firm in Ile-de-France) for €23 million.

In 2015, the change in consolidation scope line item mainly corresponded to the change in consolidation method for EIL in the amount of -€481 million. The previously equity-accounted company is now fully consolidated.

4.2.2.1 Significant joint ventures

Govia and First Transpennine are significant joint ventures within Keolis. Both entities are local passenger carriers in the UK. The Group's percentage control is 35% in Govia (7 companies) and 45% in First Transpennine (3 companies).

Eurostar International Limited (hereinafter "EIL") was equity-accounted until 28 May 2015 and then fully consolidated. EIL, which is 55% owned, operates long-distance passenger transport services between the UK, France and Belgium.

Akiem operates a locomotive and locotractor leasing business and comprises 4 subsidiaries and a holding company. Since 30 June 2016 (see Note 4.2.1.2), Akiem has been 50% jointly controlled.

The summarised financial statements of significant joint ventures are shown at 100 % and after cancellations of any internal profits. The income statement of EIL presented as a joint venture covers the period from 1 January to 28 May 2015.

In € millions		**31/12/2016**			**31/12/2015**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**Govia**	**First Transpennine**	**Akiem**	**Govia**	**First Transpennine**
Cash and cash equivalents	717	13	58	859	91
Other current assets	400	2	49	396	58
Total current assets	**1,116**	**16**	**107**	**1,255**	**149**
Non-current assets	**44**	**0**	**1,134**	**27**	**2**
Current financial liabilities (excluding trade payables, other creditors and provisions)	63	0	23	73	2
Other current liabilities	1,011	12	46	1,150	121
Total current liabilities	**1,074**	**12**	**69**	**1,223**	**123**
Non-current financial liabilities (excluding trade payables, other creditors and provisions)	0	0	869	0	0
Other non-current liabilities	3	0	11	2	0
Total non-current liabilities	**3**	**0**	**880**	**2**	**0**
Net assets	**83**	**4**	**292**	**57**	**27**
Reconciliation of financial data with value of investments in companies consolidated under the equity method:					
Group share in net assets	**29**	**2**	**175**	**20**	**12**
Net carrying amount of investments in companies consolidated under the equity method	**29**	**2**	**175**	**20**	**12**

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 €522 million as at 31 December 2016 (around €746 million as at 31 December 2015).

However, these restrictions had no impact on the assets held by Keolis in the UK, whose value of €29 million as at 31 December 2016 (€20 million as at 31 December 2015) is fully distributable.

In 2015, the share of net profit of equity-companies mainly comprised the Eurostar International Limited (EIL) share for the first five months of the year in the negative amount of -€91 million. This amount was impacted by the payment made at the time of the removal of HMT from the EIL entity (EIL's former shareholders agreement provided for the payment to HMT, which replaced the partner LCR, of a preferred dividend calculated based on taxable profits).

In € millions		31/12/2016				31/12/2015
INCOME STATEMENT	**Govia**	**First Transpennine**	**Akiem**	**Govia**	**First Transpennine**	**EIL**
Revenue	3,093	83	99	3,574	389	460
Operating profit/(loss)	**72**	**14**	**13**	**52**	**27**	**-8**
Of which depreciation and amortisation	*-8*	*0*	*-38*	*-16*	*0*	*-59*
Finance cost	**1**	**0**	**-6**	**0**	**0**	**-218**
Of which interest expense on debt	*-3*	*0*	*34*	*-4*	*0*	*-223*
Of which revenue from financial assets	*4*	*0*	*0*	*4*	*0*	*0*
Income tax expense	**-16**	**-2**	**8**	**-16**	**-6**	**65**
Net profit from ordinary activities	**56**	**12**	**15**	**35**	**21**	**-161**
Net profit for the year	**56**	**12**	**15**	**35**	**21**	**-161**
Group share in net profit/(loss)	**20**	**5**	**8**	**12**	**9**	**-91**

In € millions		31/12/2016				31/12/2015
OTHER INFORMATION	**Govia**	**First Transpennine**	**Akiem**	**Govia**	**First Transpennine**	**EIL**
Net profit/(loss) for the period	56	12	15	35	21	-161
Other comprehensive income (net of tax)	-20	1	3	39	-1	74
Total comprehensive income	**36**	**13**	**18**	**75**	**20**	**-87**
Dividends paid to the Group	**8**	**16**	**0**	**20**	**11**	**13**

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%).

The summarised financial statements of significant associates are shown at 100 % and after cancellations of any internal profits.

In € millions	31/12/2016	31/12/2015
STATEMENT OF FINANCIAL POSITION	**Eurofima**	**Eurofima**
Current assets	3,677	4,695
Non-current assets	15,785	16,349
Current liabilities	1,240	531
Non-current liabilities	16,718	19,039
Net assets	**1,503**	**1,474**
Group share in net assets	**340**	**333**
Goodwill	0	0
Other	0	0
Net carrying amount of investments in companies consolidated under the equity method	**340**	**333**

In € millions	31/12/2016	31/12/2015
INCOME STATEMENT	**Eurofima**	**Eurofima**
Operating profit/(loss)	-11	-5
Net profit from ordinary activities	19	27
Net profit for the year	**19**	**27**
Group share in net profit/(loss)	**4**	**6**

In € millions	31/12/2016	31/12/2015
OTHER INFORMATION	**Eurofima**	**Eurofima**
Net profit for the year	19	27
Other comprehensive income (net of tax)	10	129
Total comprehensive income	**30**	**156**
Dividends paid to the Group	**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 €466 million as at 31 December 2016 (€654 million as at 31 December 2015). The related financing liability amounted to €373 million as at 31 December 2016, compared to €550 million as at 31 December 2015. Eurofima's share capital was not entirely called up as at 31 December 2016. The callable share capital attributed to SNCF Mobilités amounted to €438 million as at 31 December 2016 (€434 million as at 31 December 2015).

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 €662 million or CHF 710 million (€868 million or CHF 944 million as at 31 December 2015). 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 697 million) is insufficient to cover the loss arising from the payment default. The maximum commitment of SNCF Mobilités amounts to €547 million as at 31 December 2016 (€542 million as at 31 December 2015). 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	31/12/2016		31/12/2015	
Group share	**Immaterial joint ventures**	**Immaterial associates**	**Immaterial joint ventures**	**Immaterial associates**
Net profit/(loss) from ordinary activities	4	2	3	-1
Net profit/(loss) from discontinued operations, net of tax	0	0	0	0
Net profit for the year	4	2	4	-1
Other comprehensive income (net of tax)	0	0	0	0
Total comprehensive income	3	1	4	-1
Net carrying amount of investments in companies consolidated under the equity method	**73**	**34**	**53**	**32**

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	31/12/2016	31/12/2015
Revenue	63	99
Purchases and external charges	-62	-47
Other income and expenses	10	22
Gross profit with joint ventures	**11**	**74**

In € millions	31/12/2016	31/12/2015
Current financial assets	18	18
Non-current financial assets	18	4
Current financial liabilities	0	3
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	31/12/2016	31/12/2015
Assets classified as held for sale	1	645
Liabilities associated with assets classified as held for sale	1	33
Net impact on balance sheet	**0**	**612**

4.2.3.1 Loss of control of Akiem

The activity of Akiem (leasing of locomotives) belonging to the Rail Freight Fleet Management CGU was classified as a group of assets held for sale as at 31 December 2015. The loss of control took place on 30 June 2016 (see Note 4.2.1.2). The main assets and liability categories reclassified under IFRS 5 were as follows as at 31 December 2015:

In € millions	31/12/2015
Goodwill	50
Intangible assets and property, plant and equipment	499
Deferred tax assets	7
Operating receivables	11
Cash and cash equivalents	2
Assets classified as held for sale	**568**

In € millions	31/12/2015
Provisions	1
Financial liabilities	3
Operating liabilities	25
Liabilities associated with assets classified as held for sale	**29**

4.2.3.2 SNCF Infra division

Up to 1 July 2015, following the enactment of the Law 2014-872 on 4 August 2014, the SNCF Infra division, which was to be transferred in connection with the rail reform, was treated as a "discontinued operation", in accordance with the terms defined by IFRS 5. The segment's results in 2015 were as follows (they correspond to the Group's activity of the first six months of 2015 until its transfer):

In € millions	31/12/2015
Revenue	2,760
Purchases and external charges	-940
Employee benefit expense	-1,720
Taxes and duties other than income tax	-81
Other operating income and expenses	45
Depreciation and amortisation	-54
Net movement in provisions	-5
Net proceeds from asset disposals	1
Impairment losses	0
Operating profit/(loss)	**4**
Share of net profit/(loss) of companies consolidated under the equity method	0
Operating profit/(loss) after share of net profit/(loss) of companies consolidated under the equity method	**4**
Finance cost	**-2**
Net profit/(loss) before tax of transferred operations[1]	**2**
Income tax expense	-1
Net profit/(loss) from transferred operations, net of tax[1]	**2**
Net profit for the year	**2**

1- The standard wording of this line item, "Net profit/(loss) from discontinued operations, net of tax", was adapted since it only includes the net profit/(loss) of operations transferred in connection with the rail reform.

As at 1 July 2015, the SNCF Infra division was transferred, and the segment's main asset and liability categories classified as held for sale up to 30 June 2015 were derecognised. Therefore, the assets and liabilities relating to SNCF Infra showed a nil value as at 31 December 2015.

The net cash flows generated by the transferred activity until 30 June 2015 were as follows:

In € millions	31/12/2015
Cash flow from operating activities	300
Cash flow from investing activities	41
Cash flow from/(used in) financing activities	-299
Net increase in cash and cash equivalents	**42**

4.2.3.3 Other non-current assets classified as held for sale

Finally, the application decrees provided for the transfer of separate non-current assets to the new SNCF and SNCF Réseau. As at 1 July 2016, the last assets were transferred to SNCF Réseau in the amount of €22 million under article 29 of the transfer agreement and €47 million under article 31 of the same agreement.

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 (Cash-Generating Unit) 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 management 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 in France, within the limit of the contractual period, if applicable, or otherwise indefinitely;

— flows are discounted at a rate appropriate to the activity segment.

The impacts on the income statement are as follows:

In € millions	31/12/2016	31/12/2015	Change
Intangible assets and property, plant and equipment	149	-2,742	2,891
Impairment losses	**149**	**-2,742**	**2,892**

CGU with significant goodwill	Note	Segment	P&L impact as at 31/12/2016	P&L impact as at 31/12/2015
Geodis	4.3.1.1	SNCF Logistics	0	0
Keolis	4.3.1.2	Keolis	0	0
Rail Freight Fleet Management	4.3.1.3	SNCF Logistics	0	0
Eurostar	4.3.1.4	Voyages SNCF	0	0

CGU without significant goodwill but with an identified indication	Note	Segment	P&L impact as at 31/12/2016	P&L impact as at 31/12/2015
TGV France and Europe (excluding Eurostar and Thalys)	4.3.2.2	Voyages SNCF	€0 million	-€2,200 million
Support assets allocated to TGV France and Europe (excluding Eurostar and Thalys)	4.3.2.2	Corporate	€0 million	-€38 million
Gares & Connexions	4.3.2.3	Gares & Connexions	€273 million	-€450 million
Intercités	4.3.2.4	SNCF Transilien, Régions and Intercités	-€84 million	No indication

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, €1,179 million (€1,153 million as at 31 December 2015) was allocated to the Geodis Cash-Generating Unit, which comprises the logistics and freight transport activities (excluding rail freight transport and STVA) of the SNCF Logistics segment. A test is performed at least once a year for this CGU. As at 31 December 2016, the test was performed including the goodwill of the OHL activity amounting to €486 million (see Note 4.2.1.1). The main assumptions used to determine the recoverable amount were as follows:

	2016	2015
Segment	SNCF Logistics	SNCF Logistics
CGU	Geodis	Geodis
Assets tested	€1,950 million	€1,283 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)	6.7% - 7.6%	7.1% - 8.1%
Long-term growth rate	1,80%	1,80%

As at 31 December 2016 and 2015, the annual impairment test corroborated the carrying amount of the CGU assets. Sensitivity tests conducted on the discount (± 50 bp), organic growth (± 30 bp), and gross profit (± 50 bp) rates will likely support the analysis.

4.3.1.2 Keolis CGU

Of the total goodwill, €548 million (€499 million as at 31 December 2015) 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 €87 million (€87 million as at 31 December 2015), 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:

	2016	**2015**
Segment	Keolis	Keolis
CGU	Keolis	Keolis
Assets tested	€1,710 million	€1,443 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)	6.0% - 6.9%	6.0% - 6.9%
Long-term growth rate	1,80%	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) and organic growth (± 50 bp) rates show a variation of ± €190 million on the recoverable amount. The sensitivity test conducted on the gross profit rate (± 50 bp) shows a variation of ± €473 million on the recoverable amount.

4.3.1.3 Rail Freight Fleet Management CGU

Of the total goodwill, €198 million (€198 million as at 31 December 2015) was allocated to the Rail Freight Fleet Management Cash-Generating Unit, whose operational and managerial scope was reduced due to the loss of control of Akiem (see Note 4.2.1.2).

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:

	2016	**2015**
Segment	SNCF Logistics	SNCF Logistics
CGU	Rail Freight Fleet Management	Rail Freight Fleet Management
Assets tested	€1,285 million	€1,353 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)	4.4% - 5.0%	4.2% - 4.7%
Long-term growth rate	1.80%	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), organic growth (± 30 bp) and gross profit (± 50 bp) rates will likely support the analysis conducted.

4.3.1.4 Eurostar CGU

Of the total goodwill, €371 million (€432 million as at 31 December 2015) 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 €272 million (€317 million as at 31 December 2015), 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:

	2016
Segment	Voyages SNCF
CGU	Eurostar
Assets tested	€1,869 million
Base used for the recoverable amount	Value in use
Source used	11-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	7.4 % - 8.3%
Long-term growth rate	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, and the arrival of rail competition;

— the use of discount rates as an assumption to calculate the value in use of this CGU, particularly in the Brexit context;

— 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 2016. It takes into account the assumption adopted with respect to the positioning of incoming rail competition.

These estimates and assumptions included in the calculation of the recoverable amount of assets are prepared in a 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.

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 ±50 bp in this rate for a normative year would have an impact of ± €50 million on the recoverable amount;

— investments revealed that a change of £20 million in the amount forecast in a normative year would have an impact of ± €150 million on the recoverable amount;

— a 3-year setback in the date for the entry of competition into the market would result in a change in the recoverable amount for approximately €230 million;

— the discount rate (±50 bp) resulted in a change in the recoverable amount for approximately ±€140 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 ± €30 million on the recoverable amount.

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 6.1.2.5).

An impairment test was carried out as at 31 December 2015. The recoverable amount was estimated using the fair value corresponding to the subsidiary's purchase price. The recoverable amount confirmed the value of the CGU's assets.

4.3.2 CGUs with indications of impairment or impairment reversal in 2016 and/or 2015

4.3.2.1 Contextual factors

In accordance with the rail reform law of 4 August 2014, a strategic framework agreement was established to be concluded between SNCF and the French State, as well as performance contracts between SNCF Réseau and the French State, and between SNCF Mobilités and the French State (see Note 2.1). The framework agreement is currently submitted to the ARAFER for an opinion.

The various components, and particularly the financial components, of the SNCF Mobilités performance contract were approved by its Board of Directors on 16 December 2016.

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. Underlying the implementation of impairment tests for certain assets, it was determined for the various businesses of SNCF Mobilités within a context of:

— a difficult economic environment;

— rapidly expanding and intensified intermodal competition;

— ensuing price pressure;

— international environment (attacks in 2015 and 2016);

— growth and investment projects that may hinder profitability;

— ongoing discussions regarding the development of the Gares & Connexions pricing model.

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, in a situation where it is difficult to assess the impacts of these new challenges.

4.3.2.2 TGV France and Europe (excluding Eurostar and Thalys) CGU

Within the context mentioned in Note 4.3.2.1, SNCF Mobilités had identified in the first half of 2016 revenue and gross profit setbacks in relation to the budget, primarily due to the terrorist attacks and strikes. However, the impacts were not taken into account in its condensed half-year consolidated financial statements as the Group considered that these effects were temporary and did not challenge its long-term financial trajectory, approved by the SNCF Mobilités Board of Directors of 10 March 2016.

As at 31 December 2016, revenue and gross profit setbacks were confirmed, resulting in a change to the financial trajectory (rebasing of certain assumptions).

In this context, an impairment test was carried out. The recoverable amount calculated using the following assumptions justifies the value of the CGU's assets. No impairment loss or reversal needs to be recognised at the year-end.

The value for the assets tested and the main assumptions used to determine the recoverable amount were as follows:

	2016	2015
Segment	Voyages SNCF	Voyages SNCF
CGU	TGV France and Europe (excluding Eurostar and Thalys)	TGV France and Europe (excluding Eurostar and Thalys)
Assets tested	€2,011 million	€3,805 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)	6.9% - 7.8%	6.9% - 7.8%
Long-term growth rate	1.80%	1.80%

The activity's cash flow forecasts used to assess the recoverable amount of assets rely on a significant number of key assumptions, including:

— moderate growth in traffic revenue excluding new lines over the next 5 years given the macro-economic assumptions corresponding to those of the French State, the step-up in the development of intermodal competition (low-cost airlines, private cars with the fall in oil prices, car sharing, etc.) and the emphasis on a pricing policy geared towards low prices;

— infrastructure fee trajectory;

— expenses (employees, purchases, etc.), some of which are subject to industrial and transversal performance plans;

— the investment level for fleet renewal taking into account performance plans relating to the optimisation and utilisation of trains and including technical features designed to reduce the purchase cost of future generation TGVs;

— discount rates, although less sensitive, are also an assumption used to calculate the value in use of this CGU;

— the terminal value is calculated by extrapolating the target gross profit rate for the 2026 revenue applied to the revenue of the year 2021, plus the perpetual growth rate of 1.8%, after inclusion of the CST in gross profit and the TREF in the income tax expense.

These estimates and assumptions included in the calculation of the recoverable amount of assets are prepared in the changing context of a ramp-up in multimodal competition (low-cost airlines, car sharing, coach etc.) and uncertainties concerning certain external charges (infrastructure pricing, CST, TREF), which make it difficult to assess economic outlooks (volume and price impacts on revenues and expense). Under these conditions, certain future assumptions and the ultimate reality could differ significantly in relation to these estimates.

The sensitivity tests carried out on:

— traffic revenue revealed that a change of 20 bp in the growth rate for this revenue excluding new lines would have an impact of ± €850 million on the recoverable amount;

— the amount of infrastructure fees revealed that a rail index equalling inflation as from 2020 for Voyages EPIC infrastructure fees (excluding LISEA) would have an impact of around ± €1,750 million on the recoverable amount;

— a decline in Voyages EPIC infrastructure fees (excluding LISEA) by around -4% in 2018 would have an impact of around +€1,020 million on the recoverable amount;

— the activity's gross profit rate revealed that a change of ±50 bp in this rate for a normative year would have an impact of around ± €315 million on the recoverable amount;

— investments revealed that a change of €10 million in the amount forecast in a normative year would have an impact of around ± €90 million on the recoverable amount;

— the discount rate (±50 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 around ± €50 million on the recoverable amount.

As at 31 December 2015, the impairment test resulted in the recognition of an impairment loss of €2,200 million for Voyages SNCF and €38 million for Corporate support assets.

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 Gares & Connexions in the calculation of regulated service fees that had an impact on the CGU's gross profit. In this context, Gares & Connexions therefore 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 period 2016-2025 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 Gares & Connexions launched a public consultation on its new pricing model. New changes were proposed. Considering the reactions of the various stakeholders summarised in October 2016 following this consultation, this pricing model is 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 operating agreement between the French State and SNCF Mobilités and its financial trajectory, approved by the SNCF Mobilités' Board of Directors on 16 December 2016 (see Note 2.1.2), the Gares & Connexions 2016-2025 strategic plan was modified, particularly in terms of the forecast profitability and investment levels. The ensuing 2017-2026 strategic plan however continues to be based on the target vision of the pricing model and does not incorporate all the changes proposed as part of the consultation.

This new strategic plan, establishing the operating agreement'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 covers 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, is still pending. In July 2016, ARAFER published a study on the matter including several scenarios for station transfer and management, including a planned removal of Gares & Connexions from the SNCF Mobilités scope.

The forecasts prepared by the Gares & Connexions activity and the estimated valuation of the CGU following the test are surrounded by several contingencies and uncertainties relating to:

— a pricing model which, as mentioned above, is being negotiated and adapted and takes into account the opinions of the various stakeholders compiled following the public consultations in the summer of 2016;

— a possible removal of Gares & Connexions from SNCF Mobilités that may have repercussions on the activity's future operating, economic and financial framework, and hence its outlook;

— the sensitivity of the activity's financial trajectory due to economic, regulatory and regulation trends.

These factors are could be realised in the near future, leading to interactions that cannot be precisely determined.

The net value of the assets tested and the main assumptions used to determine the recoverable amount are as follows:

	2016	30 June 2015
Segment	Gares & Connexions	Gares & Connexions
CGU	Gares & Connexions	Gares & Connexions
Assets tested	€1,294 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)	4.8% - 5.2%	4.8% - 5.3%
Long-term growth rate	1.80%	1.80%

The key assumptions used to carry out the tests mainly concerned:

— the gross profit rate reflecting, among other factors, the return on capital employed (ROCE);

— the level of future investments.

This resulted in a predominant terminal value, which was calculated by extrapolating the gross profit rate for 2021 and the average investment amount for 2022-2024. The depreciation adopted for the normative year reflects the depreciation curve trend for the test duration.

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 ± €340 million on the recoverable amount;

— the activity's gross profit rate revealed that a change of ±50 bp in this rate for a normative year would have an impact of ± €110 million on the recoverable amount;

— the discount rate (±20 bp) resulted in a change in the recoverable amount for approximately ±€100 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 ± €100 million on the recoverable amount.

4.3.2.4 Intercités CGU

Following two successive one-year extensions in 2014 and 2015, at the request of the French State, the agreement covering TET offering expired on 31 December 2015. Discussions were subsequently held to adapt the offering in view of a deteriorating economic break-even for TET offering. They resulted in a draft operating agreement for 2016-2020, with retroactive effect to 2016, which was approved by the SNCF Mobilités' Board of Directors on 16 December 2016, and presented by the Secretary of State on 12 January 2017 (see Note 2.1.4). Two review clauses were included in order to examine trends in the agreement's financial equilibrium.

The new agreement, and its appended financial trajectory, incorporate the changes to the offering in line with the announcements made by the Secretary of State and the assumptions regarding regional line takeovers (5 regions are candidates).

Conversely, it no longer includes a value guarantee clause for rolling stock investments prior to 2011 should the agreement be terminated. However, the guarantee and French State 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. The new 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.

The net value of the assets tested and the main assumptions used to determine the recoverable amount are as follows:

	2016
Segment	SNCF Transilien, Régions and Intercités
CGU	Intercités
Assets tested	€96 million
Base used for the recoverable amount	Value in use
Source used	2016-2020 agreement
Discount rate (minimum - maximum)	6.9% - 7.3%
Long-term growth rate	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 and the approach adopted.

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	31/12/2016	31/12/2015
Change in inventories and work-in-progress	30	22
Change in operating receivables (excluding share disposals and capital expenditure flows)	326	-238
Change in operating payables (excluding capital expenditure flows and liabilities relating to assets excluded from IFRIC 12)	-341	78
Impact of the change in the WCR in the consolidated cash flow statement	**-697**	**294**

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 written down based on the turnover, nature, age and useful life of items.

As at 31 December 2016, inventories and work-in-progress break down as follows:

	31/12/2016			31/12/2015	
In € millions	**Gross**	**Impairment**	**Net**	**Net**	**Change**
Raw materials	505	-54	451	418	**33**
Finished goods	188	0	188	194	**-6**
Work-in-progress	26	-5	22	9	**12**
Inventories and work-in-progress	**719**	**-58**	**661**	**621**	**40**

Movements in inventory write-down break down as follows:

In € millions	**31/12/2015**	**Charges**	**Reversals**	**Reclassification**	**Change in consolidation scope**	**31/12/2016**
Raw materials and supplies - write-down	**-60**	-4	11	-1	0	**-54**
Production work-in-progress - write-down	**-5**	-1	2	0	0	**-5**
Write-down of inventories	**-66**	**-5**	**13**	**-1**	**0**	**-58**

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. 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:

	31/12/2016			31/12/2015*	
In € millions	**Gross**	**Impairment**	**Net**	**Net**	**Change**
Trade receivables and related accounts	3,935	-133	3,802	3,415	387
Amounts receivable to the French State and local authorities	1,488	0	1,488	1,519	-30
Other operating receivables	1,555	-26	1,529	1,701	-172
Capital expenditure flow receivables and share disposals	32	0	32	128	-96
Asset derivative instruments for raw materials and foreign exchange on business transactions	3		3		3
Net operating receivables	**7,014**	**-159**	**6,855**	**6,763**	**93**

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1).

The decrease in other operating receivables was primarily due to the early collection of the competitiveness and employment tax credit (see Notes 2.1 and 9).

Movements in the impairment of trade receivables and other operating receivables were as follows in 2016 and 2015:

In € millions	**31/12/2015**	**Charges**	**Reversals**	**Reclassification**	**Change in consolidation scope**	**Foreign exchange and other**	**31/12/2016**
Trade receivables and related accounts - impairment	-139	-29	34	2	-1	-1	-133
Other operating receivables - impairment	-29	-1	5	0	0	0	-26
TOTAL	**-168**	**-30**	**39**	**2**	**-1**	**-1**	**-159**

In € millions	**31/12/2014**	**Charges**	**Reversals**	**Reclassification**	**Change in consolidation scope**	**Foreign exchange and other**	**31/12/2015**
Trade receivables and related accounts - impairment	-145	-35	41	2	-3	0	-139
Other operating receivables - impairment	-41	-1	14	-1	0	0	-29
TOTAL	**-186**	**-36**	**55**	**1**	**-3**	**0**	**-168**

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, 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. 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):

31/12/2016			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	3,007	436	397	32	24	39	3,935
TOTAL	**3,007**	**436**	**397**	**32**	**24**	**39**	**3,935**

31/12/2015			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	2,302	467	502	102	118	62	3,554
TOTAL	**2,302**	**467**	**502**	**102**	**118**	**62**	**3,554**

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	31/12/2016	31/12/2015*	Change
Trade payables and related accounts	4,540	4,691	-151
o/w amounts payable to suppliers of PP&E	*558*	*703*	*-145*
Liabilities relating to concession assets excluded from the scope of IFRIC 12	352	417	-65
Payments received on account for orders	485	466	20
o/w advances received on sales of PP&E	*75*	*20*	*55*
Employee-related liabilities	1,781	1,844	-63
Amounts payable to the French State and local authorities	1,465	1,171	293
Other operating payables	465	774	-310
Deferred income	1,292	1,257	35
Liability derivative instruments for raw materials and foreign exchange on business transactions	15	7	8
Total operating payables	**10,395**	**10,628**	**-233**

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1).

For the liabilities relating to concession assets excluded from the scope of IFRIC 12 see Note 4.1.4

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 during the year break down as follows:

In € millions	01/01/2016	Charges	Reversals used	Reversals not used	Other changes	31/12/2016	of which current	of which non-current
Litigation and contractual risks	381*	80	-56	-135	2	272	77	**195**
Tax, employee and customs risks	156	12	-7	-1	0	160	15	**145**
Environmental risks	664	44	-31	-4	47	719	23	**696**
Restructuring costs	32	33	-12	-10	-1	42	31	**11**
Other	223	57	-49	-50	0	180	76	**103**
Total provisions	**1,456**	**226**	**-155**	**-201**	**48**	**1,373**	**222**	**1,151**

* Mainly restated following the finalisation of the OHL purchase price allocation (see Note 4.2.1.1).

The impact of the passage of time (reverse discounting) gave rise to a €15 million increase in provisions, offset against financial profit for 2016.

The decline in the discount rate, which mainly covers provisions for asbestos costs, gave rise in 2016 to a €54 million provision increase, including €13 million offset against "Net movement in provisions" under current operating profit and €41 million (in the "Other changes" column) offset against the dismantling component relating to capitalized rolling stock (see Note 4.1). Regarding the provision for the dismantling of rail equipment, the rate decrease was due to:

— a remeasurement of the duration, resulting in a €44 million provision increase, including €8 million offset against current operating profit and €36 million offset against the component in assets;

— a change in the benchmark rate, resulting in a €9 million provision increase, including €4 million offset against current operating profit and €5 million offset against the component in assets.

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 year-end, environmental risks that had been provided for primarily concerned the following items:

— site decontamination: €16 million (€16 million in 2015);

— asbestos-related costs: €692 million (€634 million in 2015).

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

— Disputes with ARAFERR

EPIC SNCF Mobilités was involved in legal proceedings with ARAFER regarding a litigation with Syndicat des Transports d'Ile-de-France and with the Pays de-la-Loire region. ARAFER had rendered two dispute settlement decisions that were favourable for STIF and the Pays-de-la-Loire region. After having appealed these decisions before the Paris Court of Appeal, Gares & Connexions finally withdrew these two claims in the second half of 2016.

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 SNCF Mobilités (formerly 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 SNCF Fret'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, 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 SNCF Mobilités' observations in reply (also applicable for the appeal). The Court of Cassation issued its ruling on 22 November 2016. The Court 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 Mobilités 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. EPIC SNCF Mobilités appealed to the Appeal Court on 16 January 2017.

— Investigation of the Competition Authority regarding Distribution and Express

The Competition Authority is currently investigating the Distribution and Express segment with regard to an alleged agreement on pricing adjustments for the 2005/2010 period. A notice of grievances was officially received 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. SNCF Mobilités is jointly and severally liable for the fine's payment in the amount of €89 million. SNCF Mobilités and Geodis appealed the decision of the Competition Authority before the Paris Court of Appeal. The accrued expense of €196 million recognised as at 31 December 2015 was fully paid in April 2016. The appeal proceedings are still ongoing, with a hearing scheduled for March 2017.

— Investigation of the Competition Authority regarding Ouibus

In December 2016, the Competition Authority launched an investigation into the Ouibus activity following the filing of a suit by Transdev as a protective measure. It is too early to comment on the outcome of the proceedings. No provision has been recognised at this stage.

— Disputes with ARAFER

The Nouvelle-Aquitaine region entered into legal proceedings with ARAFER mainly in connection with a dispute relating to the station access fees for 2014 and 2015. Following the hearing of 25 January 2017, ARAFER rendered its decision on 1 February 2017 in which it ordered Gares & Connexions to cap the return on capital invested at 6.9% for 2014 and 2015. The impacts of this decision, as currently estimated by the Group, are immaterial with regard to the consolidated financial statements.

Furthermore, SNCF Mobilités (Gares & Connexions) filed an appeal before the Conseil d'Etat regarding ARAFER's unfavourable opinion on station access fees for 2016 and 2017. In October 2016, the decisions of ARAFER for the 2016 DRG challenging the return on capital invested were confirmed by the Conseil d'État. SNCF Mobilités withdrew its appeal before the Conseil d'État for the 2017 fees.

— 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. EPIC SNCF Mobilités accounted for the consequences in its financial statements based on the penalties handed down. An appeal is underway, thus suspending payment of the sums claimed; these first cases will be argued before the Appeal Court in May 2017. The Industrial Tribunal will also hear new cases. The provision was recorded under "Provisions for tax, employee-related and customs risks."

— 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 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.

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. This ruling was subject to an appeal that will be examined by the investigating chamber in the coming months.

Since the accident, 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 accidents 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 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, SNCF Mobilités has pledged to implement three new recommendations.

— Appeal to the Conseil d'Etat for the calculation of the old age contribution rate

Having identified a problem 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.

The cancellation of these rulings required the final T1 2013 rate to be recalculated and a new publication to be featured in the Journal Officiel.

With respect to the T1 2013 and 2014 rates, accrued income of €58 million was therefore recognised under "Other operating income and expenses" in the income statement, the expected gain being acquired both in principle and amount at the period-end.

Due to declaration problems, the 2015 definitive rate and the 2016 provisional rate have not yet been published, and therefore no recourse was possible before the Conseil d'État. The 2015 definitive rate and the 2016 provisional rate are still being calculated using the old method. With respect to the 2015 rate, a cash inflow is probable but not certain: pending possible recourse before the Conseil d'État and a favourable decision, the estimated expected revenue of €23 million could not be recognised.

— Action for damages relating to the Magenta and Condorcet Éole 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 Éole Magenta and Condorcet stations, with the exception of the non-signatory Bouygues group companies (Bouygues, Bouygues Construction and Bouygues Travaux Publics).

The action for damages is being pursued against the Bouygues group companies before the Paris Administrative Court of Appeal after the Paris Administrative Court, having validated the continuance motion filed by the defendants that had signed the settlement agreement, while acknowledging fraudulent conduct likely to incur the liability of the companies, rejected the SNCF Mobilités claim in a decision handed down on 31 May 2016 on the grounds that the plaintiff had not demonstrated its loss. In addition, the Bouygues group companies have filed an appeal to invalidate the settlement agreement concluded on 19 February 2016.

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.

The Intercités Trains d'Equilibre du Territoire agreement, initially concluded with the French State for the 2011-2013 period, was renewed for two successive years up to 31 December 2015. The roadmap presented by the government on 7 July 2015 regarding a new future for the Trains d'Equilibre du Territoire stipulated that a new agreement between the French State and SNCF Mobilités would be completed in 2016 for the 2016-2020 period. Pending the finalisation of the ongoing negotiations between SNCF Mobilités and the French State, covering in particular the level of offerings and the funding of the future agreement over its term, the French State asked SNCF Mobilités to maintain its 2016 Intercités offerings at the 2015 level, without additional funding.

In this context, SNCF Mobilités believed that the operational growth levers that would impact 2016 could no longer be implemented. Therefore, due to the lack of development of the offering and additional funding from the French State, the first year of the new multi-year agreement (the French State's objective for the 2016-2020 period) was to be loss-making. For subsequent years (2017-2020), discussions continued with the French State so that the agreement would break even over its residual term.

Accordingly, SNCF Mobilités recorded a €106 million provision for onerous contracts as at 31 December 2015, representing the estimated first-year loss of the future agreement. Given the ongoing negotiations at this date, there were risks and uncertainties for the assumptions underlying the provision's estimate, specifically in terms of the period planned for the new agreement and the prospects of a financial break-even beyond the first year.

Following negotiations with the French State, a new agreement that will break even over the 2016-2020 period was validated by the Board of Directors on 16 December 2016 (see Note 2.1.4). In addition, the Amending Finance Act granted additional contributions to SNCF Mobilités for 2016. As a result, the provision for losses on completion initially recorded was fully reversed under the income statement heading "Net movement in provisions", in the amount of €23 million for the used portion of the reversal and €83 million for the unused portion. Conversely, an impairment loss for €84 million was recorded under the income statement heading "Impairment losses", the agreement's cash flows being insufficient to cover the value of the historical non-current assets (see Notes 2.1.4 and 4.3).

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 4.5.2.1, Ongoing 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 (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 Agreement covering former apprentices

On 28 October 2016, EPIC SNCF and all the trade union representatives signed a collective agreement negotiated for all the EPICs making up the public rail group. It covers wage increases relating to former apprentices and students and the set-up of a company financial contribution mechanism to buy back non-validated pension quarters of former apprentices, for apprenticeship periods prior to 30 June 2008.

As at 31 December 2016, this agreement covering wage increases and financial aid to buy back quarters from former apprentices resulted in the recognition of a provision for €8.9 million with respect to past service cost.

5.1.8 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

Pursuant to the law of 4 August 2014 covering rail reform, on 1 July 2015, EPIC SNCF Mobilités transferred a portion of its personnel to SNCF Réseau and SNCF. In 2015, these transfers resulted in an overall decrease in commitments for €961 million, i.e. €847 million for SNCF Réseau and €114 million for SNCF. The obligations of SNCF Mobilités Group thus decreased by 46% on that date.

Previously equity-accounted, the UK subsidiary Eurostar has been fully consolidated since 28 May 2015. It offers its employees a pension plan that is partially funded by plan assets. In the net position of the Group's employee-related commitments as at 31 December 2015, its net liabilities represented €60 million.

5.2.1 Breakdown of net liabilities (assets)

In € millions	31/12/2016	31/12/2015
Present value of the obligations	2,036	1,949
Fair value of plan assets	-356	-358
Net position of the plans	**1,680**	**1,591**
Effect of the asset celling	0	1
Total net liabilities (assets)at closing date	**1,680**	**1,591**
of which net liabilities recorded	*1,680*	*1,591*

The Groups main employee benefit plans gave rise to the recognition of the following liabilities:

In € millions	31/12/2016	31/12/2015
Pensions and other similar benefits	441	369
Provident obligations	29	33
Social welfare initiatives	175	181
Compensation for work-related injuries	536	531
Liabilities relating to post-employment benefits	**1,181**	**1,113**
Compensation for work-related injuries	25	24
Long-service awards and other benefits	142	126
Gradual cessation of activity	260	267
Time savings account	73	60
Liabilities relating to other long-term benefits	**499**	**477**
Total liabilities	**1,681**	**1,590**
- of which non-current	*1,577*	*1,476*
- of which current	*104*	*114*

5.2.2 Change in net liabilities (assets)

The items explaining the change in net liabilities over the period are as follows:

In € millions	31/12/2016	31/12/2015
Total net liabilities (assets) at opening date	**1,591**	**1,675**
Current service cost	116	142
Past service cost	2	11
Effect of plan settlements	-1	-1
Net financial interest	27	28
Actuarial gains and losses generated during the period	59	-166
Benefits paid to employees by the company	-98	-133
Employer's fund contribution	-9	-12
Effect of changes in Group structure	4	-9
Foreign exchange impact	-10	2
Other	0	52
Total net liabilities (assets) at closing date	**1,680**	**1,591**

The decrease in the current service cost and benefits paid to employees is primarily due to a scope impact relating to rail reform and employee transfers effected on 1 July 2015.

Past service cost arises from various plan amendments over the period and the introduction of a new financial aid plan to buy back the quarters of former apprentices.

The net actuarial loss of €59 million is essentially due to the drop in the discount rate observed for all the monetary zones: the €65 million loss recognized in "Non-recyclable reserves with respect to post-employment benefits" is partially offset by a net gain of €6 million recognised in finance costs under other long-term benefits.

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.

As at 31 December 2015, the "Effect of changes in Group structure" heading mainly comprised the following items:

— the net liabilities of Eurostar valued on the acquisition date (€80 million);

— the liability amount transferred to SNCF on 1 July under the rail reform (€114 million). As at 31 December 2014, the latter had been classified in current liabilities for an amount then valued at €138 million;

— the residual impact of the transfers for SNCF Réseau, i.e. €26 million, in response to the change in the first half of 2015 of the SNCF Infra division's commitment presented under "Liabilities associated with assets classified as held for sale" as at 31 December 2014.

The Group adjusted the calculation of certain employee benefit obligations in 2015. The €53 million impact, recorded under the "Other" heading, mainly related to long-term employee benefits.

Changes in the present value of obligations, the fair value of plan assets and the net liabilities (assets) for 2016 are as follows:

31/12/2016 **In € millions**	**Pensions and other similar benefits**	**Provident obligations**	**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	**728**	**33**	**181**	**554**	**327**	**126**	**1,949**
Current service cost	31	1	3	24	32	26	**116**
Employee contribution	0						**0**
Past service cost arising from a plan amendment	0	0	0	0	0	6	**6**
Past service cost arising from a plan curtailment	-2	0	0	0	0	-2	**-4**
Effect of settlements	-2	0	0	0	0	0	**-2**
Finance cost	19	1	3	9	6	2	**40**
Actuarial gains and losses generated during the period	98	-4	-4	6	-3	-3	**91**
Benefits paid to employees by the company	-13	-1	-8	-32	-29	-15	**-98**
Benefits paid by the fund	-10						**-10**
Effect of changes in Group structure	3	0	0	0	0	1	**4**
Foreign exchange impact	-55					1	**-54**
Other	0	0	0	0	0	0	**0**
Present value of the obligation at closing date	**797**	**29**	**175**	**561**	**333**	**142**	**2,036**
Of which present value of unfunded obligations	*285*	*29*	*175*	*561*	*333*	*142*	**1,524**
Of which present value of fully or partially funded obligations	*512*						**512**

31/12/2016 In € millions	Pensions and other similar benefits
Fair value of plan assets at opening	**358**
Implicit return on plan assets	13
Actuarial gains and losses generated during the period	32
Effect of curtailments and settlements	-1
Employer's fund contribution	9
Employee fund contribution	0
Benefits paid by the fund	-10
Effect of changes in Group structure	0
Foreign exchange impact	-44
Other	-1
Fair value of plan assets at closing date	**356**
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	**0**

31/12/2016 In € millions	Pensions and other similar benefits	Provident obligations	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	797	29	175	561	333	142	**2,036**
(-) Fair value of plan assets at closing date	-356	0	0	0	0	0	**-356**
(-) Effect of the asset ceiling at closing date	0	0	0	0	0	0	**0**
Total net liabilities (assets) at closing date	**441**	**29**	**175**	**561**	**333**	**142**	**1,680**
Assets available after effect of the asset ceiling	0						0
Total liabilities at closing date	**441**	**29**	**175**	**561**	**333**	**142**	**1,680**

Changes in the present value of obligations, the fair value of plan assets and the net liabilities (assets) for 2015 are as follows:

31/12/2015 In € millions	Pensions and other similar benefits	Provident obligations	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	**382**	**43**	**215**	**654**	**341**	**123**	**1,759**
Current service cost	27	1	5	37	42	30	**142**
Employee contribution	1						**1**
Past service cost arising from a plan amendment	14	0	0	0	0	0	**14**
Past service cost arising from a plan curtailment	-1	0	0	0	0	-1	**-2**
Effect of settlements	-2	0	0	0	0	0	**-2**
Finance cost	19	1	3	12	5	1	**41**
Actuarial gains and losses generated during the period	-21	-2	-27	-91	-16	-5	**-162**
Benefits paid to employees by the company	-15	-2	-10	-49	-35	-22	**-133**
Benefits paid by the fund	-13	0	0	0	0	0	**-13**
Effect of changes in Group structure	333	-8	-6	-9	-59	-3	**248**
Foreign exchange impact	5					1	**5**
Other (of which IFRS 5 reclassification)	0	0	0	0	48	3	**51**
Present value of the obligation at closing date	**728**	**33**	**181**	**554**	**327**	**126**	**1,949**
Of which present value of unfunded obligations	*265*	*33*	*181*	*554*	*327*	*126*	**1,486**
Of which present value of fully or partially funded obligations	*463*						**463**

31/12/2015 In € millions	Pensions and other similar benefits
Fair value of plan assets at opening	**83**
Implicit return on plan assets	13
Actuarial gains and losses generated during the period	4
Effect of curtailments and settlements	-1
Employer's fund contribution	12
Employee fund contribution	1
Benefits paid by the fund	-13
Effect of changes in Group structure	257
Foreign exchange impact	3
Other	-1
Fair value of plan assets at closing date	**358**
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**

31/12/2015 In € millions	Pensions and other similar benefits	Provident obligations	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	728	33	181	554	327	126	**1,949**
(-) Fair value of plan assets at closing date	-358	0	0	0	0	0	**-358**
(-) Effect of the asset ceiling at closing date	-1	0	0	0	0	0	**-1**
Total net liabilities (assets) at closing date	**370**	**33**	**181**	**554**	**327**	**126**	**1,591**
Assets available after effect of the asset ceiling	0						0
Total liabilities at closing date	**370**	**33**	**181**	**554**	**327**	**126**	**1,591**

5.2.3 Breakdown of plan assets

In € millions	31/12/2016	31/12/2015
Bonds	80	104
Shares	246	240
Real estate	3	2
Cash and cash equivalents	2	3
Other	25	9
Total fair value of plan assets	**356**	**358**
Of which active market	*356*	*358*
Of which Euro zone	*15*	*14*

Assets mainly concern the pension plans for the Groups UK subsidiaries.

5.2.4 Reimbursement rights

Certain SNCF Logistics subsidiaries, mainly in Germany, have reimbursement rights (€11 million as at 31 December 2016, compared to €10 million as at 31 December 2015), which 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 payable in fiscal 2016 by companies and/or beneficiaries break down as follows:

31/12/2016 In € millions	Pensions and other similar benefits
Employer's fund contribution	8
Employee fund contribution	5
Total contributions payable	**13**

31/12/2015 In € millions	Pensions and other similar benefits
Employer's fund contribution	11
Employee fund contribution	6
Total contributions payable	**17**

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 primarily concerns the special retirement plan for employees with SNCF qualifying status.

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.

Changes in the net obligation are recorded according to their nature. The net charge for the period is recognised:

— in current operating profit (within gross profit under "Employee benefit expense") for the portion corresponding to service costs representing the straight-line vesting of benefits, past service costs relating to a plan amendment and curtailment and the impact of settlements. Past service costs are immediately recorded in profit or loss whether the rights are vested or not;

— in finance costs for the portion corresponding to the net financial interest (cost of the reverse discounting of the debt less the implicit return on plan assets, if any, and the interest on the asset ceiling impact) and the actuarial gains and losses generated by other long-term benefits.

5.3.1 Net expense with respect to defined benefit plans

The income statement expense for 2016 breaks down as follows.

For the first half of 2015, it is presented before reclassification to profit/(loss) from transferred operations net of tax in accordance with IFRS 5.

31/12/2016 **In € millions**	**Pensions and other similar benefits**	**Provident obligations**	**Social welfare initiatives**	**Compensation for work-related injuries**	**Gradual cessation of activity and time savings account**	**Long-service awards and other benefits**	**Total**
Current service cost	31	1	3	24	32	26	**116**
Past service cost	-2	0	0	0	0	4	**2**
Of which effect of plan amendments	*0*	*0*	*0*	*0*	*0*	*6*	***6***
Of which effect of plan curtailments	*-2*	*0*	*0*	*0*	*0*	*-2*	***-4***
Effect of settlements on the obligation	-2	0	0	0	0	0	**-2**
Effect of settlements on plan assets	1						**1**
Other	1	0	0	0	0	0	**0**
Gross profit	**29**	**1**	**3**	**24**	**32**	**29**	**117**
Net financial interest	6	1	3	9	6	2	**26**
Of which finance cost	*19*	*1*	*3*	*9*	*6*	*2*	***40***
Of which implicit return on plan assets	*-13*						***-13***
Of which interest on asset ceiling	*0*						***0***
Actuarial gains and losses generated during the year with respect to long-term benefits	0			0	-3	-3	**-6**
Other	1	0	0	0	0	0	**1**
Finance cost	**6**	**1**	**3**	**9**	**2**	**0**	**21**
Total expense recognised	**35**	**1**	**6**	**33**	**34**	**29**	**139**

31/12/2015 In € millions	Pensions and other similar benefits	Provident obligations	Social welfare initiatives	Compensation for work-related injuries	Gradual cessation of activity and time savings account	Long-service awards and other benefits	Total
Current service cost	27	1	5	37	42	30	**142**
Past service cost	13	0	0	0	0	-1	**11**
Of which effect of plan amendments	*14*	*0*	*0*	*0*	*0*	*0*	***14***
Of which effect of plan curtailments	*-1*	*0*	*0*	*0*	*0*	*-1*	***-2***
Effect of settlements on the obligation	-2	0	0	0	0	0	**-2**
Effect of settlements on plan assets	1						**1**
Other	0	0	0	0	0	-1	**-1**
Gross profit	**39**	**1**	**5**	**37**	**42**	**27**	**151**
Net financial interest	6	1	3	12	5	1	**29**
Of which finance cost	*19*	*1*	*3*	*12*	*5*	*1*	***41***
Of which implicit return on plan assets	*-13*						***-13***
Of which interest on asset ceiling	*0*						***0***
Actuarial gains and losses generated during the year with respect to long-term benefits	0			-3	-16	-5	**-24**
Other	1	0	0	0	0	0	**1**
Finance cost	**7**	**1**	**3**	**9**	**-11**	**-4**	**5**
Total expense recognised before IFRS 5	**45**	**2**	**8**	**46**	**32**	**24**	**156**

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 2016 (€1.3 billion in 2015).

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.

31/12/2016 In € millions	Pensions and other similar benefits	Provident obligations	Social welfare initiatives	Post-employment compensation for work-related injuries	Total
losses) and gains					
Remeasurements at the opening date	**-160**	**-11**	**66**	**-306**	**-411**
Actuarial gains and losses generated during the year with respect to obligations	-98	4	4	-6	**-97**
Actuarial gains and losses generated during the year with respect to plan assets	32				**32**
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	11				**11**
Other	0				0
Remeasurements at the closing date	**-216**	**-7**	**70**	**-312**	**-465**

31/12/2015 In € millions	Pensions and other similar benefits	Provident obligations	Social welfare initiatives	Post-employment compensation for work-related injuries	Total
losses) and gains					
Remeasurements at the opening date	**-97**	**-13**	**39**	**-394**	**-464**
Actuarial gains and losses generated during the year with respect to obligations	21	2	27	88	**138**
Actuarial gains and losses generated during the year with respect to plan assets	4				**4**
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	-88				**-88**
Remeasurements at the closing date	**-160**	**-11**	**66**	**-306**	**-411**

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 SNCF Voyageurs 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 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 €10 million on the obligation amount.

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.

	31/12/2016	31/12/2015
Discount rate	1,60%	1,75%
Inflation rate	1,75%	1,75%
Benefit remeasurement rate		
Provident obligations	*2,40%*	*2,80%*
Social welfare initiatives	*1,75%*	*1,75%*
Compensation for work-related injuries	*1,75%*	*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:

	31/12/2016			31/12/2015		
	Eurozone	UK	Sweden	Eurozone	UK	Sweden
Discount rate	1.23% 0.96% 1.21%	2.60%	2.75%	1.49% 1.72% 1.78%	3.80%	3.00%
Salary increase rate	2.00% 3.22% 4.34%	2.70%	3.00%	4.40% 3.00% 2.73%	3.60%	1.50%

5.4.2 Analysis by nature of actuarial gains and losses (excluding IFRS 5 impacts)

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 costs.

5.4.2.1 Change and breakdown of actuarial gains and losses

31/12/2016 **In € millions**	**Pensions and other similar benefits**	**Provident obligations**	**Social welfare initiatives**	**Post-employment compen-sation for work-related injuries**	**TOTAL Post-employ-ment benefits**	**Long-term com-pensation 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)	**-160**	**-11**	**66**	**-306**	**-411**				
Experience adjustments relating to liabilities	3	3	8	6	**20**	0	9	4	14
Effects of changes in demographic assumptions relating to liabilities	0	0	0	0	**0**	0	0	0	0
Effects of changes in financial assumptions relating to liabilities	-102	1	-4	-12	**-116**	0	-6	-1	-8
Actuarial gains and losses on the obligation generated over the year	**-98**	**4**	**4**	**-6**	**-97**	**0**	**3**	**3**	**6**
Experience adjustments relating to assets	32				**32**				
Effects of changes in financial assumptions relating to assets	0				**0**				
Actuarial gains and losses generated during the year with respect to plan assets	**32**				**32**				
Foreign exchange impact	11				**11**				
Other (acquisition of Eurostar)	0				**0**				
Closing actuarial gains (losses)	**-216**	**-7**	**70**	**-312**	**-465**				
Total experience adjustments	*35*	*3*	*8*	*6*	***51***	*0*	*9*	*4*	***14***
Total impacts relating to changes in actuarial assumptions	*-102*	*1*	*-4*	*-12*	***-116***	*0*	*-6*	*-2*	***-8***

31/12/2015 **In € millions**	**Pensions and other similar benefits**	**Provident obligations**	**Social welfare initiatives**	**Post-employment compen-sation for work-related injuries**	**TOTAL Post-em-ployment benefits**	**Long-term com-pensation 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)	**-97**	**-13**	**39**	**-394**	**-464**				
Experience adjustments relating to liabilities	2	-3	3	1	**2**	1	-12	3	-8
Effects of changes in demographic assumptions relating to liabilities	2	0	0	0	**2**	0	0	0	0
Effects of changes in financial assumptions relating to liabilities	17	5	24	87	**134**	2	29	2	33
Actuarial gains and losses on the obligation generated over the year	**21**	**2**	**27**	**88**	**138**	**3**	**16**	**5**	**24**
Experience adjustments relating to assets	4				**4**				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	**4**				**4**				**0**
Foreign exchange impact	-1				**-1**				0
Other	-88				**-88**				0
Closing actuarial gains (losses)	**-160**	**-11**	**66**	**-306**	**-411**				**0**
Total experience adjustments	*5*	*-3*	*3*	*1*	***6***	*1*	*-12*	*3*	*-8*
Total impacts relating to changes in actuarial assumptions	*20*	*5*	*24*	*87*	***136***	*2*	*29*	*2*	*33*

* For other long-term benefits, actuarial gains and losses were not monitored as they have always been recognised immediately in net finance cost for the period.

With respect to fiscal 2016, the impacts relating to changes in financial assumptions were mainly due to the decline in the discount rate.

With respect to fiscal 2015, the impacts relating to changes in financial assumptions were mainly due to the increase in the discount rate; those relating to experience adjustments were primarily due to the transfers carried out in connection with the rail reform.

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 2016.

31/12/2016

In € millions Gains (-) / Losses (+)	Pensions and other similar benefits	Provident obligations	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	-34	-1	-6	-20	-9
Change of - 0.25pt	34	1	7	21	9
Sensitivity to the inflation rate					
Change of + 0.25 pt		1	7	21	
Change of - 0.25pt		-1	-6	-20	
Sensitivity to Gradual cessation of activity membership rate					
Change of + 1pt					10
Change of - 1pt					-10

31/12/2015

In € millions Gains (-) / Losses (+)	Pensions and other similar benefits	Provident obligations	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	-24	-1	-7	-19	-8
Change of - 0.25pt	29	1	7	20	9
Sensitivity to Gradual cessation of activity membership rate					
Change of + 1pt					10
Change of - 1pt					-10

5.5 MANAGEMENT COMPENSATION

The Groups key management personnel are members of the SNCF Mobilités Group Executive Committee. Their cumulative taxable compensation indicated below corresponds to short-term benefits.

In € millions	31/12/2016	31/12/2015	Change
Number of managers concerned	6	5	1
Average number of managers during the year	5	5	0
Total compensation in € millions	**2**	**2**	**0**

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;

— 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;

— non-consolidated investments, classified as available-for-sale assets.

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 6.1.2.2);

— 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	31/12/2016	31/12/2015	Change
Net changes in fair value and hedges	36	41	-6
Net interest expense	-301	-296	-5
Other interest expense and income	-14	-5	-9
Net borrowing and other costs	**-279**	**-260**	**-20**

In € millions	31/12/2016	31/12/2015	Change
Interest expense	-796	-790	-6
Interest income	516	530	-14
Net borrowing and other costs	**-279**	**-260**	**-20**

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.

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.

31/12/2016					Financial instruments				Total	Fair value			
Balance sheet heading and classes of financial instruments **In € millions**	**Note**	**Non-current**	**Current**	**Net indeb-tedness**	**At fair value through equity**	**Loans, receivables, debt at amortised cost**	**At fair value through profit or loss**	**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	670	27	697	-	697	-	-	697	1,045	-	1,045	-
SNCF receivable	6.1.2.1	405	51	456	-	456	-	-	456	511	-	511	-
Public Debt Fund receivable	6.1.2.2	1,503	42	1 545	-	1,545	-	-	1,545	2,041	-	2,041	-
Cash collateral assets		-	802	802	-	802	-	-	802	802	0	802	-
Other loans and receivables		488	103	591	-	591	-	-	591	620	7	611	2
Concession financial assets	3.2	1,227	155		-	1,383	-	-	1,383	1,603	-	1 603	-
Sub-total loans and receivables		**4,293**	**1,180**	**4,091**	**-**	**5,473**	**-**	**-**	**5,473**	**6,622**	**7**	**6,613**	**2**
Pension assets	5	12											
Available-for-sale assets	6.1.2.3	204	-		204	-	-	-	204	204	0	0	204
Assets at fair value through profit or loss	6.1.2.4	-	0	0	-	-	0	-	0	0	0	-	-
Positive fair value of hedging derivatives	6.3	567	51	617	-	-	-	617	617	617	-	617	-
Positive fair value of trading derivatives	6.3	912	118	1,030	-	-	1,030	-	1,030	1,030	-	1,030	-
Cash and cash equivalents	6.1.2.6	-	4,584	4,584	-	-	4,584	-	4,584	4,584	4,150	434	0
Total current and non-current financial assets		**5,988**	**5,932**	**10,322**	**204**	**5,473**	**5,614**	**617**	**11,909**	**13,058**	**4,157**	**8,694**	**207**
Bonds		10,526	906	11,432	-	11,237	195	-	11,432	13,962	-	13,962	-
Bank borrowings		1,698	147	1,845	-	1,845	-	-	1,845	1,870	1	1,869	0
Finance-lease borrowings		796	64	860	-	860	-	-	860	864	0	864	-
Sub-total borrowings	6.1.2.5	**13,020**	**1,117**	**14,137**	**-**	**13,942**	**195**	**-**	**14,137**	**16,697**	**1**	**16,696**	**0**
of which:													
- measured at amortised cost		*11,446*	*998*	*12,444*	*-*	*12,444*	*-*	*-*	*12,444*	*14,936*	*1*	*14,935*	*0*
- recognised using fair value hedge accounting		*1,381*	*118*	*1,499*	*-*	*1 499*	*-*	*-*	*1,499*	*1,566*	*0*	*1,566*	*-*
*- designated at fair value**		*193*	*2*	*195*	*-*	*-*	*195*	*-*	*195*	*195*	*0*	*194*	*0*
Negative fair value of hedging derivatives	6.3	549	44	593	-	-	-	593	593	593	-	593	-
Negative fair value of trading derivatives	6.3	736	86	822	-	-	822	-	822	822	-	822	-
Loans and borrowings		**14,305**	**1,247**	**15,552**	**-**	**13,942**	**1,017**	**593**	**15,552**	**18,111**	**1**	**18,110**	**0**
Cash borrowings and overdrafts	6.1.2.6	-	2,744	2,744	-	2,744	-	-	2,744	2,744	287	2,457	-
Amounts payable on non-controlling interest purchase commitments	6.1.2.5	1,176	1		1,177	-	-	-	1,177	1,177	-	1,146	31
Total current and non-current liabilities		**15,481**	**3,992**	**18,296**	**1,177**	**16,686**	**1,017**	**593**	**19,473**	**22,032**	**288**	**21,713**	**31**
Group net indebtedness		**9,760**	**-1,786**	**7,974**	**-**	**12,595**	**-4,597**	**-25**	**7,974**	**9,605**	**-3,869**	**13,477**	**-2**

* The nominal amount of liabilities designated under the fair value option was €153 million.

31/12/2015					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**	**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	676	184	859	-	859	-	-	859	1,243	-	1,243	-
SNCF receivable	6.1.2.1	487	55	542	-	542	-	-	542	604	-	604	-
Public Debt Fund receivable	6.1.2.2	1,515	42	1,556	-	1,556	-	-	1,556	2,091	-	2,091	-
Cash collateral assets		-	592	592	-	592	-	-	592	592	-	592	-
Other loans and receivables		533	49	581	-	581	-	-	581	581	-	581	-
Concession financial assets	3.2	1,279	43		-	1,322	-	-	1,322	1,538	-	1,538	-
Sub-total loans and receivables		**4,489**	**963**	**4,130**	**-**	**5,452**	**-**	**-**	**5,452**	**6,649**	**-**	**6,649**	**-**
Pension assets	5	11									-	-	-
Available-for-sale assets	6.1.2.3	239	-		239	-	-	-	239	239	40	-	199
Assets at fair value through profit or loss	6.1.2.4	-	0	0	-	-	0	-	0	0	-	-	0
Positive fair value of hedging derivatives	6.3	697	64	761	-	-	-	761	761	761	-	761	-
Positive fair value of trading derivatives	6.3	904	122	1,026	-	-	1,026	-	1,026	1,026	-	1,026	-
Cash and cash equivalents	6.1.2.6	-	4,024	4,024	-	-	4,024	-	4,024	4,024	3,624	400	-
Total current and non-current financial assets		**6,339**	**5,174**	**9,942**	**239**	**5,452**	**5,050**	**761**	**11,503**	**12,699**	**3,664**	**8,836**	**199**
Bonds		10,083	940	11,023	-	10,830	194	-	11,023	13,523	-	13,523	-
Bank borrowings		1,742	336	2,078	-	2,078	-	-	2,078	2,141	0	2,140	1
Finance-lease borrowings		817	283	1,100	-	1,100	-	-	1,100	1,061	0	1,061	-
Sub-total borrowings	6.1.2.5	**12,642**	**1,559**	**14,201**	**-**	**14,007**	**194**	**-**	**14,201**	**16,725**	**0**	**16,724**	**1**
of which:													
- measured at amortised cost		*11,593*	*1 441*	*13,034*	-	*13 034*	-	-	*13,034*	*15,559*	*0*	*15,558*	*1*
- recognised using fair value hedge accounting		*858*	*116*	*973*	-	*973*	-	-	*973*	*973*	-	*973*	-
*- designated at fair value**		*191*	*3*	*194*	-	-	*194*	-	*194*	*193*	*0*	*192*	-
Negative fair value of hedging derivatives	6.3	545	63	608	-	-	-	608	608	608	-	608	-
Negative fair value of trading derivatives	6.3	689	86	775	-	-	775	-	775	775	-	775	-
Loans and borrowings		**13,876**	**1,707**	**15,584**	**-**	**14,007**	**969**	**608**	**15,584**	**18,108**	**0**	**18,107**	**1**
Cash borrowings and overdrafts	6.1.2.6	-	2,130	2,130	-	2,130	-	-	2,130	2 ,134	374	1,760	-
Amounts payable on non-controlling interest purchase commitments	6.1.2.5	1,276	-		1,276	-	-	-	1,276	1,276	-	1,276	-
Total current and non-current liabilities		**15,152**	**3,837**	**17,713**	**1 276**	**16,137**	**969**	**608**	**18,989**	**21,518**	**374**	**21,142**	**1**
Group net indebtedness		**9,066**	**-1,295**	**7,772**	**-**	**12,006**	**-4,081**	**-153**	**7,771**	**9,320**	**-3,250**	**12,569**	**1**

* The nominal amount of liabilities designated under the fair value option was €148 million.

6.1.2.1 Public Rail Group receivables

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 recorded at amortised cost and, where appropriate, is subject to fair value or cash flow hedge accounting. As at 31 December 2016, the SNCF Réseau receivable was not subject to fair value or cash flow hedging, as was the case as at 31 December 2015.

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 and was recognized at amortised cost.

6.1.2.2 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.

6.1.2.3 Available-for-sale assets

Available-for-sale assets include Group investments in the share capital of unconsolidated companies for €204 million (€239 million as at 31 December 2015) that the Group does not hold for short-term profit (particularly the low-rental housing companies (ESH) described in Note 10.2) and investments that do not qualify for inclusion in other asset categories.

Group investments are measured at fair value unless this cannot be reliably determined, in which case they are retained in the balance sheet at acquisition cost. Fair value is determined based on the financial criteria most appropriate to the specific situation of each company. The most commonly adopted criteria are the market value or the share in equity held and the profitability outlook if the market value cannot be obtained.

Other investments are measured at fair value using the market data, yield curves and credit spreads of each securities issuer. The measurement of these investments is compared to the listed price when available.

Fair value gains and losses on available-for-sale assets are recorded in a specific account in other comprehensive income. Amounts recognised in equity are only transferred to profit or loss on disposal of the asset. In the event of a significant or extended fall in the fair value below the net carrying amount, an impairment loss is recognised. This is recorded in an impairment loss account through profit or loss and cannot be reversed if it concerns shares.

6.1.2.4 Assets at fair value through profit or loss (trading assets)

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.

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.

Assets are measured at fair value at the balance sheet date and fair value gains and losses are recorded in finance costs.

6.1.2.5 Current and non-current 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). Fair value gains and losses are recorded in finance cost.

The option to record liabilities at fair value through profit or loss 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. 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 and the corresponding financial liability is offset in equity.

6.1.2.6 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 and notably 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	31/12/2016	31/12/2015	Change
Monetary mutual funds equivalent to cash and negotiable debt securities maturing in less than three months*	2,673	2,715	-42
Cash at bank and in hand	1,911	1,309	601
Cash and cash equivalents in the statement of financial position	**4,584**	**4,024**	**560**
Accrued interest payable	-1	-3	2
Current bank facilities	-286	-371	86
Cash and cash equivalents of discontinued operations classified as assets held for sale and liabilities associated with assets held for sale (see Note 4.2.3)	0	2	-2
Cash and cash equivalents in the cash flow statement	**4,297**	**3,652**	**645**

* 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 €2,221 million as at 31 December 2016 for the parent company (€1,920 million as at 31 December 2015). The parent company contributed around 99% of the total consolidated amount of monetary mutual funds equivalent to cash and negotiable debt securities maturing in less than three months (99% as at 31 December 2015).

As permitted under IFRS 5 "Non-current assets held for sale and discontinued operations", in 2015 the Group elected not to restate the flows relating to the SNCF Infra division in the consolidated cash flow statement but to describe them in Note 4.2 to the consolidated financial statements. The division was removed from the consolidation scope on 1 July 2015.

Net cash from operating activities posted a net inflow of €1,364 million in 2016 (€2,046 million in 2015), primarily generated from operations for €1,475 million (€1,654 million in 2015). Taxes disbursed in 2015 had been particularly substantial due to the payment in the same fiscal year of the TREF for 2014 in the amount of €200 million and for the previous year in the amount of €200 million, due to the delayed publication of the decrees. Conversely, there was no TREF payment for 2016, due to a new delay in the publication of the decrees. The impact of the change in WCR had a negative balance in 2016 (-€697 million) compared to a positive balance in 2015 (€294 million). Receivables vis-a-vis the Organising Authorities (French State, Régions, STIF) increased by €484 million during the year.

Net cash used in investing activities totalled €1,563 million in 2016 (net cash of €1,908 million was used in investing activities in 2015).

— The cash outflows were primarily attributable to:

• group structure impacts for €95 million in 2016 (€566 million in 2015, primarily due to the acquisition of OHL);

• capital expenditure on intangible assets and property, plant and equipment in the amount of €2,585 million in 2016 (€2,323 million in 2015); it is described in Note 4.1.3;

• new concession financial assets for €769 million (€818 million in 2015).

— They were offset by:

• disposals of intangible assets and property, plant and equipment for €427 million in 2016 compared to €317 million in 2015;

• investment grants received for €617 million in 2016, compared to €546 million in 2015;

• amounts received from concession financial assets for €814 million in 2016, compared to €787 million in 2015.

Net cash from financing activities totalled €806 million in 2016 (net cash of €1,640 million was used in financing activities in 2015): The item essentially stems from:

— payment of dividends to the EPIC SNCF for €126 million (dividends of €63 million paid to the French State in 2015);

— net financial interest payment for €291 million (€309 million in 2015);

— increase in cash liabilities for €706 million (compared to cash liability repayments for €729 million in 2015);

— borrowing repayments, net of amounts received on the SNCF Réseau and PDF receivables, for €607 million (€982 million in 2015), of which €292 million for Akiem; amounts received from the SNCF Réseau and PDF receivables totalled €138 million (€362 million in 2015) and €0 million (€92 million in 2015), respectively;

— new borrowings for €1,187 million (€434 million in 2015), of which €667 million for EPIC SNCF Mobilités (€24 million in 2015), including an EMTN loan issue for €652 million (€11 million in 2015) and €402 million for Akiem.

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 95.70% of total borrowings as at 31 December 2016, compared to 100% as at 31 December 2015. On the same basis, the cost of long-term net indebtedness was 3.50% for fiscal year 2016, compared to 3.96% for fiscal year 2015.

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 IAS 39.

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 0.5% increase and decrease in the interest rate curve at the year-end, and breaks down as follows:

	31/12/2016				31/12/2015			
	+50 bp		- 50 bp		+50 bp		- 50 bp	
In € millions	**Profit or loss**	**Recyclable reserves**	**Profit or loss**	**Recyclable reserves**	**Profit or loss**	**Recyclable reserves**	**Profit or loss**	**Recyclable reserves**
Floating-rate financial instruments (after taking into account fair value hedges)	-2	0	2	0	3		-3	
Fair value option debt	6	0	-6	0	6		-6	
Derivatives not qualified as hedges	11	0	-19	0	4		-4	
Derivatives qualified as cash flow hedges	0	50	0	-54		50		-56
TOTAL	**15**	**50**	**-23**	**-54**	**13**	**50**	**-13**	**-56**

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	**31/12/2016**	**31/12/2015**	**31/12/2016**	**31/12/2015**
Fixed rate	11,368	11,031	10,977	10,962
Floating rate	2,770	3,170	3,161	3,239
Total loans and borrowings	**14,137**	**14,201**	**14,138**	**14,201**

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, and 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 flow hedges 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 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 2016, the portion of foreign currency denominated net debt for EPIC Mobilités, after hedging by currency swaps, decreased to 0.27% (1.25% as at 31 December 2015).

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	**31/12/2016**	**31/12/2015**	**31/12/2016**	**31/12/2015**
Euro	10,755	10,537	13,468	13,347
Swiss franc	1,335	1,471	0	143
US dollar	376	470	233	237
Canadian dollar	31	30	31	30
Pound sterling	1,147	1,328	312	359
Yen	306	281	0	3
Australian dollar	77	76	77	76
Hong Kong dollar	93	0	0	0
Other	15	7	15	7
Total loans and borrowings	**14,137**	**14,201**	**14,137**	**14,201**

The pound sterling denominated debt is fully hedged by pound sterling assets, the Swiss franc denominated debt is fully hedged (the Swiss franc denominated debt partially hedged by loans matured in May 2016) 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 fluctuations in the price of petroleum products. This risk is managed using firm and optional derivatives (swaps, options, caps, floors).

For 2015, a cash flow hedge was designated for EPIC SNCF Mobilités. Three zero premium tunnels were set up for a volume of 18,000 tonnes of diesel, giving rise to the recognition of a liability derivative at fair value for €0.3 million in operating payables. The maturity date of these tunnels is 1 January 2016.

For 2016, the set-up of two swaps designated for cash flow hedging at EPIC SNCF Mobilités for a volume of 12,000 tonnes resulted in the payment of a strike differential of €0.193 million.

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 available-for-sale assets

Since 31 December 2014, available-for-sale assets have solely comprised non-consolidated investments.

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 collaterised 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 recognised in operating payables and receivables. As at 31 December 2016, they were classified as assets for €3 million and liabilities for €15 million (liabilities for €7 million as at 31 December 2015). 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."

31/12/2016 In € millions	Gross amount	Amounts offset in the balance sheet	Net amounts presented in the balance sheet	Amounts not offset in the balance sheet Cash collateral	Derivatives with netting agreement	Net amounts based on IFRS 7
Asset derivatives	1,650		1,650	1,173	435	42
Liability derivatives	1,430		1,430	802	449	179
Net derivative position	220		220	371	-14	-137

31/12/2015 In € millions	Gross amount	Amounts offset in the balance sheet	Net amounts presented in the balance sheet	Amounts not offset in the balance sheet Cash collateral	Derivatives with netting agreement	Net amounts based on IFRS 7
Asset derivatives	1,787		1,787	1,181	578	28
Liability derivatives	1,390		1,390	582	578	230
Net derivative position	397		397	599	0	-202

As at 31 December 2016, three counterparties represented 93% of the active position's credit risk.

As at 31 December 2015, three counterparties represented 95% 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 commercial paper program capped at €3,049 million, used in the amount of €150 million as at 31 December 2016 (€110 million as at 31 December 2015) and in the amount of €70 million on average in 2016, compared to €39 million in 2015.

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 €1,130 million as at 31 December 2016 (€457 million as at 31 December 2015) and in the amount of €270 million on average in 2016 (€788 million in 2015).

In addition, the company has bilateral credit lines of €780 million (€780 million in 2015). 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 31/12/2016	1,380	211	1,163	6
Confirmed credit lines as at 31/12/2015	1,401	60	1,181	160

The maturity schedule for the carrying amounts of loans and borrowings is as follows:

In € millions	31/12/2016	31/12/2015
Less than 1 year	1,089	1,542
1 to 5 years	3,825	3,460
5 to 10 years	5,658	5,542
10 to 20 years	2,134	2,140
20 years and thereafter	1,067	1,066
Changes in fair value (designated at "fair value")	41	39
Changes in fair value (hedge accounting)	323	411
Total	**14,137**	**14,201**
Fair value of non-current derivatives	1,284	1,234
Fair value of current derivatives	130	149
Total loans and borrowings	**15,551**	**15,584**

The maturity schedule of financial assets and liabilities included into the definition of indebtedness based on year-end exchange and interest rates (outflows in negative and inflows in positive) is as follows:

Maturity schedule						31/12/2016
In € millions	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Bonds	**-14,754**	**-1,094**	**-3,983**	**-6,255**	**-1,997**	**-1,425**
Principal	-10,675	-652	-2,378	-5,057	-1,493	-1,095
Interest cash flow	-4,078	-442	-1,606	-1,198	-503	-330
Bank borrowings	**-1,882**	**-167**	**-1,233**	**-254**	**-229**	**0**
Principal	-1,844	-146	-1,217	-252	-229	0
Interest cash flow	-38	-20	-16	-1	0	0
Finance-lease liabilities	**-869**	**-66**	**-572**	**-111**	**-120**	**0**
Principal	-860	-64	-567	-107	-122	0
Interest cash flow	-9	-1	-6	-4	2	0
Borrowings sub-total	**-17,505**	**-1,326**	**-5,788**	**-6,619**	**-2,345**	**-1,425**
Principal	-13,380	-863	-4,161	-5,416	-1,844	-1,096
Interest cash flow	-4,125	-463	-1,627	-1,203	-501	-330
Cash borrowings and overdrafts	**-2,744**	**-2,744**	**0**	**0**	**0**	**0**
I - Total borrowings	**-20,249**	**-4,070**	**-5,788**	**-6,619**	**-2,345**	**-1,425**
SNCF Réseau receivable	**1,056**	**60**	**272**	**724**	**0**	**0**
Principal	676	6	55	615	0	0
Interest cash flow	380	54	217	109	0	0
SNCF receivable	**516**	**57**	**229**	**229**	**0**	**0**
Principal	449	44	191	214	0	0
Interest cash flow	66	13	38	15	0	0
Public Debt Fund receivable	**2,043**	**99**	**876**	**1,068**	**0**	**0**
Principal	1,407	0	500	907	0	0
Interest cash flow	636	99	376	161	0	0
Other loans and receivables and cash collateral	**1,487**	**913**	**289**	**155**	**127**	**3**
Principal	1,448	899	268	152	126	3
Interest cash flow	39	14	21	3	1	0
Cash and cash equivalents	**4,584**	**4,584**	**0**	**0**	**0**	**0**
II - Financial assets	**9,686**	**5,713**	**1,666**	**2,176**	**127**	**3**
Interest cash flow on hedging derivatives with a negative fair value	-410	-74	-185	-72	-66	-13
Interest cash flow on trading derivatives with a negative fair value	-889	-103	-414	-366	-5	0
Interest cash flow on hedging derivatives with a positive fair value	492	58	180	121	107	28
Interest cash flow on trading derivatives with a positive fair value	1,156	151	584	419	2	0
III - Derivative financial instruments	**349**	**31**	**164**	**102**	**37**	**15**
Net indebtedness (I + II + III)	**-10,214**	**1,673**	**-3,958**	**-4,341**	**-2,181**	**-1,407**

Maturity schedule						31/12/2015
In € millions	**Total**	**Less than 1 year**	**1 to 5 years**	**5 to 10 years**	**10 to 20 years**	**20 years and thereafter**
Bonds	**-14,685**	**-1,134**	**-3,534**	**-6,482**	**-2,072**	**-1,462**
Principal	-10,232	-688	-1,884	-5,032	-1,534	-1,094
Interest cash flow	-4,452	-446	-1,650	-1,450	-538	-368
Bank borrowings	**-2,204**	**-358**	**-1,330**	**-287**	**-230**	**0**
Principal	-2,102	-330	-1,262	-281	-229	0
Interest cash flow	-102	-27	-68	-5	-1	0
Finance-lease liabilities	**-1,097**	**-289**	**-542**	**-141**	**-125**	**0**
Principal	-1,085	-283	-538	-138	-126	0
Interest cash flow	-12	-6	-4	-3	1	0
Borrowings sub-total	**-17,986**	**-1,781**	**-5,406**	**-6,910**	**-2,427**	**-1,462**
Principal	-13,420	-1,301	-3,684	-5,452	-1,889	-1,094
Interest cash flow	-4,566	-480	-1,722	-1,458	-538	-368
Cash borrowings and overdrafts	**-2,130**	**-2,130**	**0**	**0**	**0**	**0**
I - Total borrowings	**-20,116**	**-3,910**	**-5,406**	**-6,910**	**-2,427**	**-1,462**
SNCF Réseau receivable	**1,274**	**218**	**235**	**821**	**0**	**0**
Principal	836	160	17	658	0	0
Interest cash flow	439	58	217	163	0	0
SNCF receivable	**621**	**62**	**248**	**311**	**0**	**0**
Principal	534	47	201	286	0	0
Interest cash flow	87	15	47	25	0	0
Public Debt Fund receivable	**2,142**	**99**	**895**	**1,149**	**0**	**0**
Principal	1,407	0	500	907	0	0
Interest cash flow	735	99	395	242	0	0
Other loans and receivables and cash collateral	**983**	**657**	**243**	**83**	**0**	**0**
Principal	972	648	241	82	0	0
Interest cash flow	11	8	2	0	0	0
Cash and cash equivalents	**4,024**	**4,024**	**0**	**0**	**0**	**0**
II - Financial assets	**9,045**	**5,060**	**1,621**	**2,363**	**0**	**0**
Interest cash flow on hedging derivatives with a negative fair value	-687	-86	-304	-210	-88	0
Interest cash flow on trading derivatives with a negative fair value	-881	-92	-365	-395	-29	0
Interest cash flow on hedging derivatives with a positive fair value	620	68	242	202	100	8
Interest cash flow on trading derivatives with a positive fair value	1,189	137	547	482	23	0
III - Derivative financial instruments	**241**	**28**	**120**	**79**	**6**	**8**
Net indebtedness (I + II + III)	**-10,830**	**1,177**	**-3,664**	**-4,467**	**-2,422**	**-1,454**

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						31/12/2016
In € million	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Concession financial assets	**1,604**	**202**	**1,396**	**6**	**0**	**0**
Principal	1,476	155	1,315	6	0	0
Interest cash flow	128	46	81	0	0	0

Maturity schedule						31/12/2015
In € million	Total	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Concession financial assets	**1,483**	**157**	**1,284**	**43**	**0**	**0**
Principal	1,271	95	1,134	42	0	0
Interest cash flow	213	62	150	1	0	0

6.3 HEDGING AND DERIVATIVE INSTRUMENTS

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.

Changes in the fair value of derivative financial instruments that are not associated with operations and not part of a designated hedging relationship as defined by IAS 39 are recorded in profit or loss for the period, in finance costs. Hedge accounting depends on their designation.

Cash flow hedges
The Group trades on the derivatives market to hedge floating-rate receivables and payables and receipts and payments related to its commercial activities.

When IAS 39 criteria are met, the derivative instruments are designated as cash flows 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 hedges
The Group also uses derivative instruments to hedge the fair value of fixed-rate receivables and payables denominated in euro and foreign currencies.

When IAS 39 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.

The fair value of current and non-current asset and liability derivative instruments breaks down as follows:

In € millions	Non-current	Current	31/12/2016 Total	Non-current	Current	31/12/2015 Total
Asset derivative instruments						
Cash flow hedging derivatives	428	11	439	522	30	552
Fair value hedging derivatives	138	40	178	175	34	209
Trading derivatives	912	118	1,030	904	122	1,026
Total asset derivative instruments	**1,479**	**168**	**1,647**	**1,601**	**186**	**1,787**
Liability derivative instruments						
Cash flow hedging derivatives	537	54	591	545	63	608
Fair value hedging derivatives	12	-10	2	0	0	0
Trading derivatives	736	86	822	689	86	775
Total liability derivative instruments	**1,284**	**130**	**1,415**	**1,234**	**149**	**1,383**

6.3.1 Asset derivative instruments

The SNCF Mobilités Group operates regularly on the foreign currency derivatives market, primarily in order to hedge borrowings issued. The fair value of these instruments in the balance sheet breaks down as follows by instrument and transaction type:

	BALANCE SHEET FAIR VALUE AS AT 31/12/2016					BALANCE SHEET FAIR VALUE AS AT 31/12/2015				
In € millions	Cash flow hedge	Fair value hedge	Trading	Net investment hedge	TOTAL	Cash flow hedge	Fair value hedge	Trading	Net investment hedge	TOTAL
Currency swaps (with principal)			5		5			14		14
Currency swaps	436	125	48		610	512	167	44		723
Forward foreign currency purchases						5				5
Forward foreign currency sales	0				0			0		0
Foreign currency options										
Asset derivative instruments	**436**	**125**	**54**	**0**	**615**	**517**	**167**	**58**	**0**	**742**
Currency swaps (with principal)			2		2			0		0
Currency swaps	38	-6	0		31	15	0	5	0	20
Forward foreign currency purchases								0		0
Forward foreign currency sales	2		2		3	1				1
Foreign currency options										
Liability derivative instruments	**39**	**-6**	**4**	**0**	**37**	**16**	**0**	**5**	**0**	**21**
Net foreign currency position	**397**	**131**	**50**	**0**	**578**	**501**	**166**	**53**	**0**	**721**

As at 31 December 2016 and 2015, the nominal commitments and maturities of the different instruments subscribed were as follows:

6.3.1.1 Currency swaps with an underlying liability

	Nominal commitments received as at 31/12/2016											
	Less than 1 year		1 to 5 years		5 to 10 years		10 to 20 years		20 years and thereafter		Total	
In € millions	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate
Swiss franc	100	93	1,275	1,187							1,375	1,280
US dollar									150	142	150	142
Canadian dollar												
Pound sterling							500	584	50	58	550	642
Yen			4,000	32			13,500	109	15,000	122	32,500	263
Australian dollar												
Hong Kong dollar			801	98							801	98
Singapore dollar												
Euro[1]			60	60							60	60
TOTAL		**93**		**1,378**		**0**		**693**		**322**		**2,487**

1- Former EUR/ESP currency swap.

	Nominal commitments received as at 31/12/2015											
	Less than 1 year		1 to 5 years		5 to 10 years		10 to 20 years		20 years and thereafter		Total	
In € millions	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate
Swiss franc			925	854	450	415					1,375	1,269
US dollar	100	92							150	138	250	230
Canadian dollar												
Pound sterling	21	29					500	681	50	68	571	778
Yen			4,000	31	0	0	13,500	103	15,000	114	32,500	248
Australian dollar												
Hong Kong dollar												
Singapore dollar												
Euro[1]					60	60					60	60
TOTAL		**121**		**884**		**475**		**784**		**320**		**2,585**

1- Former EUR/ESP currency swap.

In € millions	Nominal commitments given as at 31/12/2016				
	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Euro	66	1 038	0	924	297
TOTAL	**66**	**1 038**	**0**	**924**	**297**

In € millions	Nominal commitments given as at 31/12/2015				
	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Euro	112	646	365	924	297
TOTAL	**112**	**646**	**365**	**924**	**297**

6.3.1.2 Currency swaps with an underlying asset

	Nominal commitments given as at 31/12/2016									
	Less than 1 year		1 to 5 years		5 to 10 years		10 to 20 years		20 years and thereafter	
In € millions	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate
US dollar	32	31								
Canadian dollar										
Pound sterling	2	2								
TOTAL		**32**								

	Nominal commitments given as at 31/12/2015									
	Less than 1 year		1 to 5 years		5 to 10 years		10 to 20 years		20 years and thereafter	
In € millions	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate	foreign currency	euro equivalent at the year-end exchange rate
US dollar	43	40								
TOTAL		**40**								

	Nominal commitments received as at 31/12/2016				
In € millions	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Euro	31				
TOTAL	**31**				

	Nominal commitments received as at 31/12/2015				
In € millions	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
Euro	39				
TOTAL	**39**				

6.3.2 Interest rate derivatives

The Group operates in the interest rate swap and swaption market in order to manage its exposure to interest rate risk on borrowings. The fair value of these instruments in the balance sheet breaks down as follows by instrument and transaction type:

	BALANCE SHEET FAIR VALUE AS AT 31/12/2016					BALANCE SHEET FAIR VALUE AS AT 31/12/2015				
In € millions	Cash flow hedge	Fair value hedge	Trading	Net investment hedge	Total	Cash flow hedge	Fair value hedge	Trading	Net investment hedge	Total
Fixed-rate receiver swaps	0	53	976	0	1,029	0	43	968	0	1,011
Fixed-rate payer swaps	3	0	0	0	3	34	0	0	0	34
Swaptions	0	0	0	0	0	1	0	0	0	1
Asset derivative instruments	**3**	**53**	**976**	**0**	**1,032**	**35**	**43**	**968**	**0**	**1,045**
Fixed-rate receiver swaps	0	8	0	0	8	4	0	0	0	4
Fixed-rate payer swaps	549	0	809	0	1,359	586	0	770	0	1 356
Swaptions	2	0	9	0	10	2	0	0	0	2
Liability derivative instruments	**551**	**8**	**818**	**0**	**1,377**	**592**	**0**	**770**	**0**	**1,362**
Net interest rate position	**-549**	**45**	**158**	**0**	**-346**	**-557**	**43**	**198**	**0**	**-317**

As at 31 December 2016 and 2015, the nominal value and maturities of the different instruments subscribed were as follows:

	31/12/2016		31/12/2015	
In € millions	Net long-term debt	Net short-term debt	Net long-term debt	Net short-term debt
Fixed-rate receiver swaps	4,242	0	3,698	0
Fixed-rate payer swaps	6,223	95	6,034	86
Index swaps	0	0	0	0
Swaptions	665	25	23	1

6.3.3 Cash flow hedge

The fair value of derivatives designated as cash flow hedges breaks down by hedged item as follows:

In € millions	Balance sheet fair value as at 31/12/2016	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
		Maturity schedule				
Bonds	-5	-14	336	0	-339	12
Non-bond borrowings	-125	-25	-62	-39	0	0
Finance lease borrowings	-21	0	-21	0	0	0
Loans and receivables	0	0	0	0	0	0
Fair value of derivatives designated as cash flow hedges	-152	-39	253	-39	-339	12

In € millions	Balance sheet fair value as at 31/12/2015	Less than 1 year	1 to 5 years	5 to 10 years	10 to 20 years	20 years and thereafter
		Maturity schedule				
Bonds	90	-10	232	110	-258	15
Non-bond borrowings	-146	-14	-117	-14	0	0
Finance lease borrowings	0	0	0	0	0	0
Loans and receivables	0	0	0	0	0	0
Fair value of derivatives designated as cash flow hedges	-56	-24	114	96	-258	15

The impacts on equity, profit or loss for the period and reserves break down as follows (- debit, + credit):

In € millions	Recyclable equity
Opening balance 01/01/2015	**-266**
Recycled in profit or loss	-149
Change in effective portion	244
Change in value of available-for-sale assets	-14
Closing balance 31/12/2015	**-185**
Opening balance 01/01/2016	**-185**
Recycled in profit or loss	71
Change in effective portion	-89
Change in value of available-for-sale assets	-2
Closing balance 31/12/2016	**-205**

6.3.4 Fair value hedges

The P&L impacts of remeasurements relating to fair value hedges and the ineffectiveness recognized in finance costs are as follows (a positive amount is a gain, a negative amount is an expense):

In € millions	2016	2015
P&L impact of loan remeasurements	37	-45
Change in fair value of asset derivatives	-26	36
Change in fair value of liability derivatives	-12	0
Fair value hedging ineffectiveness	**-1**	**-9**

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 the industrial and commercial public institution 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 2016, 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 for 2014 was approved and paid to EPIC SNCF in December 2016 for €126 million.

A dividend for 2014 was approved and paid to the State in August 2015 for €63 million.

6.4.2 Non-controlling interests (minority interests)

Non-controlling interests break down according to the following sub-groups:

In € millions	31/12/2016	31/12/2015	Change
Geodis	10	10	0
STVA	1	1	0
Ermewa	6	5	0
CapTrain	20	20	0
Keolis	87	91	-4
Other	5	8	-3
TOTAL	**130**	**136**	**-7**

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	31/12/2016	31/12/2015
Revenue	5,073	5,002
Net profit for the year	40	23
Total comprehensive income	34	35
Cash flow generated during the period	50	-54
of which dividends paid to minority shareholders	*-12*	*-16*
Current assets	1,157	1,190
Non-current assets	2,432	2,265
Current liabilities	1,845	1,766
Non-current liabilities	1,353	1,272
Net assets	**391**	**417**

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 €16 million for the year ended 31 December 2016 (€13 million for the year ended 31 December 2015).

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 recognized 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 timing 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.

A deferred tax liability is recognised in respect of investments in subsidiaries, joint ventures and associates on all timing differences between the book and tax values of shares, unless:

— the Group controls the date at which the timing 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 wholly 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 timing difference will reverse in the foreseeable future; and

— taxable profits will exist against which this timing 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.

Other 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	31/12/2016	31/12/2015	Change
Current tax (expense)/ income	-397	-365	-32
Deferred tax (expense)/ income	-47	-292	246
TOTAL	**-443**	**-657**	**213**

Due to the increase in the ceiling introduced by the Amending Finance Act for 2016, the Tax on rail company profits (TREF) increased to €252 million as at 31 December 2016, compared to €200 million as at 31 December 2015. The expense recorded included a TREF adjustment of €26 million with respect to the 2015 net income. This tax had a negative €165 million tax proof impact on "Differences in tax rates" in 2016 (€131 million in 2015).

The deferred tax charge for 2016 primarily stems from the impact of the change in the income tax rate introduced in France by the Finance Act of 2017. The applicable rate will be 28.92% and gradually phased in as of 2017. All the French entities of the group will be concerned without exception as of 2020. The Group has therefore revalued its deferred taxes based on these new rates, resulting in a tax charge of €55 million.

A deferred tax asset impairment loss of €272 million had been recorded in the previous year.

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

In 2016, the deferred tax income recognised in other comprehensive income amounted to €18 million.

In 2015, the deferred tax expense recognised in other comprehensive income amounted to €5 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, but without the 10.7% exceptional contribution. This exceptional contribution applies to businesses whose revenue exceeds €250 million during fiscal years up to 30 December 2016.

In € millions	31/12/2016	31/12/2015
Net profit/(loss) for the year	**494**	**-2,184**
Share of net profit/(loss) of companies consolidated under the equity method	47	-73
Net profit from transferred operations, net of tax	0	69
Income tax expense	-443	-657
Net profit/(loss) before tax from ordinary activities and before the share of net profit of companies consolidated under the equity method	**890**	**-1,523**
Income tax rate applicable in France	34.43%	34.43%
THEORETICAL INCOME TAX (EXPENSE)/INCOME	**-307**	**525**
Permanent differences	41	42
Capitalisation of prior year losses	29	5
Tax losses and temporary differences of the period not capitalised	-52	-934
Impairment of deferred taxes previously capitalised	0	-279
Utilisation of tax losses and temporary differences not previously capitalised	-21	0
Differences in tax rates	-171	-90
Tax credits	83	84
Prior year adjustments	-1	0
Impacts of exchange rate fluctuations	-46	-10
INCOME TAX (EXPENSE)/INCOME RECORDED	**-443**	**-657**
EFFECTIVE TAX RATE	**49.81%**	**43.12%**

The successive Finance Acts introduced the following measures applicable in France:

— the income tax rate will gradually decrease from 34.43% to 28.92% based on the size of the entity between 2017 and 2020. All the French entities of the group will be taxed at 28.92% in 2020. This change generates a negative impact of €55 million under the tax proof heading “Impacts of interest rate fluctuations”;

— 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 were deductible from taxable income as from 2014. The non-deductible portion represents a permanent difference in the tax proof;

— the additional 3% corporate income tax contribution on dividends paid outside of the tax consolidation group as from 1 August 2012 falls under “Differences in tax rates” in the tax proof. The impact recorded under the “Income tax expense” heading was immaterial. This contribution was limited to paying companies that do not satisfy the holding conditions to be included in the tax consolidated group set forth by the 2017 Amending Finance Law;

— a Competitiveness and Employment Tax Credit (CICE) was set up to finance and improve the competitiveness of French companies and came into effect as from 1 January 2013 (see Note 3.3.4). There was a positive impact of €75 million in “Tax credits” in the tax proof (€78 million as at 31 December 2015).

7.3 DEFERRED TAX SOURCES

Group tax losses carried forward as at 31 December 2016 amounted to €8.5 billion, compared to €8.3 billion as at 31 December 2015. Out of this amount, €6.4 billion involve French entities for which the losses can be carried forward indefinitely (€5.7 billion as at 31 December 2015). Tax assets not recognised at this date totalled €3.9 billion (€4.6 billion as at 31 December 2015).

In € millions	31/12/2015	Net profit	Equity	Reclassification	Change in consolidation scope and foreign exchange	31/12/2016
Tax losses carried forward	**2,772**	**-113**	**-94**	**0**	**-69**	**2,497**
Employee benefits	60	-5	2	0	0	58
Differences in asset values	-86	2	0	-21	3	-101
Finance leases	-23	1	0	24	0	2
Tax-driven provisions	-146	6	0	0	-4	-144
Financial instruments	13	11	18	0	-7	35
Remeasurement of identifiable assets and liabilities acquired in business combinations	-381	67	0	-3	8	-309
Internal profits and losses	62	0	0	0	0	63
Total consolidation restatements	**-500**	**83**	**20**	**0**	**0**	**-397**
Non-deductible provisions and other tax differences	**2,804**	**-611**	**22**	**-8**	**10**	**2,217**
Deferred taxes not recognised	**-4,561**	**594**	**54**	**0**	**52**	**-3,861**
Net deferred taxes recognised	**516**	**-47**	**3**	**-8**	**-8**	**456**
Deferred tax assets	987	0	0	0	0	872
Deferred tax liabilities	471	0	0	0	0	416
Net deferred taxes on balance sheet	**516**	0	0	0	0	**456**

8 RELATED PARTY TRANSACTIONS

SNCF Mobilités, as an industrial and commercial public institution wholly owned by the French State (via the French Government Shareholding Agency), 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 STIF); conversely, taxes paid pursuant to ordinary law are excluded from the scope of related party transactions;

— 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.

The operating receivables and revenue realised with SNCF Réseau (formerly RFF) were for the most part generated by the SNCF Infra division transferred on 1 July 2015 in connection with the rail reform. Accordingly, these financial statement headings with this related party decreased significantly.
The revenue shown below includes the revenue realised by the SNCF Infra division in the first half of 2015 and presented under the heading "Net profit/(loss) from transferred operations, net of tax" in the income statement.

8.1.1.1 Balance sheet headings

In € millions	31/12/2016	31/12/2015
SNCF Réseau net receivables*	792	593
SNCF Réseau payables	842	1 073
SNCF Réseau net receivables and payables	**-50**	**-479**

*Balance sheet headings excluding the financial receivable presented separately in assets (see Note 6.1).

8.1.1.2 Income and expenses

In € millions	31/12/2016	31/12/2015
Revenue with SNCF Réseau	547	2,951
Other operating income	30	40
Infrastructure fees paid on the French rail network*	-3,702	-3,766
Revenue net of infrastructure fees	**-3,125**	**-775**

*Of which €3,545 million paid directly to SNCF Réseau (€3,608 million as at 31 December 2015) and €157 million through the STIF (€158 million as at 31 December 2015).

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	31/12/2016	31/12/2015
Operating receivables*	86	242
Operating liabilities	252	379
Current financial liabilities	37	42

*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	31/12/2016	31/12/2015
Revenue	131	65
Purchases and external charges	-1,265	-686
Other income and expenses	-36	21
Gross profit with SNCF	**-1 ,170**	**-600**

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	31/12/2016	31/12/2015
Operating grants received	50	42

The amounts received from the French State and the OA in connection with transport services are described in Note 3.2.

8.2.2 Transactions with ICF Group ESH low-rental housing companies

8.2.2.1 Balance sheet headings

In € millions	31/12/2016	31/12/2015
Current financial assets	11	10
Non-current financial assets	275	287
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 2015) and are included in available-for-sale assets (see Note 6.1.2.3). 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:

— €0 million for commitments received as at 31 December 2016 (€8 million for 2015);

— €114 million for commitments given as at 31 December 2016 (€0 million for 2015). This increase was primarily due to the consolidation of Akiem under the equity method as at 30 June 2016 (see Note 4.2.1.2).

Commitments received (in M€)		31/12/2016 Total commitment	Amount of commitments per period Less than 1 year	1 to 5 years	More than 5 years	31/12/2015 Total commitment
Commitments relating to financing		**1,438**	**222**	**1,182**	**34**	**1,532**
Personal collateral	9.1.1.1	54	7	19	28	113
Security interests	9.1.1.2	4	4	0	0	18
Unused confirmed credit lines	6.2.5	1,380	211	1,163	6	1,401
Commitments relating to operations		**6,928**	**2,406**	**3,922**	**600**	**6,961**
Investment commitments for operation of rail equipment	9.1.2.1	2,878	897	1,981	0	2,728
Purchase commitments for non-current assets other than rail equipment	9.1.2.2	1,260	258	908	94	977
Property sale undertakings	9.1.2.3	202	200	0	2	104
Operational and financial guarantees	9.1.2.4	1,098	718	376	4	1,402
Operating leases: equipment	9.1.2.5	457	174	238	44	654
Operating leases: property	9.1.2.5	1,006	150	401	455	1,063
Commitments relating to operating and fixed asset purchase agreements	9.1.2.6	28	9	18	0	32
Firm commodity purchase commitments (electricity, diesel, etc.)	9.1.2.7	0	0	0	0	1
Commitments relating to the Group consolidation scope		**18**	**0**	**10**	**8**	**18**
Warranties		1	0	0	1	1
Security commitments (option contracts)		17	0	10	7	17
Other commitments received		**8**	**0**	**8**	**0**	**7**
Total commitments received		**8,392**	**2,628**	**5,122**	**642**	**8,517**

Commitments given (in M€)		31/12/2016 Total commitment	Amount of commitments per period Less than 1 year	1 to 5 years	More than 5 years	31/12/2015 Total commitment
Commitments relating to financing		**990**	**181**	**74**	**736**	**544**
Personal collateral	9.1.1.1	239	169	43	28	283
Security interests	9.1.1.2	751	12	31	708	261
Commitments relating to operations		**11,665**	**3,947**	**6,819**	**898**	**10,937**
Investment commitments for operation of rail equipment	9.1.2.1	4,413	1,596	2,805	13	4,345
Purchase commitments for non-current assets other than rail equipment	9.1.2.2	2,563	715	1,784	64	2,836
Property sale undertakings	9.1.2.3	200	200	0	0	140
Operational and financial guarantees	9.1.2.4	805	296	268	241	745
Customs guarantees (Geodis)		175	131	17	27	172
Operating leases: equipment	9.1.2.5	1,387	324	746	317	911
Operating leases: property	9.1.2.5	1,515	293	994	228	1,216
Commitments relating to operating and fixed asset purchase agreements	9.1.2.6	180	169	6	5	171
Firm commodity purchase commitments (electricity, diesel, etc.)	9.1.2.7	423	223	198	2	400
Commitments relating to the Group consolidation scope		**17**	**0**	**17**	**0**	**22**
Other commitments relating to the Group consolidation scope		17	0	17	0	22
Other commitments given		**19**	**14**	**3**	**2**	**21**
Total commitments given		**12,691**	**4,142**	**6,912**	**1,636**	**11,525**

9.1.1 Commitments relating to financing

9.1.1.1 Personal collateral

The €59 million decline in personal collateral commitments received was attributable to the exit of Akiem (see Note 4.2.1.2) and the decrease in personal collateral commitments given was due to the reduction in guarantees covering credit lines not used by the SNCF Logistics division.

9.1.1.2 Security interests

The €490 million rise in security interest commitments given as at 31 December 2016 was mainly due to a new bank guarantee of €347 million contracted by Eurostar regarding the purchase of new Siemens trains and loss of control of Akiem (see Note 4.2.1.2).

9.1.2 Commitments relating to operations

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 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 declined by the amount of the investments ordered by the Organising Authorities that have been carried out and, conversely, increased in the amount of new investment orders.

In 2016, the increase in commitments received was mainly due to:

— new commitments relating to the Intercités Omneo Normandie agreement for €669 million;

— the financial guarantee received for the new Transilien NAT trains for €278 million;

— offset by a €616 million decrease in train investments for Regiolis, Regio2N and Tram Train.

The increase in commitments given is explained by:

— the new investment program for 40 Omneo Normandie trains in the amount of €669 million;

— the exercise of options for tranches 3 and 4 regarding the acquisition of 64 Bombardier NAT (Nouvelles Automotrices Transilien) trains in the amount of €476 million for Transilien;

— lower compensation:

• due to the investments made and the advances paid for the 2016 period for €942 million concerning the Regiolis (€157 million), Regio2N (€205 million), TVG 2N2 (€293 million), NAT (€129 million) trains, and the Siemens trains at Eurostar (€123 million), and Tram Trains (€34 million);

• and the preventive maintenance agreement between SNCF and RATP for €83 million, which is now included in the STIF 2016/2019 agreement.

9.1.2.2 Purchase and financing commitments for non-current assets other than rail equipment

The change in commitments given for the purchase of non-current assets was due to:

— the increase generated by the new agreement relating to the renovation of workshops that will receive OMNEO Normandie for €80 million;

— a decrease generated by:

• the progress of station projects and multimodal exchange hubs for €204 million at Gares & Connexions;

• the investments relating to the 2012/2015 four-year investment plan for €171 million at Transilien.

The change in commitments received to finance purchase commitments for non-current assets other than rail equipment was explained by:

— The increase generated by:

• the new 2016/2019 four-year investment plan relating to the Contrat de Plan État-Région (CPER) State-Region Contractual Plan)) for €163 million and excluding the CPER for €131 million at Transilien;

• a purchase commitment for non-current assets and a grant receivable from the Normandy Organising Authority for €80 million.

— the decrease generated by the progress of station projects and multimodal exchange hubs for €124 million at Gares & Connexions.

9.1.2.3 Property sale undertakings

The increase in commitments received and given relating to property sale undertakings was mainly due to the signing of a bilateral promise of sale of the EFA subsidiary for the La Chapelle International site.

9.1.2.4 Operational and financial guarantees

Operating and financial guarantees given increased by €60 million mainly due to the set-up of new operating guarantees for EPIC Mobilités in the amount of €41 million and Keolis in the amount of €33 million.

Operating and financial guarantees received primarily concern bank guarantees received from rail equipment suppliers Bombardier and Alstom. The decrease for €304 million is mainly due to deliveries of the Regio2N and Regiolis trains at TER.

9.1.2.5 Commitments relating to equipment and property operating leases

Commitments given relating to equipment and property operating leases increased by €776 million mainly due to:

— two new equipment leases for a total of €316 million at KEOLIS Germany;

— new property leases for €138 million;

— new locomotive leases for €63 million;

— the exit of Akiem for €110 million.

The equipment and property operating leases received decreased by €254 million primarily due to the loss of control in AKIEM (see Note 4.2.1.2).

9.1.2.6 Commitments relating to operating and fixed asset purchase agreements

Other operating purchase commitments given increased by €9 million. These commitments include purchase commitments for rail and station access and track reservations.

The Document de Référence du Réseau for 2017, which can be consulted at the SNCF Réseau website, provides for a new reciprocal compensation mechanism should track allocations or reservations be cancelled or significantly modified by either party.

The applicable penalties will now range between €0.5/tr/Km and €8/tr/Km according to variable terms between the cancellation or modification date and the track reservation date. They are more significant for SNCF Réseau than for the rail companies.

The amounts to be reported in off-balance sheet commitments must reflect the objective reality of the transactions that could impact the company's accounts in the future.

In this case, in the absence of a history and sufficient perspective to reliably measure the impacts arising from this new mechanism, no amount has been reported in off-balance sheet commitments given or received with respect to these penalties in the accounts for the year ended 31 December 2016

9.1.2.7 Firm commodity purchase commitments (electricity, diesel, etc.)

Commodity purchase commitments essentially concern electricity supply contracts.

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

In 2016 and 2015, the receivable generated by the Competitiveness and Employment Tax Credit set up by the French government (see Note 3.3.4) and recorded for a single French tax consolidation group was assigned under the Dailly Law. Furthermore, at the end of December 2016, SNCF, head of the tax consolidation group that includes SNCF Mobilités, monetised the CICE receivable of SNCF Mobilités for fiscal years 2016 and 2015.

In the two cases, assignment or monetisation, the transaction 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 for the Dailly assignment and without recourse for the monetisation. 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.

As this involved an operating receivable, the Dailly assignment and monetisation represented a net receipt for the Group, respectively, of €50 million in 2016 (€50 million in 2015) and €316 million in cash flows from operating activities in the cash flow statement.

From the perspective of SNCF Mobilités, the monetisation represents an early payment of its CICE receivable collected from its parent tax group.

10 SCOPE OF CONSOLIDATION

10.1 NUMBER OF CONSOLIDATED COMPANIES

The number of companies consolidated by SNCF Mobilités Group breaks down as follows:

	31/12/2016	31/12/2015	Change
Parent company and fully consolidated companies	829	833	-4
Equity-accounted companies (joint ventures)	49	40	9
Equity-accounted companies (significant influence)	65	62	3
Total scope of consolidation	**943**	**935**	**8**

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:

— while 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 Groups 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 the ESH companies are therefore retained in balance sheet assets and classified in available-for-sale financial assets (see Notes 6.1.2.3 and 8.2.2).

The main consolidated balance sheet headings of these companies were as follows:

— non-current assets €4,338 million (€4,210 million in 2015);

— non-current liabilities (debt): €2,391 million (€2,330 million in 2015).

The net indebtedness of unconsolidated ESH low-rental housing companies as at 31 December 2016 amounted to €2.36 billion (€2.34 billion as at 31 December 2015).

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: €1,787 million (€1,651 million as at 31 December 2015);

— non-current liabilities: €1,756 million (€1,650 million as at 31 December 2015).

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 Y	PI Year Y	PC Year Y-1	PI Year Y-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	**Voyages SNCF**					
EUROPE EXCL. FRANCE	AUSTRIA	Rail Holding AG	JV	17%	17%	17%	17%
	BELGIUM	THI Factory	FC	60%	60%	60%	60%
	UNITED KINGDOM	Groupe Eurostar	FC	55%	55%	55%	55%
	FRANCE	ID Bus	FC	95%	95%	100%	100%
	FRANCE	IDTGV	FC	100%	100%	100%	100%
FRANCE	FRANCE	RE 4A	JV	50%	50%	50%	50%
	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	Société des commerces en gares	JV	50%	50%	50%	50%
	Segment	**Keolis**					
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%
		Path Transit Pty Ltd	FC	100%	36%	100%	36%
		Southlink Pty Ltd	FC	100%	36%	100%	36%
EUROPE (EXCL. FRANCE)	GERMANY	Keolis Deutschland COKG	FC	100%	70%	100%	70%
	DENMARK	First / Keolis Transpennine	JV	45%	31%	45%	31%
	UNITED KINGDOM	Govia Thameslink Railway Limited	JV	35%	24%	35%	24%
		Keolis Danmark	FC	100%	70%	75%	52%
		Keolis-Amey Docklands Ltd	FC	70%	49%	70%	49%
		London Midland	JV	35%	24%	35%	24%
		London&South Eastern Railway - LSER	JV	35%	24%	35%	24%
	NETHERLANDS	Syntus	FC	100%	70%	100%	70%
	PORTUGAL	Prometro	JV	20%	14%	20%	14%
	SWEDEN	Keolis Sverige	FC	100%	70%	100%	70%
FRANCE	FRANCE	Effia Concessions	FC	100%	70%	100%	70%
		Effia Stationnement et Mobilité	FC	100%	70%	100%	70%
		Keolis	FC	100%	70%	100%	70%
		Keolis Amiens	FC	100%	70%	100%	70%
		Keolis Angers	FC	100%	70%	100%	70%
		Keolis Artois	FC	100%	70%	100%	70%

Geographical area	Country	Company	M	PC Year Y	PI Year Y	PC Year Y-1	PI Year Y-1
		Keolis Atlantique	FC	100%	70%	100%	70%
		Keolis Bordeaux Métropole	FC	100%	70%	100%	70%
		Keolis Brest	FC	100%	70%	100%	70%
		Keolis Caen	FC	100%	70%	100%	70%
		Keolis CIF	FC	100%	70%	100%	70%
		Keolis Dijon	FC	100%	70%	100%	70%
		Keolis Lille	FC	100%	70%	100%	70%
		Keolis Lorient	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%	0%	0%
		Transport Daniel MEYER	FC	100%	70%	0%	0%
		Transports de l'agglomération de Metz Métropole	JV	40%	32%	40%	32%
	Segment	**SNCF Logistics**					
AFRICA, MIDDLE EAST	UNITED ARAB EMIRATES	Geodis Freight Forwarding LLC	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	Barthco International, Inc.	FC	100%	100%	100%	100%
		Geodis America	FC	100%	100%	100%	100%
		Geodis Global Solutions USA Inc	FC	100%	100%	100%	100%
		Geodis Wilson USA Inc. (absorbée par OHBNA – Barthco International Inc.)	SI	0%	0%	100%	100%
		Ozburn-Hessey Holding Company, LLC	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 Global Solutions Mexico	FC	100%	100%	100%	100%
ASIA, PACIFIC	AUSTRALIA	Geodis Wilson Pty Ltd Australia	FC	100%	100%	100%	100%
	CHINA	Shanghai Eastern Fudart Transportation Sces Co., Ltd.	JV	20%	20%	20%	20%
		Geodis Wilson Hong Kong Ltd.	FC	100%	100%	100%	100%
		Geodis Wilson China Limited	FC	100%	100%	100%	100%
		Geodis Overseas international Forwarding - 4PL	FC	100%	100%	100%	100%
		Combined Logistics (Hong Kong) Limited	FC	100%	100%	100%	100%
	INDIA	Geodis Overseas India	FC	100%	100%	100%	100%
	JAPAN	Geodis SCO Japan Co. Ltd.	FC	100%	100%	100%	100%
	SINGAPORE	Geodis Wilson Singapore Pte Ltd	FC	100%	100%	100%	100%

Geographical area	Country	Company	M	PC Year Y	PI Year Y	PC Year Y-1	PI Year Y-1
EUROPE (EXCL. FRANCE)	GERMANY	Captrain Deutschland CargoWest GmbH	FC	100%	100%	100%	100%
		Forwardis Gmbh	FC	100%	100%	100%	100%
		Geodis Global Solutions Germany	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%
		WEA	FC	100%	98%	100%	96%
	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 BM Iberica	FC	100%	100%	100%	100%
	UNITED KINGDOM	STVA UK	FC	100%	98%	100%	96%
		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%
		Bourgey Montreuil Italia	FC	100%	100%	100%	100%
	LUXEMBOURG	LORRY Rail	FC	58%	58%	58%	58%
		Lexsis (ex. BM Sidérurgie Luxembourg)	FC	100%	100%	100%	100%
	NETHERLANDS	GeodisGlobal Solutions Netherlands BV	FC	100%	100%	100%	100%
		Geodis Wilson Netherlands B.V.	FC	100%	100%	100%	100%
		Geodis Logistics Netherlands BV	FC	100%	100%	100%	100%
		Geodis Holding BV	FC	100%	100%	100%	100%
	POLAND	Geodis Polska	FC	100%	100%	100%	100%
	SWEDEN	Geodis Wilson Sweden AB	FC	100%	100%	100%	100%
		Geodis Wilson Holding AB	FC	100%	100%	100%	100%
	SWITZERLAND	PIRCO SA	JV	45%	45%	45%	45%
		Ermewa Intermodal	FC	100%	100%	100%	100%
FRANCE	FRANCE	AKIEM Holding	JV	50%	50%	100%	100%
		AKIEM SAS	JV	50%	50%	100%	100%
		ALPS1	JV	50%	50%	100%	100%
		Ateliers d'Orval	FC	100%	100%	100%	100%
		BM Virolle	JV	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%

Geographical area	Country	Company	M	PC Year Y	PI Year Y	PC Year Y-1	PI Year Y-1
		Calberson Picardie	FC	100%	100%	100%	100%
		Calberson Rhône Alpes	FC	100%	100%	100%	100%
		Calberson Sud-Ouest	FC	100%	100%	100%	100%
		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 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 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%
		Geodis Wilson France	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%
		S.M.T.R. Calberson	FC	100%	100%	100%	100%
		Sealogis	FC	100%	100%	100%	100%
		Seine Express	FC	100%	100%	100%	100%
		SNCF Geodis - Fret	FC	100%	100%	100%	100%
		STVA SA	FC	98%	98%	96%	96%
		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 (EXCL. FRANCE)	SWITZERLAND	EUROFIMA	SI	23%	23%	23%	23%
FRANCE	FRANCE	Espaces Ferroviaires Aménagement	FC	100%	100%	100%	100%
	FRANCE	Espaces Ferroviaires Résidences du Rail	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%

Geographical area	Country	Company	M	PC Year Y	PI Year Y	PC Year Y-1	PI Year Y-1
	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%

03—
REPORT ON THE SNCF MOBILITÉS GROUP'S CORPORATE GOVERNANCE AND INTERNAL CONTROL

CHAIRMAN'S REPORT ON THE TERMS AND CONDITIONS GOVERNING THE PREPARATION AND ORGANISATION OF THE BOARD OF DIRECTORS' WORK AND THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

The report on the terms and conditions governing the preparation and organisation of the Board of Directors' work and the internal control and risk management procedures was presented by the Chairman to the Board of Directors of SNCF Mobilités.

The report is based on the reference framework of the AMF (French Securities Regulator).

The main changes and improvements to the SNCF Mobilités internal control and risk management functions for 2016 concern the following:

— **the internal control system:** the organisation of internal control for the scope of SNCF Mobilités was reinforced in 2016 by the launch of a management testing approach for targeted controls. In 2016, four self-assessment campaigns for the entire scope of SNCF Mobilités and its subsidiaries were carried out. They covered key controls for the control environment, financial processes, service vehicles and information systems;

— **the ethical approach:** the organisation of the ethical approach is based on the SNCF Group's new ethics charter, which was presented to the SNCF Mobilités Board of Directors on 27 October 2016 and approved after deliberation by the EPIC SNCF Supervisory Board on 3 November 2016. The charter, which replaces the ethics guide adopted in February 2011, describes the five ethical values and 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.

In connection with tighter legislation and the Sapin 2 law's entry into force at the end of 2016 (law no. 2016-1691 of 9 December on transparency, anti-corruption and the modernisation of economic life), the anti-corruption programme was pursued. The SNCF Mobilités Group is also working on the transposition of the provisions of the Sapin 2 law into its operations.

— **safety policy governance:** EPIC SNCF Mobilités and its subsidiaries have adopted the general safety policy set up within EPIC SNCF, and rolled out in July 2015, for rail activity in France. It covers operational safety, employee and public health and safety, and environmental protection.

Furthermore, in early 2016, a new SNCF Group transversal organisation was set up to ensure uniform coordination of the entire rail safety policy.

— **information system governance:** to consolidate and develop the digital transformation of the SNCF Group, including SNCF Mobilités and its subsidiaries, the Digital Department was assigned in early 2017 to the new "e.SNCF" department combining Digital, information systems and Telecom business lines.

— **security:** in addition to the Security Department's permanent duties of preventing and fighting against petty crime, priority was given to three major points in 2016:

• the fight against terrorism, particularly in connection with the Euro 2016 tournament (train station audits ordered by the General Secretary and the CEO of SNCF Gares & Connexions resulting in an upgrade and enhancement of CCTV systems, organisation in project mode of station and train protection for all divisions involved) and other major events (e.g. pilgrimage to Lourdes).

Furthermore, the Security Department continued to implement boarding access controls, deployed the first canine explosive detection teams and also worked on preventing religious radicalisation, in cooperation with services specializing in disturbing behaviours.

• anti-fraud, by carrying out lengthy (several weeks) targeted operations in stations reported by the divisions as most affected;

• fight against incivility, particularly smokers who organise themselves into small groups in certain trains.

This report is available on simple request from the SNCF Mobilités Finance Department 9, rue Jean-Philippe Rameau 93212 LA PLAINE SAINT DENIS CEDEX.

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 2016

SNCF Mobilités
9, rue Jean-Philippe Rameau
CS20012
93212 Saint Denis cedex 02

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

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by the French Minister for the Economy, Industry and Digital Affairs on 18 April 2014, we hereby report to you, for the year ended 31 December 2016, on:

- the audit of the accompanying consolidated financial statements of SNCF Mobilités;
- the justification of our assessments;
- the specific verification required by law.

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

I – Opinion on the consolidated financial statements

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

As indicated in Notes 2.1.3, 4.3.2.1 and 4.3.2.3 to the consolidated financial statements, as part of the 10-year operational contract signed between the State and SNCF Mobilités, and in light of its financial trajectory, the strategic plan for Gares & Connexions has been modified, resulting in the reversal of the impairment loss for the assets of the Gares & Connexions cash-generating unit of €273 million at 31 December 2016.

The sensitivity of the recoverable value of these assets to economic and financial assumptions is very high. There are therefore major uncertainties and contingencies that could affect the economic and financial prospects of the Gares & Connexions cash-generating unit, namely (i) a pricing model still being negotiated and adapted; (ii) the possibility raised by the French Rail and Road Office (ARAFER) of the stations and their management being transferred to a third party, with operational, economic and financial consequences for SNCF Mobilités that are difficult to assess; and (iii) a financial trajectory which, as seen over the past 18 months, has to be adapted in line with the changes in the economic and regulatory environment.

These uncertainties and contingencies could also materialize in the near future, affecting each other in ways that cannot be precisely determined and affecting the value in use of the assets of the Gares & Connexions cash-generating unit as presented by SNCF Mobilités.

As a result, we are unable to assess the probative value of the projections that led to the reversal of impairment above, and are therefore unable to give an opinion on the amount of this reversal or on the net carrying amount of the assets of the Gares & Connexions cash-generating unit, which amounted to €1,567 million 31 December 2016.

Subject to this qualification, in our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, financial position and results of the company's operations in accordance with the International Financial Reporting Standards adopted by the European Union.

Without qualifying our opinion, we draw your attention to Notes 4.3.1.4, 4.3.2.1 and 4.3.2.2 to the consolidated financial statements, which describe the context, uncertainties and contingencies that could affect certain economic and financial assumptions used by SNCF Mobilités to determine the recoverable amount of the assets of its Eurostar and TGV France and Europe (excluding Eurostar and Thalys) cash-generating units. Given the uncertainty linked to the accuracy of these assumptions and the fact that recoverable amounts are extremely sensitive to them, the measurement of the value of these assets and the associated repurchase commitments, and consequently that of deferred tax assets, could vary significantly over time.

II - Justification of our assessments

As stated in Note 1.2 "Accounting judgments and estimates" to the consolidated financial statements, the accounting estimates used in the preparation of the consolidated financial statements for the year ended 31 December 2016 were made at a time of uncertainty regarding the business outlook and new economic challenges. It is in this context that, in accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters, in addition to those which resulted in the qualification set out above :

- As stated in Note 4.3 "Impairment tests for non-current assets" to the consolidated financial statements, the Group carried out impairment tests on its assets. We examined the methods used to implement these tests and the key assumptions used to determine the recoverable amount; assessed the sensitivity of the evaluations to these assumptions and the governance approval process for the performance contract and its financial trajectory wherein these assumptions are found; and verified that Notes 4.3.1 and 4.3.2 to the consolidated financial statements provided appropriate disclosure.

- As indicated in Notes 5 "Employee benefits" and 3.3.2 "Employee benefit expenses and headcount", the Group recognises employee benefit liabilities and charges determined using actuarial calculations based on financial and demographic assumptions. Our work involved reviewing the data and reasonableness of the assumptions and estimates used and verifying that Notes 5 and 3.3.2 to the consolidated financial statements provided appropriate disclosure.

- Note 4.5 "Provisions for contingencies and litigation" to the consolidated financial statements, which describes the operating risks faced by SNCF Mobilités and the provisions set aside to cover these risks in the consolidated financial statements. We examined the procedures used by the Group to identify, measure and account for such risks and provisions. We assessed the reasonableness of these provisions, on the basis of currently available information, and verified that any uncertainties identified during the implementation of these procedures were appropriately disclosed in Note 4.5 to the consolidated financial statements.

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

III - Specific verification

As required by law and in accordance with professional standards applicable in France, we have also

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