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FINANCIAL REPORT 2006

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SNCF

Direction de la Communication

Direction de la Comptabilité et du Contrôle de gestion

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MANAGEMENT REPORT

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1.
SIGNIFICANT EVENTS OF THE YEAR

1.1 ENVIRONMENT

ECONOMIC ENVIRONMENT

French growth trend
The French economy has experienced sustained yet irregular growth since mid 2005. The 3rd quarter of 2006 saw stagnation in activity which the INSEE judged to be "largely accidental". Nevertheless, since the summer of 2005, final domestic demand has increased while unemployment has fallen. This situation provided Group passenger activities with economic drivers conducive to growth.

European industrial production
There were various industrial production trends determined by the markets, with particular markets having a potential impact on the Transport and Logistics division: the European automobile market was unfavourable throughout the year, whereas the iron and steel market was particularly active from the start of 2006.

Energy: cost and opportunity
The geopolitical tensions that marked 2006 and the ongoing increase in consumption, particularly in China, contributed to a steady oil price, despite a drop that started at the end of August. The electricity market was tight throughout the year.
The energy bill thus remained substantial in 2006, weighing on the expenses of all Group activities, but increasing the appeal of public transport and rail freight.

A LEGISLATIVE ENVIRONMENT THAT IS GRADUALLY OPENING RAIL ACTIVITY TO THE COMPETITION

Opening up French rail freight to the competition
The French domestic rail market has been opened to competition since 31 March 2006. There are currently two competitors operating: CFTA Cargo (Veolia group), already an SNCF Freight competitor on the international lines open to competition since March 2003, and EWSI – Euro Cargo Rail (EWS group, United Kingdom) since July 2006. In addition, rail operating licences have been delivered to the following companies: Europorte 2 and SECO RAIL, for the competition, and VFLI for the SNCF group. Safety certificates have also been delivered to three European companies: Rail4Chem, SNCB and CFL.

Opening up passenger services to the competition
On 18 January 2007, the positions of the European Commission, Parliament and Council were aligned as part of the third "Railway Package", thus opening up international traffic and cabotage exclusively as of 1 January 2010. The opening of domestic services will only take place under a fourth "Railway Package".

Public-private partnership
Public-private partnerships for rail infrastructures are now authorised following the coming into force of the law of 5 January 2006 on transport security and development.
On 16 December 2006, RFF launched the first contract of this type by publishing the European call for tenders notice for the (GSM-R) project (digital telecommunications network that will replace the current analogue radio system).
The CDG Express link between Paris and Charles de Gaulle airport will also be realised through a public-private partnership. Keolis is one of the five candidate consortiums for this project, which comprises design, construction and operation for 60 years.

MAJOR DECISIONS FOR THE NATIONAL RAIL NETWORK

Overhaul of the rail network
Following the proposals made by RFF and SNCF based on the audit report drafted by the experts of the Ecole Polytechnique of Lausanne in September 2005, the Ministry of Transport approved the following measures on 22 May 2006, in order to guarantee quality operating conditions for the rail network's overhaul:
- significant increase in the resources devoted to renewal: additional €1.8 billion by 2010;
- set-up of more modern maintenance methods;
- drafting of a State-RFF contract for the 2007-2010 period.

Network extensions
Several projects extending the high-speed line network advanced in 2006:
- the financing agreement for phase one of the TGV Rhine-Rhône eastern corridor, which will link Villers les Pots (east of Dijon) to Petit-Croix (southeast of Belfort), was signed on 28 February 2006 by the French State, local authorities, the RFF and SNCF;
- the inquiry into the utility for public purposes of the new Bretagne - Pays de la Loire high-speed line was conducted between June and July 2006, and on 30 January 2007 a rail service agreement was signed for the cities of Mans, Laval, Vitré and Sablé-sur-Sarthe;

- the ministerial decree declaring the utility for public purposes of the new Angoulême – Bordeaux high-speed line was published in the *Journal Officiel* on 20 July 2006. On 25 January 2007, the project's letter of intent was signed by the minister of transport, the RFF and the three regions most concerned;
- the agreement of intent to finance work for the Paris-Geneva line, known as the Haut-Bugey line, was signed on 18 September 2006;
- the financing agreement for the preliminary studies and work of phase two of the East European line was signed on 24 January 2007.

1.2 GROUP STRATEGY

SNCF has become a European group leader in the service of mobility.

RAILTEAM

On 14 June 2006, an agreement in principle was signed by SNCF and five major European railway operators (DB, ÖBB, CFF, NS, SNCB) with respect to the launch of the RAILTEAM project. The purpose of this alliance is to add a more European dimension to high-speed rail travel thanks to closer cooperation between the networks. The RAILTEAM network represents a true rail response to the three major airline alliances now operating, by offering the best of high-speed travel and quality common services.

THE FUTURE OF LONG-DISTANCE PASSENGERS, FRANCE & EUROPE IS BASED ON EXTENSIVE PUBLIC AND TERRITORIAL ACCESSIBILITY, AS WELL AS SERVICE DEVELOPMENT

As a carrier, the ambition of Long-distance Passengers, France & Europe is to be recognised as the European reference for long-distance travel. This qualitative ambition is backed by a major growth and profitable development objective. Thanks to modern products and service that is continually improving, Long-distance Passengers, France & Europe expects to win the loyalty of an ever increasing number of travellers.
In terms of travel, Long-distance Passengers, France & Europe is developing an innovative service range, tailored to the various customer categories, the goal being to control the entire service chain and achieve recognition as a major customer relations player.
A new fare and service offering will be set up beginning in October 2007 to meet the new requirements, particularly in terms of business customers. The new offering will include more à la carte services for consumers and "service included" fares for business travellers.

THE FUTURE OF PUBLIC TRANSPORT LIES IN MULTI-MODAL DEVELOPMENT

The Public Transport division now wishes to present itself as an assembler and integrator of transport modes, by proposing a multi-modal transport offering to each organising authority and facilitating the transition from one mode of transport to another.
SNCF, Keolis and Effia have thus decided to jointly create an economic interest group to develop inter-modality.

THE FUTURE OF FREIGHT LIES IN GROUP SYNERGIES AND EUROPEAN ALLIANCES

Restoring customer confidence and competitiveness will be a priority for SNCF Freight. Accordingly, it will forge and consolidate alliances that are indispensable in the rapidly changing world of European rail services.
SNCF, SNCB, CFF Switzerland and CFL Luxembourg created Sibelit in March 2006 to manage the Antwerp-Milan convoys.
In November, La Poste and SNCF Freight announced the creation of a high-speed rail freight joint venture for mail and express parcel delivery, to be operational in France by the end of 2008 and slightly later in Europe.
On 9 January 2007, SNCF and SNCB concluded an agreement that paves the way for the creation of Sideros in July. Jointly held by the two public companies, Sideros will act as a forwarding agent and freight car owner and market logistic and multi-modal services for European steel companies.
Other projects have emerged in 2006: launch of the Luxembourg-Perpignan rail motorway, turnaround in combined transport, scheduling of certain projects to unclog rail freight in State-regional project contracts.

SNCF AND RFF PREPARING THE NETWORK RESCHEDULING SWITCHOVER

There will be a massive reorganisation in traffic beginning in 2007: network rescheduling is planned for Rhône-Alpes and the South East high-speed line for the December 2007 annual change in service, before being extended to other regions. The Organising Authorities have in fact requested the introduction of a maximum number of cadenced timetables, at regular intervals.

THE NEW WORLD SPEED RECORD OFFERS TREMENDOUS PROSPECTS FOR HIGH-SPEED RAIL TRAVEL

On 3 April 2007, the record of 574.8 km/h was reached on the East European high-speed line, following a series of extensive trials beginning 15 January 2007. This historic record will position SNCF and its partners, RFF and Alstom Transport, as long-term global leaders in high-speed rail transport.
In addition to the technical achievement, the results of the tests conducted during the event signal a promising future for high-speed rail transport, based on four priorities: on-board life, safety and performance, travel and the environment.

1.3 SUSTAINABLE DEVELOPMENT IS CENTRAL TO THE GROUP'S STRATEGY

Issues of concern for the environment and regional and social cohesion are very much reflected in the Group's values. This is why in 2007 SNCF will solicit a non-financial rating with respect to corporate social responsibility. To provide a clearer perspective on commitments such as diversity in hiring or contributions to the renewal of energy policies, a sustainable development steering board will also be created.

CUTTING-EDGE IDEAS TO BETTER PRESERVE THE ENVIRONMENT

Vegetable-based bio fuel…

A carrier operating on a European scale, SNCF offers the train's ecological advantages to the greatest number of people. However, as is the case with all companies, SNCF is confronted with the dual challenge of using a diesel fleet. It must replace oil, a fossil fuel facing depletion, with a renewable energy source, while reducing greenhouse gas emissions. With vegetable-based bio fuel, SNCF has the means to utilise renewable energies on an ongoing basis. In the fall of 2006, programmes were set up to test two types of bio fuel (B30 and B100) on various pieces of equipment.

Ecological road tractors…

Rouch Intermodal is one of the leading French hauling companies to use road tractors equipped according to the "highly ecological" EURO 5 standard, which will be mandatory in Europe for new equipment beginning in 2009.

… and a charter of best practices

In early July, SNCF also signed the "Charter of best practices for the transport and delivery of goods in Paris". The charter reflects the commitment to encourage sustainable transport modes by rail or river for the flow of goods to and from Paris and develop the use of zero-emission delivery vehicles. RFF, SNCF and the City of Paris have pledged to preserve logistical areas on the land they own. SNCF and RFF have also pledged that concessions will be granted first and foremost to companies that respect the urban environment.

A SOCIALLY RESPONSIBLE GROUP

Making the train accessible to all

In order to provide greater accessibility to stations, trains and services for customers with a disability or reduced mobility, SNCF has transformed the Paris Montparnasse station into an "Accessibility Laboratory". From May to July 2006, the site will be used to test various ways of facilitating travel, prior to a roll-out in all stations.
A new generation of ticket distributors deployed in the last quarter of 2006 includes the functionalities proposed by the SNCF disability taskforce and the associations.
Following the STIF decision on 5 July 2006, the new Transilien motorised carriages will be accessible to persons with reduced mobility in stations with raised platforms. The initiative will cover 95% of the traffic.

Recruiting that is faithful to the company's image

Fiscal year 2006 was particularly rich in terms of agreements and signatures, thus reaffirming the values of SNCF with respect to recruitment:

- corporate agreement to reinforce diversity and guarantee professional equality for men and women signed with all trade unions on 8 March 2006;
- signature of an agreement between SNCF and ANPE to promote employment and professional integration on 17 March 2006;
- agreement to promote employment and the professional integration of young people with the Conseil National des Missions locales (National council for local initiatives) on 12 June 2006;
- charter of corporate commitment for equal opportunity in education signed on 13 December 2006.

Moreover, beginning in 2006, SNCF has organised "Égalité & Compétences" ("Equality & skills") meetings to present the SNCF core businesses to young people from the suburbs, thus providing access to the company's recruiting process on a level playing field in terms of opportunity and skills.

Signature of a charter to better predict service during labour disputes

On 4 July 2006, SNCF signed a "Charter for improved public transport service prediction during labour disputes". SNCF thus pledges to set up an approach that will provide travellers with "prior and reliable information on the minimum service level", so they may "take all necessary measures."

This commitment follows the majority–approved agreement of 28 October 2004 regarding the improvement of employee relations and the prevention of disputes, and the amendments to the TER Alsace and Transilien contracts.

RISK MANAGEMENT: AN INTEGRAL PART OF OUR POLICIES

Projected skills management

SNCF, Eurostar and VFLI have created the Institut d'exploitation ferroviaire, an association whose purpose is to maintain and develop the skills and know-how base of the SNCF Group's rail operators.

Risk management

In 2006, the SNCF Group's audit and risk department was certified by the French Audit and Internal Control Institute. The certification demonstrates the internal audit department's compliance with international standards.

1.4 HIGHLIGHTS

Fiscal year 2006 was marked by the appointment of a new chairman, the final phase of the Freight plan and some changes in Group structure.

APPOINTMENT OF MRS. ANNE-MARIE IDRAC AS CHAIRMAN OF SNCF

Mrs. Anne-Marie Idrac was appointed Chairman of SNCF on 12 July 2006, in replacement of Mr. Louis Gallois whose services were called for elsewhere.

In February 2007, Mrs. Idrac was elected vice-chairman of the International Railway Union, where she will represent European interests.

COMPLETION OF THE 2004-2006 FREIGHT PLAN

The 2004-2006 Freight plan was completed on 31 December. During the period, SNCF Freight pursued all the initiatives it had committed to at the end of 2003. It carried out indispensable industrial restructuring and financed sizeable investments, acquiring 1,000 new locomotives and overhauling the information system.

This transformation plan provided SNCF Freight with an industrial framework on which it can rely to face a triple challenge: the economic challenge of generating profitable growth to cover overheads, the operational challenge regarding the production segment's reliability, and the challenge involving the Group's ability to forge advantageous alliances.

In 2006, SNCF Freight was unable to meet the objectives set, due to:

- Competitive pressure on prices, accentuated by a difference regarding labour regulations and an SNCF service quality that continually fell short of shippers' expectations:
  – Competitors have a 20 to 25% advantage, with organisations that are entirely customer focused: dedicated resources, multi-purpose businesses, and full range of services.
  – The reliability and punctuality of SNCF Freight still fall short of the objectives and expectations of shippers.
- Insufficient gains in productivity:
  – A complex chain of command that lacks responsiveness,
  – Geographic sector partioning that is not properly adapted and therefore significantly loss-making, although this represents a strategic asset on the market.

• Cost overruns – some of which are external to SNCF – for approximately 4% of revenue:
  – Overruns primarily involving infrastructure fees, energy, payroll, financial expenses, and depreciation and amortisation,
  – Overruns that would require €70 million annually just to balance the losses.

These difficulties demonstrate that the plan cannot ensure the activity's viability in the face of a rapidly changing market.

CONCLUSION OF THE RFF AND SNCF ASSET-SHARING ARBITRATION

The arbitration report on asset sharing between RFF and SNCF was submitted on 16 October 2006 and published in the *Journal Officiel* on 23 November 2006.
The financial and accounting results are being prepared.

RESTRUCTURING OF KEOLIS SHARE CAPITAL

Following 3i's decision to withdraw, a memorandum of agreement was signed by SNCF Group and a consortium combining AXA and the Caisse de dépôt et placement du Québec. The consortium has committed to acquiring a 55% majority interest in the Keolis group. SNCF Group will maintain its current interest and remain the reference industrial shareholder.

CREATION OF INEXIA

The Group created the Inexia subsidiary to develop its engineering activities on the transport infrastructures market in France. The French engineering market, open to competition since the creation of RFF in 1997, will change substantially following the decision to build the next high-speed lines under public service concessions and public-private partnerships. The purpose of Inexia therefore is to take over SNCF engineering activities on the competitive market and to develop these activities in the French rail sector and more generally in the transport infrastructure sector.

SALE OF THE FINAL SHEM TRANCHE

Pursuant to a partnership agreement signed on 6 November 2002, SNCF Group sold the first portion of its shares in Société hydroélectrique du Midi (SHEM) to Electrabel (Suez group) on 20 January 2005 and the remainder of the capital on 21 December 2006.

2007 TRANSACTIONS

Acquisition of TFM (freight forwarding division of TNT) by Geodis

The acquisition of TFM, the air and maritime forwarding agent of TNT, was announced by Geodis on 16 November 2006, and the purchase was realised on 5 February 2007.
Following the integration of TFM, revenues from the air and maritime forwarding activity of Geodis will double, representing approximately €1.6 billion. The acquisition will position the Geodis group among the top five European freight forwarders and among the top ten worldwide.
To finance a portion of this acquisition, Geodis carried out a share capital increase for €159 million in January 2007, to which SNCF Participations subscribed.

Renewal of the Ermewa financial partnership

In December 2006, SNCF Participations and IPE signed a memorandum of agreement providing for a secondary LBO that will be set up in the first half of 2007. The arrangement will include all the current governance provisions.

Creation of SNCF Conseil

Taking a page from Renault, Air France or Société Générale, SNCF decided to create an entity dedicated to internal advisory services, in the form of a wholly owned subsidiary. This creation reflects the will to conserve know-how, improve corporate performance, contribute to managing change, reduce external consulting costs and encourage career mobility and management.

SNCF and DB joint venture

A joint venture between SNCF and DB will be created during 2007 in order to exploit some of the international correspondences on the Eastern high-speed line. Its role will be to define a joint France-Germany offering on TGVs and ICEs (on-board restaurant, station reception, etc.), for a few daily return trips to begin with.

2. SNCF GROUP ORGANISATION

2.1 CORPORATE STRUCTURE

PASSENGER DIVISION

LONG-DISTANCE PASSENGERS, FRANCE & EUROPE DIVISION

MAIN LINES - STATIONS

TGV

CORAIL

INTERNATIONAL LONG-DISTANCE TRANSPORT
Eurostar
Thalys
Artesia
Rhealys
Lyria
Elipsos

TRANSPORT-RELATED SERVICES
Services
A2C
Distribution and new services
Rail Europe Ltd
Voyages-sncf.com
Rail Europe INC
Gle commerce
VSC Technologie
L'Agence Voyages-sncf.com
®iDTGV

PUBLIC TRANSPORT DIVISION

TRANSILIEN

CORAIL INTERCITY

TER

Alsace activity
Aquitaine activity
Auvergne activity
Basse-Normandie activity
Bourgogne activity
Bretagne activity
Centre activity
Champagne-Ardenne activity
Franche-Comté activity
Haute-Normandie activity
Languedoc-Roussillon activity
Limousin activity
Lorraine activity
Midi-Pyrénées activity
Nord-Pas-de-Calais activity
Pays-de-la-Loire activity
Picardie activity
Poitou-Charentes activity
Provence-Alpes-Côte d'Azur activity
Rhône-Alpes activity
Chemins de fer de la Corse

Keolis Group

Effia Group

TRANSPORT AND LOGISTICS

SNCF FREIGHT

TRANSPORT AND LOGISTICS OPERATORS

Combined
Naviland Cargo
Novatrans
Rouch
Froidcombi
Ecorail
Rail motorway
CME
Distribution
Districhrono
Grain
Logistra
CTC
Nuclear chemicals and individual loads
STSI
Automobile
STVA
Port facilities
Sealogis
International
Fret international
Freight cars
France Wagons
Ermewa
SGW
Terminal transport and logistics
VFLI
Garmatex

FINANCING AND OTHER SERVICES
Segi
Sefergie
Stesimaf
Edifret

GEODIS GROUP

France
Europe (excl. France)
Rest of the world

INFRASTRUCTURE AND ENGINEERING

INFRASTRUCTURE WORK AND MANAGEMENT

Inexia

ENGINEERING AND ASSET MANAGEMENT

SNCF International
SNEF Group
Systra Group
AREP

COMMON OPERATIONS AND INVESTMENTS

TRANSVERSAL FUNCTIONS

EQUIPMENT

TRACTION

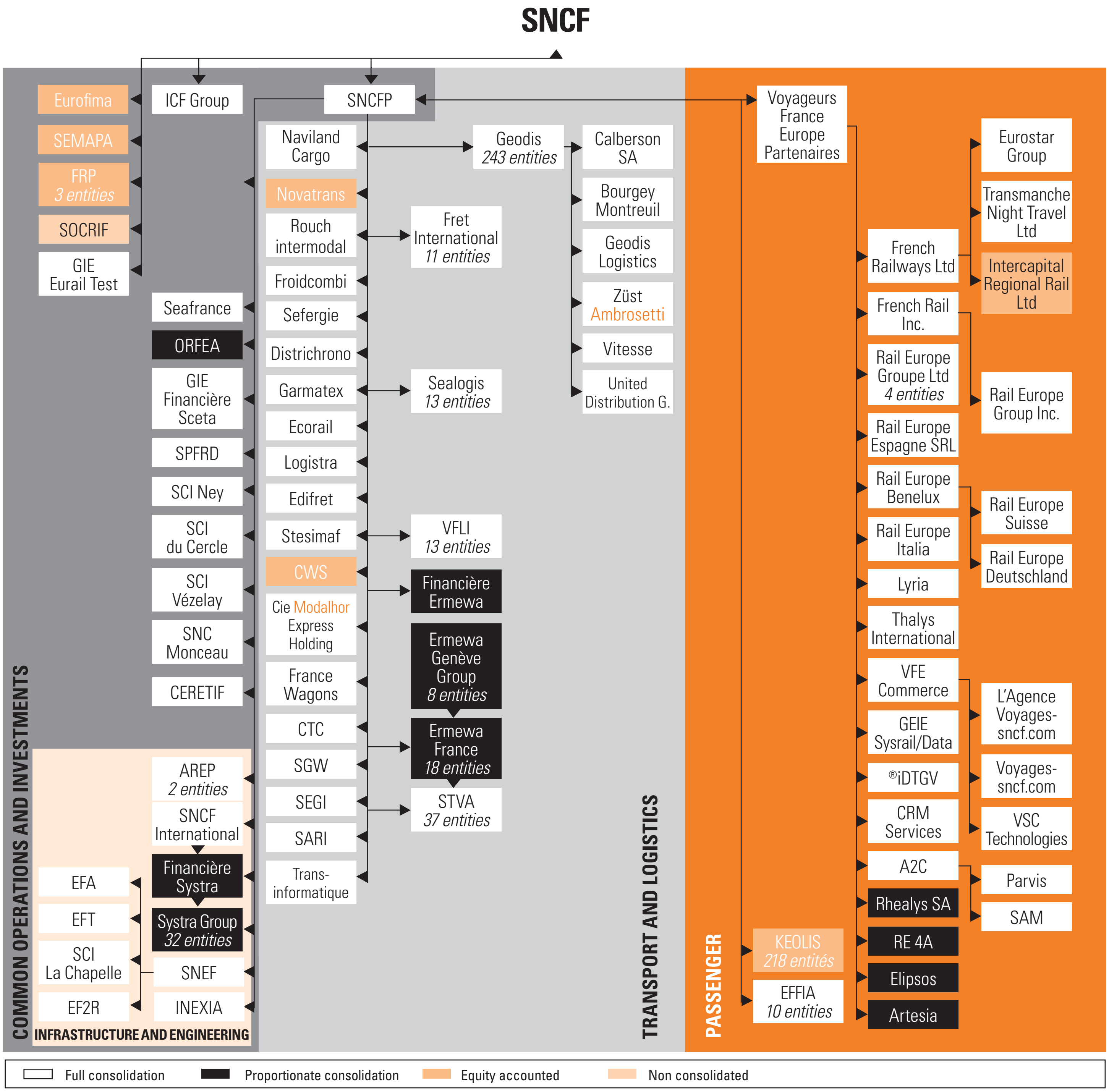
HOUSING
ICF Group
ORFEA

REAL ESTATE
SNC Vezelay
SCI Ney
SCI du Cercle
SNC Monceau

FINANCING
GIE financière SCETA
Eurofima
SPFRD

OTHER
Seafrance
Ceretif

2.2 LEGAL STRUCTURE



3. SNCF GROUP

3.1 CONSOLIDATED NET INCOME

The Group has substantiated its overall profitability.
Following a 2005 fiscal year that posted the best results in its history, the Group confirmed the overall growth in 2006 net income from ordinary activities. The line item was clearly profitable by €695 million, an increase of €127 million compared with 2005 on a constant Group structure basis.

However, as SNCF Freight fell far short of the mark, a provision for the impairment of Freight assets was recognised as at 31 December 2006 in the amount of €640 million, which weighs heavily on exceptional items and net income (Group share).

In € millions	2006	2005 PRO FORMA	2005 PUBLISHED	Pro forma change IN € MILLIONS	Pro forma change IN%
Consolidated revenues	**21,874**	**20,855**	**20,994**	**1,019**	**5%**
Capitalised production and production for stock	1,091	1,162	1,162	–71	–6%
Operating subsidies	28	30	30	–1	–4%
Purchases and external charges	–10,818	–10,230	–10,419	–588	6%
Taxes and duties other than income tax	–859	–804	–811	–55	7%
Personnel costs	–9,328	–9,137	–9,157	–191	2%
Gross operating income	**1,990**	**1,877**	**1,800**	**113**	**6%**
Depreciation, amortisation and provisions, net	–939	–970	–969	31	–3%
Other operating income and expenses	–36	–43	5	7	15%
Net operating income	**1,014**	**864**	**836**	**150**	**17%**
Net financial expense	**–319**	**–296**	**–303**	**–23**	**–8%**
Net income from ordinary activities of consolidated companies	**695**	**568**	**533**	**127**	**22%**
Exceptional items (excluding impairment of Freight and gain on disposal of SHEM)	28	282	291	–254	
Income tax (excluding DTA)	–57	–39	–34	–19	
Net income of consolidated companies (excluding impairment of Freight and gain on disposal of SHEM and DTA)	**666**	**811**	**790**	**–145**	
Share in earnings (loss) of equity affiliates	30	7	–29	23	
Amortisation of goodwill	–16	–10	–10	–6	
Consolidated net income (excluding impairment of Freight assets, gain on disposal of SHEM and DTA)	**679**	**807**	**751**	**–128**	
Minority interests	37	32	32	4	
Net income (Group share) (excluding impairment of Freight assets, gain on disposal of SHEM and DTA)	**643**	**775**	**718**	**–132**	
Impairment of Freight assets	–640	–	–	–640	
Income from disposal of SHEM	144	553	553	–409	
Net income for the year (excluding DTA)	**147**	**1,328**	**1,271**	**–1,181**	
Deferred tax assets (DTA)	505	–	–	505	
Net income (Group share)	**652**	**1,328**	**1,271**	**–676**	
Gross operating income / revenues	9.1%	9.0%	8.6%		
Net income from ordinary activities / Revenues	3.2%	2.7%	2.5%		
ROCE = Net operating income / capital employed	8.6%	7.6%	7.5%		
ROE = net income / “strict” shareholders’ equity resources	13.1%	14.2%	13.4%		

COMPARABILITY OF FINANCIAL STATEMENTS

Three changes in Group structure affect the comparability of 2006 and 2005 net income:
- the disposals in the second half of 2005 of Sernam, previously fully consolidated and Cegetel previously equity accounted;
- the full consolidation (reconsolidation) of ICF (real estate division) as at 31 December 2005.

Specifically, these changes in Group structure and management rules had the following impact on financial statement comparability:

(In millions of €)	Revenues	Net income (loss) from ordinary activities	Share in earnings of equity affiliates
Disposal of Sernam	–257	+29	–
Disposal of Cegetel	–	–	+36
Reconsolidation of ICF	+7	+10	–
Changes in management rules	+111	–4	–

Changes in management rules primarily consisted in the presentation of revenues from reinvoiced expenses, which previously had reduced operating expenses. As of 2006, social security expenses are assessed via the salary-based contributions paid to the Caisse de Prévoyance et de Retraites, which explains the net income impact. SNCF is thus aligning its policy with the practices prevailing in most companies.

REVENUES

Revenues rose by 5% compared to 2005 on a constant Group structure basis. All of the Group's core businesses participated in the external growth:
- Passenger (France & Europe and Public Transport) remains dynamic: +€604 million, +6%;
- Transport and Logistics: + €187 million (including Geodis for +€164 million), +2%;
- and Infrastructure and Engineering: +€175 million, +2%.

GROSS OPERATING INCOME

Gross operating income rose 6%, standing at nearly €2 billion (€1,990 million). The margin rate (gross operating income/revenues) increased slightly from 9.0% to 9.1%, the result of two distinct changes: On the one hand, a sharp increase in purchasing and external charges as well as tax charges, and on the other hand, a decrease in capitalised production combined with a limited increase in employee costs.

Two factors influenced the increase in purchasing and external charges:
- a substantial energy cost (electricity and diesel oil used for traction, fluids relating to current operations);
- higher infrastructure fees with respect to RFF, with a particularly sharp increase in rail rights of way and circulation rights.

The continuing search for potential savings, particularly for the Talent programme, has been extended to the subsidiaries by the Saphir programme and has limited the increase in other expenses thanks to productivity and efficiency gains.

The increase in tax charges is due to the higher tax bases:
- because of major investments in rolling stock, the business tax base has expanded;
- the deduction of the new safety tax, which is repaid to the Établissement public de sécurité ferroviaire (French rail safety public authority), came into force as of 1 January 2006.

The decrease in capitalised production reflects the conclusion of projects relating to rolling stock (Téoz, Eurostar) or the East European TGV (completion of the East European Technocentre).

The increase in employee costs was limited in 2006, thanks to productivity efforts.

NET OPERATING INCOME

Net operating income rose significantly (+17%), exceeding one billion euros (€1,014 million), and increasing from 4.1% to 4.6% of revenues.
Depreciation and amortisation charges were up due to significant commissioning regarding fixed installations (self-service terminals, East European Technocentre) and rolling equipment (Freight electric locomotives, double-decker TGVs, TER 2N NG railcar, high-capacity railcars and tram-trains). However, the change in provisions is a net reversal in 2006 compared to a net charge in 2005.

NET FINANCIAL EXPENSE

Net financial expense stood at –€319 million, a decrease of €23 million over 2005.
The savings related to the Group's ongoing debt reduction were offset by an increase in long-term financial expenses following an interest rate hike and foreign exchange losses.

NET INCOME FROM ORDINARY ACTIVITIES OF CONSOLIDATED COMPANIES

As a result of all these changes, net income from ordinary activities of consolidated companies stood at €700 million (€695 million) in the 2006 fiscal year, an increase of €127 million (+22%). As a percentage of revenue, it rose from 2.7% to 3.2%.
While this result confirms the Group's overall profitability, it nevertheless reflects mixed trends according to the core businesses:

- continuing profitable growth for the Passenger activity, which improved its net income from ordinary activities by €53 million, or +8%,
- a loss from ordinary activities for Transport and Logistics that was slightly lower by €13 million, amounting to –€103 million, due to a return to break-even for Naviland Cargo and the contribution of Geodis, but burdened by the negative impact of SNCF Freight,
- €29 million increase in the net loss from ordinary activities for Infrastructure and Engineering, standing at –€72 million.

EXCEPTIONAL ITEMS

After a particularly exceptional 2005 in terms of capital gains on asset disposals, including the first sale of SHEM securities to Suez-Electrabel in January 2005, the line item is clearly lower in 2006 (net income of €28 million before impairment of Freight assets and the gain on the SHEM disposal).

Primarily this comprises:

- capital gains on asset disposals for €149 million (including parent company real estate disposals),
- an additional €60 million impairment charge on the Corail and Corail Intercity assets, representing the investments of the period,
- provisions for exceptional contingencies and litigation for €69 million.

SHARE IN EARNINGS OF EQUITY AFFILIATES

The share in earnings of equity affiliates stood at +€30 million compared to +€7 million in 2005. The total includes:

- the SHEM results (until the date of disposal);
- the steady Eurofima contribution,
- the share that is again positive from Keos, the Keolis group holding company.

IMPAIRMENT OF FREIGHT ASSETS

As SNCF Freight fell far short of the 2004-2006 mark, its net income from ordinary activities standing at –€260 million at the end of 2006, the Group tested the relevant assets for impairment as at 31 December 2006. The results of this test led to the recognition of a provision for an exceptional impairment loss of €640 million.
A business plan is now being finalised by SNCF Freight.

INCOME TAX

The tax expense increased by €34 million, given the higher profits generated by Group companies.
A deferred tax asset of €505 million was recognised for the first time in 2006 with respect to the parent company tax loss carry-forwards. The recognition of this receivable is related to the use of these loss carry-forwards, given current profits and a positive overall profit forecast for the coming years. The recognition of this deferred tax asset was limited to the 3-year financial projections, as the outlook beyond this term was uncertain.

NET INCOME (GROUP SHARE)

Given these elements, and the capital gain on the sale of the final SHEM tranche (€144 million in 2006), net income (Group share) is positive at €652 million (compared to €1,328 million in 2005), after recognition of minority interests for €37 million.

ROCE increased from 7.6% to 8.6%.
The change in ROE, from 14.2% to 13.1%, is essentially due to positive exceptional items in 2005 and the 2006 capital increase.

3.2 CASH POSITION AND FINANCE SOURCES

CASH AVAILABLE AFTER FINANCING GROWTH THROUGH OPERATIONS

(In € millions)		**2006**	2005	Change
			PRO FORMA	PRO FORMA
Cash from operations (A)	(A)	1,530	1,453	77
Total investments		–2,718	–2,602	–116
including assets held under finance leases		–33	–112	79
Subsidies		852	760	92
Equity-financed investments (B)	(B)	–1,866	–1,842	–24
(A) - (B) = available after financing growth through operations	Difference (A)-(B)	**–336**	**–389**	**52**

On a constant Group structure basis, cash flow from operations amounted to €1,530 million, an increase of €77 million compared to 2005 (+5%). The increase is attributable to the subsidiaries, as the parent company cash flow from operations was steady.
The Group is pursuing its ambitious investment programme, primarily in railway equipment. Net investments financed through Group equity amounted to €1,866 million in 2006, up by €24 million (+1%) over 2005.

The increase in cash flow from operations recorded by the Group in 2006 was not sufficient to accompany its modernisation and development investments. Cash available after financing growth through operations remains negative at €336 million.
Excluding SNCF Freight, for which cash available after financing growth through operations stood at –€424 million, SNCF Group generated **a cash flow of €88 million,** an increase of €85 million.

NET INDEBTEDNESS

(In € millions)		**31/12/2006**	31/12/2005	Change
Long-term borrowings excluding accrued interest payable		12,418	13,724	–1,306
RFF receivables excluding accrued interest receivable		–4,998	–6,654	1,656
Impact of swaps		263	142	121
Net borrowings	(A)	**7,683**	**7,212**	**471**
Current net cash	(B)	**–1 577**	**–728**	**–849**
Net indebtedness	(A)+(B)	**6,106**	**6,483**	**–377**

Group net indebtedness declined by €377 million or 6%. Efforts to reduce debt were particularly apparent at the parent company and Geodis. Excluding the piggyback debt of 55% of the Keos share capital, net indebtedness would have declined by €786 million (–12%).

The decrease in net indebtedness breaks down as follows:

(In € millions)	2006	2005 PRO FORMA
Net indebtedness at beginning of the year	**6,483**	**7,775**
Available after financing growth through operations	336	389
Change in WCR	74	–336
Gains on asset disposals	–787	–978
Freight aid	–450	–250
Keolis piggyback	409	–
Other financing cash flows	40	–117
Financing (resource) / requirement	**–377**	**–1,292**
Net indebtedness at end of year	**6,106**	**6,483**

SOURCES OF FINANCING – DEBT MANAGEMENT

The financing set up by parent company in 2006 totalled €1,779 million, an increase of €710 million compared to 2005.
The year's transactions were either concluded directly in euros at a variable rate, or under initial swap converting foreign currency commitments into variable rate euro commitments.
Excluding the financing procured by Eurofima, and the Île-de-France Region and BEI loans, the transactions were all carried out under the EMTN programme of SNCF.
The most significant issues occurred in the last quarter in a context of heavy investor demand for quality bonds.
In particular, the US dollar market was the source of a 3-year $1 billion transaction which was the subject of an immediate swap contract transforming the borrowing into a euro commitment. The transaction was a success, as demonstrated by the speed of its placement, the quality of investors and the geographical breakdown.
This coincided with the keen interest shown by other investors (pension funds, asset insurers and managers) in subscribing to an SNCF bond issue on the Swiss franc market for a 15-year term. Initially amounting to 200 million Swiss francs, the subscription was quickly increased by 100 million to satisfy investor demand. All revenue from the bond issue was immediately swapped for euros.
Taking into account the aforementioned maturities and issues, the fixed-rate portion stands at 80.13% as at 31 December 2006, following the impact of the Special Debt Account equalisation payment and inter-company long-term loans.

3.3 BALANCE SHEET

(In € millions)	31/12/2006	31/12/2005
Goodwill	155	100
Intangible assets	259	187
Tangible assets	18,242	17,505
Réseau Ferré de France receivable	5,142	6,810
Other long-term investments	1,486	1,179
Equity affiliates	217	225
Total non-current assets	**25,501**	**26,005**
Inventory and work-in-progress	482	453
Operation receivables	5,042	4,895
Special debt account – Assets	213	263
Employee-related benefits service account – Assets	1,727	1,525
Cash and cash equivalents	3,429	2,402
Total current assets	**10,894**	**9,537**
Total Assets	**36,394**	**35,543**
Share capital	4,971	4,521
Consolidated reserves	241	–1,031
Consolidated net income	652	1,271
Shareholders' equity (Group share)	**5,864**	**4,761**
Minority interests	231	209
Provisions	2,028	2,006
Loans and borrowings	14,948	16,045
Operating liabilities	12,334	11,734
Special debt account – Liabilities	194	248
Employee-related benefits service account – Liabilities	797	540
Total liabilities	**28,272**	**28,567**
Total liabilities and shareholders' equity	**36,394**	**35,543**
Net debt/equity	1.0	1.3
Net debt/quasi-equity	0.8	0.9
Net debt / Cash from operations (*)	4.0	4.5

(*) based on pro forma cash

There were significant changes in the SNCF Group balance sheet in 2006:

- the €0.7 billion increase in tangible assets reflects the Group's ongoing capital expenditures, particularly in terms of rolling stock and upgrading as part of the East European TGV, as well as the impairment of Freight assets;
- continuing payment of the RFF receivable, which has been reduced

by 25% to reach €5.1 million;
- the increase in investments is related to the piggyback of Keos securities;
- the net cash position continues to improve: total marketable securities and cash and cash equivalents thus amounted to €3.4 billion, up 43%;
- because of net income, equity increased by 23% to €5.9 billion; consolidated reserves are now positive.

The debt ratios continue to improve: the net debt/equity ratio decreased from 1.3 at the end of 2005 to 1.0 at the end of 2006, and the net debt / cash from operations ratio decreased from 4.5 at the end of 2005 to 4.0 at the end of 2006.

3.4 FINANCIAL RELATIONS WITH THE FRENCH STATE, RÉSEAU FERRÉ DE FRANCE AND LOCAL AUTHORITIES

SNCF receives public service orders, as is the case with any public service agent or supplier to the French State and local authorities, but in a monopoly legislative and regulatory framework. In addition to operating and investment subsidies primarily received for the activities of the Public Transport Division, SNCF also receives compensation for off-balance sheet financial and social security expenses. The compensation is based on European Union regulations intended to equalise the conditions for competition between rail and other forms of transport.

PUBLIC SERVICE ORDERS

(In € millions)	2006	2005	Change 2006/2005	
			IN € MILLIONS	IN%
Compensation of GI by RFF	2,695	2,649	45	1.7%
including management agreement	764	739	25	3.4%
including asset agreement	1,931	1,910	20	1.1%
Work for RFF	1,118	1,029	89	8.6%
Total RFF	**3,812**	**3,678**	**134**	**3.6%**
Compensation for regional rates	302	266	37	13.8%
Services for the Organising Authorities	2,109	1,973	136	6.9%
including infrastructure fees	489	469	20	4.3%
Total Regions and STIF	**2,412**	**2,239**	**173**	**7.7%**
Newspapers	6	7	–1	–10.1%
Socially motivated prices	83	102	–19	–18.8%
Defence	163	151	13	8.4%
Total State	**252**	**259**	**–7**	**–2,8%**
Total	**6,476**	**6,176**	**300**	**4.9%**

The 2006 signature of an amendment to the agreement covering asset management and the annual traffic and circulation management lump-sum adjustment explain the €45 million increase in the line item.

The €89 million increase in work for RFF is related to higher business volume, particularly for the East TGV project, as well as an increase in renewal and development operations for rail installations.

The €136 million increase with respect to services for transport Organising Authorities is attributable to the positive change in the indexing of lump-sum STIF and TER payments and the direct transfer of RFF infrastructure fee increases to the regions and STIF.

SUBSIDIES AND COMPENSATION FOR FINANCIAL AND SOCIAL SECURITY EXPENSES

Contributions granted to the parent company by the State and local communities are presented in the following table:

(In € millions)	2006	2005	Change 2006/2005	
			IN € MILLIONS	IN%
Operating subsidies	21	22	–1	–4.5%
Investment subsidies received	852	735	117	15.9%
Pensions	2,636	2,552	84	3.3%
Special debt account	627	677	–50	–7.4%
State aid with the Freight Plan	450	250	200	80.0%
Total	**4,586**	**4,236**	**350**	**8.3%**

Public contributions included in net income

Operating subsidies
Essentially, these are subsidies of a social nature paid to companies by the State in connection with its employment policy (employment for youth and other specific contracts).

Other payments received without impact on net income

Investment subsidies received
SNCF receives investment subsidies in the form of third-party financing, primarily from local authorities, for TER rolling stock.
Investment subsidies are recorded as deferred income and released to operating income (deducted from Depreciation, amortisation and provisions) over the estimated economic life of the relevant assets.

Retirement benefits (equalisation contribution - Article 30)
Retirement benefit commitments primarily result from the Law of 21 July 1909 defining the special regime applicable to SNCF employees and Article 30 of the SNCF terms of reference defining, with effect from 1 January 1970, the terms and conditions under which the French State assures the financial balance of this regime, in compliance with the 1969 regulation.
In return for the payment by SNCF of "standard" contributions to the Pension fund, the French State pays a contribution under Article 30 of the SNCF terms of reference. The "standard" contribution rate is determined based on SNCF contributor and pensioner populations, adjusted for demographic imbalance compared to that of other common law pension schemes. The contribution rate was regularly reviewed until 1990. The Decree of 27 February 1991 set it at 36.29% of total payroll costs, broken down between employee contributions of 7.85% and employer contributions of 28.44%.

In addition, the new benefits specific to the SNCF scheme, created in 1990, compared with the benchmark scheme, are financed by SNCF and its employees. The different benefits relate to the definition of the liquid pension base (successive integration of residence compensation percentages, implementation of the new remuneration system) and an increase in the minimum pension level. For 2006, the rate financed by the Company was set at 5.29% of the total liquid payroll.

Special debt accounts (annual State contribution)
In accordance with the corporate plan ("contrat de plan") signed by the French State and the parent company in 1990, and in the spirit of European Directive 91-440, adopted a few months later under the French presidency, a Special Debt Account was set up on 1 January 1991. This account has no independent legal status, although separate accounting records are kept by the parent company.
The role of this account is to isolate part of the SNCF debt, in respect of which interest and capital payments are essentially made by the French State. The debt transferred to the Special Debt Account remains there until extinction and no longer appears on the SNCF balance sheet.
Special Debt Account resources consist of an annual contribution from the French State of €627 million in 2006 and an annual payment by the parent company of (€16 million in 2006).

Recapitalisation of SNCF Freight
The French authorities have implemented support measures for SNCF Freight as part of a restructuring plan whose objective is to provide the entity with a sound financial organisation enabling long-term growth in France and in Europe.
Accordingly, on 2 March 2005, the European Commission authorised a financial contribution to SNCF Freight for a maximum amount of €1.5 billion, breaking down into a €700 million payment by SNCF and a maximum payment of €800 million by the French State. The first tranche of the planned instalments was paid by the French State in March 2005. The second and third tranches were paid on 22 November 2006 and recorded as a share capital increase in accordance with the decision of the French State and the European Commission.

3.5 HUMAN RESOURCES

SNCF is among the top recruiters in France. Between 1997 and 2006, more than 65,000 young people were recruited. Recruitment will continue at a steady pace in 2007, with 4,710 hirings planned for the SNCF parent company, half of which will be in Ile de France.
The 2006 SNCF wage agreement, signed on 30 June 2006, will extend the 2004 and 2005 agreements. It represents a new step for low wages and significantly improves remuneration and pensions.
At the end of October 2006, a new agreement to assist SNCF employees in terms of mobility (change in job or reconversion) was signed by five trade unions (CFDT, UNSA, CFE-CGC, FGAAC and SNCS).

GROUP EMPLOYMENT

In terms of the Group employment trend, the workforce declined slightly by 1.2% on a comparable Group structure basis. This was the result of a reduction in parent company employees as part of the Freight plan, and Infrastructure productivity efforts. The decreases at Naviland Cargo and Seafrance, following the reorganisations, were offset by substantial increases relating to the development of activity at Effia, VFE Partenaires, Systra or AREP.

	2006	2005	Change
		PRO FORMA	PRO FORMA
SNCF [1]	168,386	170,954	–2%
Geodis Group	23,768	23,733	0%
STVA Group	1,899	1,911	–1%
Seafrance	1,446	1,597	–9%
Other subsidiaries and equity investments	6,243	5,921	5%
Total	**201,742**	**204,115**	**–1%**

(1) Paid employees, including 650 employees seconded to Group subsidiaries.

The average number of management employees in 2006 totalled 164,407 compared to 166,629 in 2005 (-1.3%)

Changes in the number of employees over the last four years reflect changes in Group structure at the subsidiary level:

	2006	2005	2005	2004	2003
		PRO FORMA	PUBLISHED	PUBLISHED	
Parent company [1]	168,386	170,954	170,954	175,416	180,339
Subsidiaries	33,356	33,161	34,885	54,461	63,605
Total	**201,742**	**204,115**	**205,839**	**229,877**	**243,944**

(1) Paid employees

4. ACTIVITY AND RESULTS BY DIVISION

SNCF Group conducts three strategical core businesses that are supported by common operations. Division contributions to revenues, gross operating income, and net income from ordinary activities break down as follows:

(In € millions)	Long-distance Passengers	Transport and Logistics	Infrastructure and Engineering	Common Operations and Investments	Group
Division revenues	11,131	6,595	4,468	–320	21,874
Gross operating income	1,604	202	0	183	1,990
Net income (loss) from ordinary activities	700	–103	–72	170	695

4.1 PASSENGER

All passenger transport activities and related services have been combined in the "Passenger" core business. There are two divisions: Long-distance Passengers France & Europe and Public Transport.

(In € millions)	2006	2005	Change IN%
Division revenues	11,131	10,545	6%
Gross operating income	1,604	1,544	4%
Net income (loss) from ordinary activities	700	647	8%
Net income from ordinary activities / revenues	6.3%	6.1%	0.2%

THE LONG-DISTANCE PASSENGERS FRANCE & EUROPE DIVISION CONTINUES TO POST PROFITABLE GROWTH

The Long-distance Passengers France & Europe Division encompasses the TGV, Corail and Europe (Eurostar, Thalys, Lyria, etc.) carriers, and the related service providers, Stations and Staging Points, Distribution (with among others Voyages-sncf.com), Train Management and their administrative support functions and information systems.

(In € millions)	2006	2005	Change IN%
Division revenues	6,249	5,963	5%
Gross operating income	1,203	1,125	7%
Net income (loss) from ordinary activities	725	652	11%

The 5% revenue increase reflects the impacts of the Division's marketing policy, which boosted the average occupancy rate for national TGVs with strong growth in first class. IDTGV also continued to grow with Paris-Bordeaux and Paris-Nice launches. Along with high-speed transport, up by 6.5%, Corail continues its renewal with Téoz equipment on the southern cross-span and the upgrade of Lunéa night equipment.
High-speed transport recorded solid performances at the international level as well, including:
• Eurostar, which posted revenue growth of 10.4%, benefited from competitive and appealing products among other advantages.
• Thalys revenues rose by 6.3%, an increase of 21% over three years. In a climate of intense competition from the airlines, these excellent results were driven by major advertising campaigns and the Football World Cup in Germany.

The numerous milestones of 2006 highlight the success of the Long-distance Passengers France & Europe Divisions from all points of view: technology, regional development, travel concept, etc.
• 25th anniversary of the TGV: The commissioning of the East European TGV in June 2007 will mark a new stage in its development.
• 10th anniversary of Thalys: With over 50 million passengers carried, Thalys will accelerate its advance by 2010 with new services and a reduction in travel time.
• 10th anniversary of the "Junction" (TGV interconnection in Île-de-France): since its launch, this high-speed line has carried nearly 110 million passengers and its capacity will grow with the East European TGV.
• 5th anniversary of the Mediterranean TGV: the line has been used by more than 100 million passengers. With the construction of new high-speed lines (Perpignan–Figueras, Provence–Alpes-Côte-d'Azur and Rhine–Rhône) over 10 million passengers will be able to use the Mediterranean TGV between 2009 and 2011.

With regard to distribution, the Voyages-sncf.com business volume increased by 33%. Train ticketing represented 85% of the site's overall business volume. Sales for the travel agency site (airline, hotel, holiday packages and vehicle leasing) were up 28% compared to 2005. During the year, there were 21 million on-line transactions with 5.2 million customers. Based on figures from Médiamétrie, average monthly site visits have increased from 7.5 to 9 million, with a 38% penetration rate, compared to 25% in 2005. In 2006, two new customer support tools were created for travel, including EcoComparateur®(EcoComparer).

International sales for the Rail Europe subsidiaries were up an average of 7.5% in relation to 2005, but there were contrasting trends with clear increases on South-American markets, stability on Asian markets and more selective North American markets.

The Division's gross operating income increased by 7% as result of revenue growth initiatives combined with a policy for controlling operating expenses that remains voluntary.

Outlook for the Long-distance Passengers, France & Europe Division

Fiscal year 2007 will be highlighted by the launch of the East European TGV in June. The new trains are already circulating on the standard line and have been serving the Paris Est, Metz and Luxembourg stations since June and the Nancy and Strasbourg stations since August 2006. This represents an opportunity to break in the new East European Technocentre (TGV workshop) and to familiarise Eastern France customers with the TGV and its benefits in terms of comfort and services. On 6 February 2007, SNCF presented the fare range for the East European TGV , and tickets will be available as of 10 April 2007. A low-fare policy (PREMs, iDTGV launch for Paris-Strasbourg-Mulhouse in October 2007, etc.) and promotional offers will accompany the new services.
There will also be some specific growth drivers for the activity in 2007:
• the Rugby World Cup, to be held in France in the fall and already generating substantial demand from groups, will drive sales upward;
• the end of work on the Paris Est station will mean the reopening of local station businesses;
• improvements in Eurostar travel time and services will boost traffic. As of 14 November 2007, it will be possible to travel between London and Paris in 2 hours and 15 minutes, thanks to the commissioning of the High Speed One line. In addition, Eurostar will now arrive at Saint Pancras International station, with far more connections than Waterloo International.

THE PUBLIC TRANSPORT DIVISION EXPERIENCED ITS STRONGEST GROWTH IN 2006

The Public Transport Division encompasses all the Group's local transport activities: medium distance links (Corail Intercity), rail transport regulated services (TER, Transilien, Chemins de Fer de la Corse and the Keolis UK subsidiaries) bus, tramway or subway (Keolis) and complementary services (Effia).

(In € millions)	2006	2005	Change IN%
Division revenues	5,778	5,478	5%
Gross operating income	401	419	–4%
Net income (loss) from ordinary activities	–25	–5	–415%

The Division's activities benefited from a buoyant economy and the traffic increase compared to 2005 increased revenues by 5%.
At the same time, net income from ordinary activities declined by €20 million, due to a substantial rise in operating expenses relating to energy costs and the differential between the change in overheads and the indexing of operating contributions.

While weighing on gross operating income and net income from ordinary activities the substantial efforts have, in fact, enhanced the offering's appeal. These efforts involved a two-fold strategy:
- overhaul of the commercial offering in terms of a simplified fare range and innovative ticketing such as "Tikephone" enabling ticket purchasing via mobile phone or TAPAS (annual card with automatic payments) so that customers can benefit from an annual subscription with monthly instalments;
- upgrade of client contact services, particularly with the launch of "infotrafic" (customer information on train punctuality), development of the ACCEA range (multimodal information solutions, public transport access support for Persons with Reduced Mobility, etc.) and the opening of 16 regional Customer Relations Centres whose responsibilities range from sales coordination to after-sales service;

Fiscal year 2006 also represented a major step in terms of contractualisation with the Organising Authorities. Of the 13 regional TER agreements that expire in 2006:
- 2 were renewed in 2006: Provence-Alpes-Côte d'Azur and Franche-Comté;
- 3 agreements were extended: Basse- and Haute-Normandie for one year (they will be renegotiated and if possible signed in 2007), and Champagne-Ardenne for 2 years;
- 4 agreements were renewed in 2007 (Languedoc-Roussillon, Poitou-Charentes, Bourgogne and Bretagne) and 4 other agreements should be signed in 2007 (Centre, Rhône-Alpes, Picardie and Lorraine).

Keolis

Keolis is consolidated under the equity method. After amortisation of goodwill, the Keos group's contribution to the earnings of equity affiliates amounted to +€13 million, compared to –€10 million in 2005.
Keolis is pursuing its development policy and the rebalancing of its activities between France and Europe. It has repositioned itself on its main markets, namely: the United Kingdom, Germany, Scandinavia, Belgium and the Netherlands. With its UK partner GoAhead, the Kent rail concession began operations in April 2006, for a term of 8 years.
In France, Keolis is the leading private operator in passenger public transport. The renewal rate for municipal contracts is satisfactory (Boulogne, Alès), as new contracts (Saint-Malo, Angers, Marmande) offset contracts lost (Chartres, Valence, Saint-Brieuc). These movements demonstrate the accelerated rotation of the contract portfolio.

Outlook for the Public Transport Division

Capital expenditures for the Division will continue in 2007, at a steady pace: acquisition of thermal and electric railcars for the TER, station upgrades, etc.
The high level of TER passenger traffic should continue in 2007, driven by development of the offering and a dynamic fare policy similar to that of the intermodal offer launched in December in Languedoc-Roussillon, or the new inter and multimodal range in Rhône-Alpes.
The commissioning of the East European TGV will develop TER traffic with the opening of complementary services, but will, conversely, reduce Corail Intercity services.
Growth drivers will nevertheless emerge for Corail Intercity traffic, thanks to investments in promotional operations and communication campaigns.
For Transilien, 2007 will be the year of negotiation with the organising authority, the Syndicat des transports d'Île-de-France. With respect to the TER, three new regional agreements will expire by the end of 2007 (Pays de la Loire, Midi Pyrénées, and Nord Pas de Calais).

4.2 TRANSPORT AND LOGISTICS

Transport and Logistics encompasses all the Group's freight and logistics activities for both rail and road transport.

(In € millions)	2006	2005	Change IN%
Division revenues	6,595	6,448	2%
Gross operating income	202	193	5%
Net income (loss) from ordinary activities	–103	–116	11%
Net income from ordinary activities / revenues	–1.6%	–1.8%	0.2%

Revenues increased by 2%. Growth in the Geodis activity (+€163 million) largely offset the revenue losses of SNCF Freight (–€31 million).
Transport and Logistics remains loss-making by –€103 million in terms of net income from ordinary activities. The €13 million decrease in the net loss from ordinary activities stems from the increase in net income of Group companies, which rose from +€106 million in 2005 to +€157 million in 2006.

SNCF FREIGHT

In the midst of labour unrest in the form of national and local strikes, SNCF Freight activity suffered a brutal and unexpected setback. The labour unrest had repercussions on a national scale in terms of transport, the level of service quality and production (saturation of Bourget marshalling yard, etc.). The switch to other transport modes by certain customers, in an aggressive sales environment that was more intense than expected, combined with the change in traffic structure, eroded revenues by 2% compared to 2005.
The decline impacted the course of the activity's turnaround that had been forecast as part of the 2004-2006 Freight plan. Hence, the plan's financial objectives, which had called for a return to break-even in 2006, were not met.
SNCF Freight contributed a loss of –€260 million to Group net income from ordinary activities, up €38 million compared to 2005.
Aside from the decline in activity, the deterioration of net income from ordinary activities is attributable to:
- the higher infrastructure fees paid to RFF, and specifically the rail rights of way, which impacted Freight in particular;
- an increase in energy costs that was not offset by lower traffic.

The creation of SIBELIT put an extra burden on transport services but limited inter-connection fees.

GEODIS

At €3,785 million, the Geodis contribution to SNCF Group revenue increased by 4.3% on a like-for-like basis in terms of Group structure and exchange rates.
In France, annual growth continued to be underpinned by Parcel Delivery and Express activities, which generated significant volumes in the last quarter of 2006, as well as the air and maritime forwarding activity. These growth figures were somewhat mitigated by lower volumes with respect to high-tech logistics contracts and the slow-down in automobile production.
In Europe, the annual growth in revenues arises from a conjunction of the following elements:
- Activity in Italy renewed with growth in 2006;
- the development of new contracts in Eastern European countries and Germany continued.

Asia and the rest of the world again posted significant growth with major development driven by air and maritime forwarding activity in China.

The turnaround of European loss-making centres and the steady results in France tempered the lower results of the Asia zone. However, the termination of this zone's loss-making operations had a favourable impact on the second half of 2006.
Geodis has published its financial statements according to IFRS since 2005. Based on these standards, Geodis generated a net operating income of €106 million in 2006, an increase of €21 million compared to 2005.

VEHICLE TRANSPORT

There was an overall decline in the Group's vehicle transport activity in 2006, the result of a falling French automobile market and a European market that rose but slightly.
STVA was nevertheless able to maintain a steady activity (contributing €315 million to revenues) and increase its contribution to net income from ordinary activities by €5 million, bringing it to €17 million. STVA gained a fully international rail traffic, and the solid results of the German subsidiary were boosted by anticipated vehicle purchases prior to the VAT hike on 1 January 2007.

COMBINED TRANSPORT

NAVILAND CARGO posted promising results in 2006. The final phase of realignment on maritime combined transport gave rise to a 30% drop in revenues compared to 2005 (from €90 million to €63 million), and a return to break-even for its results, with a contribution to Group net income from ordinary activities of +€1 million in 2006, compared to –€24 million in 2005.

PORT AND SHIPPING LOGISTICS

At €242 million, the SEALOGIS contribution to revenues was up 3%: its activity was steady in terms of port handling, as well as freight forwarding and logistics. The contribution to net income from ordinary activities is stable at €3 million.

TERMINAL TRANSPORT

At €68 million, the VFLI contribution to revenues improved by 6% compared with 2005, while its contribution to net income from ordinary activities increased from €2 million to €5 million.
The 2006 performance benefited from the initial impacts of the industrial reorganisation. VFLI has positioned itself as a local rail operator, thus confirming its development of the current core business (ITE operator), SNCF Freight sub-contracting and Réseau Ferré National traffic. However, VFLI will have to gradually withdraw from the locomotive renovation business.

FREIGHT CARS

Ermewa

The Ermewa contribution to Group earnings rose by 12% in terms of revenues, standing at €199 million, and 16% with respect to net income from ordinary activities, amounting to €14 million.
The increase in activity is essentially due to the trans-container sector, which stimulated all activity zones, and Asia in particular.
The industrial freight car sector was restructured in 2006 in order to market the pool under a single trade name.

France Wagons

The contribution of France Wagons to revenues was up 30%: from €25 million to €33 million, the result of the ongoing policy to expand the customer base for cars restored by SNCF Freight.
The contribution to net income from ordinary activities increased substantially, from €15 million to €26 million.

2007 OUTLOOK FOR TRANSPORT AND LOGISTICS

In the short term, SNCF Freight must quickly adapt to the new situation arising from the arrival of competitors with highly aggressive sales tactics, which will necessitate an additional effort to remain competitive.
To renew with growth, the company's management has opted to transform Freight within SNCF. This voluntary ambition requires the mobilisation of the entire company to:

- raise Freight to the level of quality and productivity required by industrial customers;
- create the conditions for a level playing field with competitors;
- gain markets and therefore the means to ensure profitable development.

For the specific combined transport segment, SNCF Freight intends to pursue the offensive launched in 2006. The company is proposing a multi-shipping offer to the maritime segment intended for all international ship-owners and forwarding agents as part of a quality service on a European scale. Following the set-up of a shuttle system via direct trains, which was extended to new traffic in August 2006 (Rungis-Perpignan and Lyon–Marseilles), other service development projects are currently being analysed.

In 2007, SNCF Group will create Transport et Logistique Partenaires, an industrial holding company, in order to link up the Freight subsidiaries excluding Geodis. The link-up of the freight transport and logistics subsidiaries to a division holding company is intended to strengthen the industrial synergies among the various players and create new customer service solutions.

Scheduled to conclude by the end of 2006, the experimental phase of the Alpine Rail Motorway was extended by 2 years, pending completion of the B1 sizing operations for the Fréjus rail tunnel. Its commissioning, planned for 2008, will enable the transport of all types of equipment and offers the prospect of a long-term rail motorway with greater capacity.
The rail motorway that will link Southern Luxembourg and Perpignan was inaugurated in March 2007. A company known as Lorry Rail was created between Chemins de Fer Luxembourgeois, SNCF Group, Autoroutes du Sud de la France, Caisse des Dépôts et Consignations and Modalhor.

4.3 INFRASTRUCTURE AND ENGINEERING

Infrastructure and Engineering encompasses the delegated management of Infrastructure (SNCF) and Engineering (Systra, AREP). Since 2006, it has included SNEF, previously consolidated in the Common Operations and Investments Division, and the newly created INEXIA subsidiary.

(In € millions)	2006	2005	Change IN %
Division revenues	4,468	4,359	2%
Gross operating income	0	19	–100%
Net income (loss) from ordinary activities	–72	–43	–69%
Net income from ordinary activities / revenues	–1.6%	–1.0%	–0.6%

On a comparable Group structure basis, the Division's revenues increased by 2% compared to 2005. It posted a net loss from ordinary activities of €72 million, an increase of €29 million, despite the momentum of subsidiaries.

TRAFFIC MANAGEMENT AND INFRASTRUCTURE WORK

Fiscal year 2006 was a turning point in terms of contractualisation with RRF:

- step-up of the new framework agreement concluded with RFF in December 2005 for the "SNCF Entrepreneur" services which introduces the "payment for services" principle;
- finalisation of the new draft agreement for the long-term management of traffic and circulation on the national rail network and the maintenance of this network. Pending final approval of the draft, the two parent companies have drafted an amendment to the 2005 agreement that includes certain changes, including the treatment of major repairs.

Activity for 2006 was also marked by:

- continuing construction of the East European TGV, representing €227 million in revenue in 2006, compared to €292 million in 2005. The notable advances made in 2006 were substantiated with the charging of the overhead contact lines for two thirds of the total high-speed line and the commissioning of a series of major IT workstations for RFF.
- renewal and development work, which reached €1,557 million in 2006, for revenues of €850 million, an increase of 21%.

The steady activity in 2006, particularly for the services associated with investments, and the productivity and optimisation measures contributed significantly to the division's results.

The economic performance of SNCF Infrastructure has not improved in a context of inflated commodity prices and despite a substantial output and optimisation effort for productivity.

Net income from ordinary activities declined by €33 million (loss of €84 million).

ENGINEERING AND ASSET MANAGEMENT

Fiscal year 2006 was highlighted by the significant international development of Systra, AREP and SNCF International.

Systra (jointly held with RATP) posted 20% revenue growth and contributed €103 million to the Division's revenue. This growth was particularly evident in America and the Middle-East. The contribution to the Division's net income from ordinary activities stood at €3.6 million.

AREP et SNCF International are developing their activities, particularly in Asia (China, Taiwan, etc), by exporting SNCF know-how in architecture (AREP) and training conductors (SNCF International). Revenues have grown, respectively, by 39% and 42%, standing at €13 million and €17 million. Their individual contribution to the Division's net income from ordinary activities is €0.7 million and €1.3 million.

2007 OUTLOOK FOR INFRASTRUCTURE AND ENGINEERING

The operation of the Eastern high-speed line, as of May 2007, is also a major challenge for Infrastructure. Sales performances will, in fact, depend on the quality of operations and maintenance. The new East European sub-division of Pagny-sur-Moselle is preparing to oversee and maintain 300 km of line. In addition to the technical issues, there is a technological challenge: the high-speed line will be the first to be equipped with the GSM-R digital telecommunications network, and the European Rail Traffic Management System (new signalisation system standardised at the European level) will be installed alongside the standard signalisation of French high-speed lines.

The work conducted by Infrastructure will evolve. The government's adoption of the network upgrade plan in May 2006 will mean greater investments in renewal, and ultimately, lower day-to-day maintenance.

4.4 COMMON OPERATIONS AND INVESTMENTS

Common Operations and Investments encompasses the Group's support functions, the Equipment and Traction service providers, the real estate activities and a few subsidiaries such as Seafrance. Infrastructure was consolidated by SNEF as at 1 January 2006.

EQUIPMENT AND TRACTION

Industrial production (equipment overhaul and transformation) and production for stock has declined in relation to 2005, but remain steady considering the major rolling stock upgrades. Deliveries of new equipment remained at a high level, as all activities were concerned. Projects to optimise production chains are now being rolled, which will generate productivity gains beginning in 2007.

REAL ESTATE

In 2006, the Group continued to reorganise its housing assets. The management of the non-HLM housing assets has been confided to the ICF group (formerly SICF), and in particular to its subsidiary Novedis (formerly SFCI). The SNCF and Pension Fund housing contributions to Novedis are scheduled over four years and began in the second half of 2006.

The housing division's contribution to revenues increased by €6 million, standing at €81 million. Net income from ordinary activities amounted to €3 million, compared to €17 million in 2005, burdened by financial expenses for the financing of acquisitions.

MARITIME TRANSPORT

In 2005, Seafrance had to face an accumulation of difficulties involving port facilities, labour relations and technical issues which affected its economic performances. In 2006, thanks to its restructuring, the company has developed its responsiveness, adjusted its services and costs and become fully reliable.
The Seafrance contribution to Group revenues stood at €227 million, up by 18% compared to 2005, and its contribution to net income from ordinary activities returned to the black at €8 million (compared to a loss of €15 million in 2005).

ELECTRICITY PRODUCTION

SHEM continued to be consolidated according to the equity method until 21 December 2006. It contributed €1 million to earnings of equity affiliates.

5.
TRANSITION TO IFRS

SNCF Group should publish its first IFRS consolidated financial statements for the period ending 30 June 2007 no later than 31 August 2007. Compliance with this obligation requires the production of four sets of financial statements: IFRS opening balance sheet as at 1 January 2006 and effective as at 1 January 2006, in accordance with the legal obligations, IFRS 2006 half-yearly financial statements (comparative income statement), IFRS 2006 annual financial statements (comparative balance sheet) and IFRS 2007 half-yearly financial statements. IFRS pro forma financial statements as at 30 June 2006 will be added if necessary, taking into account any material changes.
The impact analysis of the IFRS transition, which was presented to the audit committee meetings of 6 December 2006 and 9 February 2007, and the Board of Directors' meetings held in December 2006 and February 2007, demonstrated that changes and legal confirmations are necessary to avoid the presentation of an extremely negative equity position in SNCF Group's consolidated financial statements. Although such a situation would in no way alter SNCF's ability to meet its obligations and would not diminish employee rights, there would be a considerable problem in terms of financial statement clarity.

The main impacts would concern employee benefits, financial assets and liabilities and tangible and intangible assets.

5.1 EMPLOYEE COMMITMENTS

Under IFRS, companies are required to record post-employment benefits in balance sheet liabilities, and the expected funding contributions in balance sheet assets. The main SNCF employee benefits covered by IAS 19 concern the pension plan and its amendments, supplementary health insurance, social welfare initiatives, compensation for work-related accidents and travel privileges.

- Under these standards, it appears that the most complex and significant IFRS treatment will concern the SNCF special pension plan, in terms of impact on the financial statements.

A solution to avoid a 30 June 2007 presentation of particularly negative equity, bearing no relation to any actual change in the company's economic and financial situation, was proposed to the SNCF Group Board of Directors on 11 April 2007. The Board examined draft degrees that would organise the creation of a legal entity independent of SNCF and the payment of contributions to this entity releasing SNCF from any liability.

This plan complies with three neutrality principles: employee neutrality, including the personnel of the SNCF Caisse de prévoyance et de retraite (medical care and pension fund), accounting neutrality: no disruption to the accounts, and financial neutrality for the French State and SNCF.
Under IFRS, the funding of the contribution paid by the SNCF medical care fund to the Caisse nationale d'assurance-maladie des travailleurs salariés (national health insurance fund for salaried employees) with respect to retired employees, which is in fact assumed by SNCF, represents a commitment to be provided in balance sheet liabilities. This contribution's assessment is outlined in the notes to the financial statements (off-balance sheet commitments).

- A solution to avoid a 30 June 2007 presentation of particularly negative equity, bearing no relation to any actual change in the economic and financial situation, was proposed to the SNCF Group Board of Directors on 11 April 2007. The Board examined draft decrees regulating the neutralisation of medical care commitments.

- Other benefits granted to personnel have been identified as commitments that should be provided in the IFRS opening balance sheet: social welfare initiatives, compensation for work-related accidents, as outlined in the notes to the financial statements, and travel privileges. As no information was available for the latter benefit, the IFRS notes to the financial statements will contain a disclosure as to its nature and the lack of figures.

5.2 FINANCIAL ASSETS AND LIABILITIES

The major impact involves the change in accounting treatment of the Special Debt Account, as the IFRS require consolidation of the account's debt in the balance sheet liabilities of SNCF.
To prepare all the financial statements for publication no later than 31 August 2007, the State and SNCF have confirmed their respective commitments concerning the mechanisms used to finance and manage the debt transferred to the Special Debt Account, which have been in force since its creation in 1991. The balance sheet consolidation of the Special Debt Account's debt and cash flows will have a limited impact on the Group's consolidated equity.
Derivatives such as swaps covering other financial assets and liabilities should be recorded in the balance sheet. Lastly, to treat the complex case of the RFF receivable, which reflects the debt economically transferred in 1997, SNCF will have recourse to a US accounting standard, as provided for under IFRS when the treatment is not covered by IFRS. Thus, the current accounting treatment will not be disrupted.

5.3 TANGIBLE AND INTANGIBLE ASSETS AND ASSET IMPAIRMENT

The application of IFRS (IAS 16) for the treatment of tangible assets resembles the provisions of the asset regulations, applied since 1 January 2005, particularly in regard to the accounting life, which now corresponds to the useful life, which is to say the period during which the company expects to use the asset, and the component approach, which separates the various elements of an asset, if the useful lives are separate.
However, SNCF Group has adopted certain options proposed under the French regulations that are not provided for under IFRS, thus necessitating IFRS restatements:

- first-time adoption of net carrying amounts treated prospectively (2005) in the French GAAP financial statements; under IFRS, the approach would be retrospective in the opening balance sheet (01.01.06);
- provision for major repairs in the French GAAP financial statements, inadmissible under IFRS and restated based on components.

There is no major divergence between the French regulations and IFRS (IAS 36), in terms of asset impairment. The main impacts expected for equity and Group earnings will stem from asset valuation differences pursuant to IAS 16 (retrospective method).

6. CORPORATE GOVERNANCE

The Board of Directors of the industrial and commercial public enterprise SNCF comprises eighteen members:

- Seven representatives of the French State appointed by decree, based on the report of the Transport Minister:
  – two 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 Planning and Regional Development;
  – one at the recommendation of the Minister for Industry;
  – the Chairman of the Board appointed from among directors and at their recommendation by a Council of Ministers Decree.

- Five members chosen for their expertise and appointed by decree:
  – a representative of passengers;
  – a representative of shippers;
  – two local counsellors chosen for their knowledge of regional, department and local rail-related matters;
  – an individual chosen for his personal expertise in the transport sector.

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

A Council of State ("Conseil d'État") decree lays down the parent company bylaws and sets the procedures for the appointment and election of Board members.
Board members are appointed for a five-year term of office. A director may not exercise more than three 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 and commissions 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 (CCE) also have a seat on the Board.
The Board of Directors meets monthly.

In the effort to modernise the Board of Directors' governance, a draft reform was approved by the Board on 22 February 2006. It was substantiated by the adoption of new internal regulations by the Board of Directors and each of its Committees and the formalisation of a Director's Charter.

Four Committees have been created to ensure the Board of Directors is fully informed on current issues and to help in decision-making:

- **Strategic Committee,** responsible for reviewing the annual and long-term strategic and financial directions of parent company and the Group, as well as operations involving Group structure;
- **Audit and Risk Committee,** responsible for reviewing the annual and half-yearly 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;
- **Public Transport Agreements Committee,** responsible for monitoring rail transport agreements between local authorities and public institutions and SNCF.

In early 2006, the SNCF Board of Directors carried out its commitments vis-à-vis the European Commission with respect to the delegation of the Freight managing director's powers, in return for the Commission's approval of the Freight Plan.

EXECUTIVE COMMITTEE

The Chairman appoints the members of the Executive Committee and defines their tasks. The Executive Committee collectively reviews, at the initiative of the Chairman or on the proposal of one of its members, development and strategic projects necessary to Group development. The Chairman approves decisions concerning all matters reviewed by the Executive Committee. Within their areas of expertise, Executive Committee members are delegated powers by the Chairman enabling them to act and decide in his name. The powers delegated carry authority over all Company bodies.
The Executive Committee relies on a certain number of specialised committees to carry out its work. Strategic Executive Committee, Division Meeting Committee, Support Function Coordination Committee, Customer Service Committee and plenary Executive Committee.

The SNCF parent company financial statements may be obtained by simple request from SNCF (Finance, Purchasing, Information Systems and Telecommunications / Accounts Management and Management Control) and can be consulted on the SNCF website: **http://www.sncf.fr**.

CONSOLIDATED FINANCIAL STATEMENTS

All amounts are in millions of euros (€ millions), unless stated otherwise

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CONSOLIDATED BALANCE SHEET

ASSETS

	31/12/2006	31/12/2005
Goodwill	155	100
Intangible assets	259	187
Tangible assets	18,242	17,505
Réseau ferré de France (RFF) receivable	5,142	6,810
Other long-term investments	1,486	1,179
Equity affiliates	217	225
Total non-current assets	**25,501**	**26,005**
Inventory and work-in-progress	482	453
Operating receivables	5,042	4,895
Special debt account - assets	213	263
Employee-related benefits service account - assets	1,727	1,525
Cash and cash equivalents	3,429	2,402
Total current assets	**10,894**	**9,537**
Total assets	**36,394**	**35,543**

LIABILITIES AND SHAREHOLDERS' EQUITY

	31/12/2006	31/12/2005
Share capital	4,971	4,521
Reserves	241	– 1,031
Retained earnings	652	1,271
Shareholders' equity	**5,864**	**4,761**
Minority interests	**231**	**209**
Provisions	**2,028**	**2,006**
Loans and borrowings	14,948	16,045
Operating and other liabilities	12,334	11,734
Special debt account - liabilities	194	248
Employee-related benefits service account - liabilities	797	540
Total liabilities	**28,272**	**28,567**
Total liabilities and shareholders' equity	**36,394**	**35,543**

CONSOLIDATED INCOME STATEMENT

	2006	2005
Revenues	**21,874**	**20,994**
Capitalised production and production for stock	1,091	1,162
Operating subsidies	28	30
Purchases and external charges	– 10,818	– 10,419
Taxes and duties other than income tax	– 859	– 811
Personnel expenses	– 9,328	– 9,157
Gross operating income	**1,990**	**1,800**
Depreciation, amortisation and provisions, net	– 939	– 969
Other operating income and expenses	– 36	5
Net operating income	**1,014**	**836**
Net financial expense	**– 319**	**– 303**
Net income from ordinary activities of consolidated companies	**695**	**533**
Exceptional items	**– 468**	**844**
Income tax	448	– 34
Consolidated net income	**675**	**1,343**
Share in earnings of equity affiliates	30	– 29
Amortisation and reversals of goodwill	– 16	– 10
Consolidated net income	**688**	**1,304**
Net income excluding Group	**37**	**32**
Net income for the year (Group share)	**652**	**1,271**

The net income before impairment of the Freight assets and first capitalisation of the deferred taxes of the parent company amounts to €787 million.
The 2005 pro forma net income on a like-for-like basis (constant Group structure and accounting methods) is presented in Note 2.2.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	31/12/2006	31/12/2005
Net income of consolidated companies		**675**	**1,343**
Elimination of non-cash items or items not related to operations:			
• Net depreciation and amortisation, impairment and provisions (excluding impairment of current assets)		1,664	1,108
• Deferred tax movement		–500	–1
• Capital gains (losses) on disposal		–308	–1,001
• Other		–9	–7
Cash flow from consolidated company operations[1]	**28**	**1,522**	**1,442**
Dividends received from equity affiliates		10	8
Change in working capital requirements		–200	120
Net cash from operations		**1,332**	**1,570**
	28		
Non-current asset purchases	6	–2,557	–2,225
Non-current asset disposals		341	262
Change in loans and receivables		–27	9
Impact of changes in Group structure		446	905
Net cash used in investing activities		**–1,797**	**–1,048**
	28		
Dividends paid to minority interests in consolidated companies		–16	–9
Capital increases (decreases)	13	450	250
Capital increases subscribed by minority interests		4	7
Investment subsidies received		852	735
New loans secured		1,898 (4)	448
Loan repayments[2]		–1,421 (4)	–984
Change in marketable securities[3]		119 (4)	–260
Change in cash borrowings[3]		–579 (4)	199
Change in financial receivables		–4	–19
Net cash from financing activities	**28**	**1,303**	**367**
Movement in the cash balance	**28**	**838**	**889**
Opening cash balance		1,138	251
Closing cash balance	28	1,976	1,138
Impact of exchange rate fluctuations		0	–1

(1) Cash from operations as at 31 December 2006 amounted to €1,530 million

(2) Including RFF receivable amounts collected

(3) Portion with an initial maturity of more than 3 months

(4) Financing cash flows on net debt: €17 million. See Note 28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts are in millions of euros (€ millions), unless stated otherwise

1. ACCOUNTING STANDARDS

Pursuant to Article 25 of the Orientation Law on Domestic Transport (LOTI) of December 30, 1982, Société Nationale des Chemins de fer Français (SNCF), a state–owned industrial and commercial institution "is subject to the financial management and accounting rules applicable to commercial companies." SNCF keeps its accounting books and records in accordance with prevailing legislation and regulations in France.
The consolidated financial statements are prepared in accordance with the rules and methods applicable to consolidated financial statements, approved by the Ministerial Order of 22 June 1999 authorizing CRC Regulation 99-02 issued by the French Accounting Standards Setting Body. In accordance with the option offered under Article 9 of EC Regulation no. 1602/2002 of the European Parliament and Council of 19 July 2002, regarding the application of international standards, the SNCF Group will publish its financial statements for the first time under IFRS as of fiscal year 2007.

2. COMPARABILITY OF THE FINANCIAL STATEMENTS

CHANGES IN GROUP STRUCTURE

The list of companies included in the scope of consolidation is presented in Note 32.
The Keolis share capital restructuring had no impact on Group structure.
Three material changes in Group structure affect the comparability of the 2006 and 2005 results:
- The sale of the Sernam group in the second half of 2005 to the former management team (Financière Sernam). The Sernam group had been fully consolidated previously.
- The sale of the 35% remaining interest in Cegetel SAS to SFR on 22 August 2005, following a merger between SFR and Neuf Télécom. Cegetel had been consolidated under the equity method.
- The reintegration of the parent company ICF within the scope of consolidation as at 31 December 2005, as the regulatory limits of the Sapin Law no longer applied to ICF. The 2005 net income of ICF was not consolidated.

Pursuant to a partnership agreement signed on 6 November 2002, the SNCF Group sold the first portion of its shares in Société hydroélectrique du Midi (SHEM) to Electrabel (Suez group) on 20 January 2005 and the remainder of the capital on 21 December 2006. SHEM had been consolidated under the equity method.
On 27 September 2006, 3i, the majority shareholder of Keolis, and SNCF Group, the industrial reference shareholder, jointly decided to organise 3i's divestiture of its stake in Keolis. SNCF Group and a consortium combining AXA (acting through AXA Private Equity) and the Caisse de Dépôt et Placement du Québec (CDPQ), signed a memorandum of agreement under which the consortium undertakes to acquire a 55% majority interest in Keolis, with SNCF Group maintaining its 45% interest and remaining the industrial reference shareholder.
Pending the acquisition of a stake in the consortium's share capital, an agreement concluded between SNCF Participations and Deutsche Bank (DB) was signed on 4 October 2006, under which DB carries, as from 12 December 2006 and on behalf of SNCF Participations, 55% of the Keos financial securities sold by 3i and other shareholders.
The terms and conditions of the Keolis group's governance set forth in this agreement resulted in the SNCF Participations group retaining a significant influence on the Keolis group. The 55% additional interest carried by DB is recognised in non-consolidated investments and offset via a borrowing vis-à-vis DB.
The Keolis capital restructuring had the following impacts on the Group balance sheet as at 31 December 2006 (in € millions) :

Assets	
Goodwill	68
Non-consolidated investments	411
Total	**479**

Liabilities and Shareholders' Equity	
Borrowings	409
Banking facility	70
Total	**479**

PRO FORMA INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

The impact of changes in method and Group structure is presented in the income statement:

2005 pro forma income statement

(in € millions)	31/12/2005 Published	Changes in Group structure	Reclassification or changes in management rules	31/12/2005 Pro forma
Total revenues (1)	**20,994**	**–250**	**111**	**20,855**
Capitalised production and production for stock	1,162	–	–	1,162
Operating subsidies	30	–0	–	30
Purchases and external charges	–10,419	206	–17	–10,230
Taxes and duties other than income tax	–811	5	2	–804
Personnel expenses	–9,157	71	–51	–9,137
Gross operating income	**1,800**	**32**	**45**	**1,877**
Net charges to provisions	–969	–2	1	–970
Operating income and expenses from ordinary activities	5	1	–49	–43
Net operating income	**836**	**31**	**–3**	**864**
Net financial expense	**–303**	**8**	**–2**	**–296**
Net income from ordinary activities of consolidated companies	**533**	**39**	**–5**	**568**

(1) The difference in revenue in changes in Group structure is essentially attributable to the withdrawal of Sernam for a value of €258 million

3. ACCOUNTING POLICIES

CONSOLIDATION POLICY

Companies over which the Group exercises exclusive control, directly or indirectly, are fully consolidated.
Companies over which control is exercised jointly with a limited number of shareholders are consolidated on a proportionate basis.
Companies which the Group does not control but over which it exercise significant influence are equity accounted. Significant influence is deemed to exist when the Group holds a percentage interest of 20% or more.
Companies over which the Group exercises control or significant influence but which are not, as a whole, material to the consolidated financial statements are excluded from the scope of consolidation.
The SOCRIF sub-groups and the HLM and SICF subsidiaries are not consolidated due to the regulatory restrictions applicable to HLM (low-rental housing) companies (see Note 8).
The financial statements of consolidated and equity accounted companies are adjusted in accordance with Group accounting policies.
The financial statements of all companies included in the scope of consolidation are drawn up to 31 December 2006.

TRANSLATION OF FOREIGN COMPANY FINANCIAL STATEMENTS

The financial statements of autonomous foreign subsidiaries are translated into euros using the closing rate of exchange 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 in Consolidated shareholders' equity.

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Foreign-currency denominated transactions are translated at the exchange rate prevailing at the transaction date or at the appropriate hedge rate.
Foreign-currency denominated assets and liabilities are valued at the closing rate of exchange or the appropriate hedge rate. Any gains or losses are taken to the income statement.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Statement of cash flows is prepared using the indirect method which involves adjusting Company net income for non-cash income and expense items in order to determine cash flow from operations.
The cash balance presented in the Statement comprises cash and cash equivalents, marketable securities, deposits and cash borrowings with an initial maturity of three months or less.

GOODWILL

On the acquisition of a company, the difference between the acquisition cost of the investment and the fair value of identifiable assets and liabilities as of the acquisition date is recorded as goodwill. Operating assets are stated at their carrying value. Assets not intended for use in operations are stated at their estimated market value as of the acquisition date or, in the absence of a market value, at their expected realisable value.
Positive goodwill balances are recorded in consolidated assets and amortised over a period generally not exceeding 20 years.
Negative goodwill balances are recorded in Reserves for contingencies and losses in the balance sheet and released to income in accordance with the assumptions and objectives set at the time of the acquisition.
Goodwill values are reviewed annually based, in particular, on an appraisal of future discounted cash flows. Flows are discounted at a rate appropriate to the activity sector concerned.

INTANGIBLE ASSETS

Preliminary expenses are amortised in full in the year incurred.
Software acquired and created by the Group are amortised over a period of 1 to 5 years, depending on its forecast economic life.
Purchased goodwill and market share are amortised over a period not exceeding 20 years, commencing the date of acquisition.
Assets are valued using methods specific to each category and enabling value movements over time to be monitored. The methods adopted refer to one or more physical or financial indicators enabling such values to be monitored on a regular basis.

TANGIBLE ASSETS

Group tangible assets include assets made available by the French State, assets owned outright and assets held under finance lease agreements.

SNCF public domain real estate assets made available by the French State

The French Orientation Law on Domestic Transport (LOTI) lays down the terms of possession of assets entrusted to SNCF.
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 Group balance sheet in the relevant tangible asset accounts, to enable an economic assessment of Group performance.
Subject to legal provisions applicable to infrastructures deemed of general interest or public utility, the parent company 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.

Owned assets

Tangible assets owned outright are recorded in consolidated assets at acquisition or production cost, or at fair value upon entry into the scope of consolidation.
Production cost comprises the cost of raw materials and labour used to manufacture the assets, including that of purchased spare parts. Interest costs are not capitalised.

Maintenance and repair expenses are recognised as follows:

- all 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 for long-term major overhaul programs are subject to a reserve for major repairs;
- overhauls performed at the end of the useful life of a component, together with refurbishment and transformation costs, are capitalised in assets, from the moment they extend the useful life.

Tangible assets are depreciated on a straight-line basis over their estimated useful life (except for computer hardware depreciated on a declining balance basis over a period of 4 years).

Depreciation periods

Tangible assets are depreciated over the following periods:

Buildings and facilities:	
Land development	20 years
Shell	30 to 50 years
Improvements to buildings and facilities	15 to 25 years
Industrial plant and machinery	**15 years**
Equipment and machinery	**5 to 20 years**
Vehicles	**5 years**
Rail transport equipment	
TGV HIGH-SPEED TRAINS	
Structure	30 years
Interior fittings	15 years
Electric locomotives	**30 years**
Diesel locomotives	**30 years**
Motorised carriages	
Structure	30 years
Interior fittings	15 years
Passenger carriages	
Structure	30 years
Interior fittings	15 years
Freight cars	**30 years**
Rolling stock overhaul, refurbishment	**7 years**
Ferries	**25 years**
Other tangible assets	**3 to 5 years**

Provisions for impairment of tangible and intangible assets

The decrease in value of assets, resulting from causes the effects of which are not deemed irreversible, is recognised by a provision for impairment. These provisions (as is the case with depreciation and amortisation) are recorded separately in assets as a reduction in value of the corresponding elements.

Tangible assets are subject to impairment when, because of events or circumstances over the period (obsolescence, physical deterioration, significant changes in the method of utilisation, performances falling short of forecasts, decline in revenues, other external indicators, etc.), their recoverable value is permanently lower than their net carrying amount.

Impairment tests

In accordance with CRC Regulations 2002-10 and 2004-06 and Emergency Committee Notices 2003-E and 2005-D, the Group carries out impairment tests when circumstances or events indicate that assets may be impaired.

Accordingly, at each balance sheet date, the Group must assess whether there is any indication of asset impairment. Where there is such an indication, the entity must asses the asset's recoverable amount. The standard defines an asset's recoverable amount as the higher of its fair value less costs to sell and its value in use.

The value in use corresponds to the value of the future economic benefits expected from the asset's use or removal. It is assessed using discounted future cash flows determined according to economic assumptions and projected operating conditions adopted by SNCF:

- The cash flows are those determined in the business plans, which are drawn up for periods ranging between 3 and 6 years;
- Beyond this timeframe, the flows are extrapolated by applying an infinite growth rate that is close to the long-term inflation rate expected in France;
- Flows are discounted at a rate appropriate to the activity sector concerned.

The key assumptions used to determine carrying values are as follows:

Asset groups tested	Corail / Corail Intercity / TER	Infrastructure
Description of key assumptions	*Carrying value, budget and business plan*	*Carrying value and market value*
Parameters of the model:		
• Future cash flow projection period	From 2011 to 2015	2014
• Period adopted for the BP	2009	2009
• Growth rate used for extrapolation of cash flows beyond the projection period	1.8%	1.8%
• Discount rate after tax	7% – 8%	6.2% – 7.2%

Based on these figures as of 31 December 2006, an additional impairment loss of €56 million was recorded with respect to the net assets of Corail and Corail Intercity, bringing the total to €447 million. This impairment loss was recognised via equity in the amount of €326 million as at 1 January 2005.
The tests carried out for the TER and Infrastructure asset groups indicated there was no impairment as at 31 December 2006.
In addition, given the losses of **Freight** and the significant loss of ground in relation to the course charted in its 2004-2006 plan, the company had to conduct an impairment test.
It was not possible to assess the value in use, or the fair value of the Freight CGU insofar as the financial forecasts are based on action programmes that are now being defined.
Accordingly, the company conducted a certain number of partial or lump-sum assessments of the rolling stock allocated to SNCF Freight:
- for the old rolling stock, 100% or 40% write-down based on the type and age of the equipment;
- for newer equipment and firm order commitments, lump sum write-down limited to 10% given market requirements.

A provision was recognised for all assets whose net carrying value exceeded the **fair value**, less individual costs to sell.
A total write-down of €570 million was recognised for tangible and intangible assets (including assets under construction), for total non-current assets of €1.6 billion, and a contingency provision of €70 million was recognised with respect to firm order commitments.
At this stage, the company considers that this provision level represents the best estimate of impairment losses to be recognised.

LONG-TERM INVESTMENTS

Investments in unconsolidated companies and other long-term investments are recorded in the balance sheet at acquisition cost net of any impairment losses.
Impairment is recognised when the fair value of an investment is less than its acquisition cost. The fair value of an investment is its carrying value to the Group. This is determined taking into account the Group's share in net equity (potentially revalued), future profitability and, for listed companies, stock market trends.

INVENTORY

Inventory is 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.
Inventory is written down based on the age and useful life of items.

OPERATING RECEIVABLES

Loan receivables are valued at their nominal value. A reserve for impairment is recognised when there is a potential risk of non-recovery. This reserve is determined based on an individual or statistical appraisal of non-recovery risk.

MARKETABLE SECURITIES

Marketable securities are recorded in the balance sheet at the lower of acquisition cost and market value.
Bonds are recorded on the acquisition date at face value adjusted for any premiums or discounts. The year-end value includes any accrued interest receivable.
Shares in French mutual funds (SICAV) are recorded at acquisition cost net of purchase charges. At the year-end they are compared to their net asset value. An impairment reserve is booked at the year-end when the net asset value is less than the acquisition cost.
Medium-term negotiable debt instruments are recognised at acquisition cost. Interest is recorded in financial income on a time-apportioned basis.

DERIVATIVES

Derivatives traded by the Group to manage currency, interest rate and commodity risks are recorded off-balance sheet (see Note 18).
All hedging instruments used by the Group to manage long-term commitments are allocated, as a general rule, to borrowings on issue or to existing borrowings.

Currency derivatives

The Group trades on the forex market to hedge foreign-currency denominated receipts and payments linked to debt servicing and commercial activities. The Group uses futures and forward contracts, swaps and forex options.
Any unrealised gains or losses on currency options are provided for in the income statement. Forex option premiums received or paid are recognised in full in the income statement in the year of exercise.
At the balance sheet date, a provision is recognised for unrealised losses on currency financial instruments and underlying hedges.

Interest rate derivatives

Interest rate swaps and swaptions

The Group uses interest rate swaps and swaptions to hedge loan issues and manage its existing debt.
Until 2005 inclusively, option premiums received and paid were recognised in full in the income statement in the year of exercise, with the exception of the option premium for which the exercise has resulted in the definitive set-up of the interest rate swap according to the management strategy determined at the inception of options. This premium was then spread over the term of the swap recorded as a hedge.
As of the 2006 fiscal year, all option premiums received and paid are systematically recognised in full in the income statement in the year of exercise. In addition, on the sale of an option, the loss on the interest rate swap set up as part of the hedging strategy, is recorded in the income statement in the year it is incurred. It is then amortised in the income statement to offset the contractual swap.
As part of its active interest rate risk management, the Group seeks, whenever possible, to cancel existing contracts rather than carry out new hedging transactions in order to reduce the number of contracts covering the same loan and thereby reduce counterparty risk and commitment levels. Cash balances received or paid on the conclusion or cancellation of swaps are spread over the term of the underlying commitment.
When a hedging strategy does not meet the hedging criteria set by the Group, all gains or losses resulting from the strategy and its cancellation are recorded in their entirety in the year's income statement.

Interest rate forward contracts

The Group may be called on to trade on interest rate forward markets, notably when preparing a loan issue or in order to manage interest-rate exposure on floating-rate assets and liabilities. Transactions are performed on both organised markets and over-the-counter.
Income and expenses on firm futures and forward contracts are spread over the term of the underlying debt.

Commodity instruments

In order to optimize the average cost of fuel supplies, the Group trades in the petroleum hedge markets. Transactions traded primarily consist of swaps and swaptions.
Option premiums received or paid are recognised in the income statement symmetrically to and in the same period as the hedged transactions.

ISSUE PREMIUMS, DISCOUNTS AND EXPENSES, LOAN REDEMPTION PREMIUMS

When an issue is performed at below par, the discount is deducted from the liability accounts. Expenses are recorded in deferred charges in balance sheet assets.
Discounts and expenses are released to the income statement on a straight-line basis over the loan term.
When an issue is performed at above par, the issue premium is allocated in priority to the amortisation of issue expenses. The residual balance represents:

- deferred income when the premium exceeds issue expenses,
- offset issue expenses when the premium is less than issue expenses.

The residual balance is released to the income statement over the loan term.

INVESTMENT SUBSIDIES

The Group receives investment subsidies in the form of third-party financing, primarily from regional authorities.
Investment subsidies are recorded as deferred income and released to operating income (deducted from Depreciation, amortisation and provisions) over the estimated economic life of the relevant assets.

FINANCE LEASE TRANSACTIONS

Leased assets are recorded as purchases when the contract terms and conditions correspond to finance lease arrangements. Finance lease agreements are contracts whereby the lessor transfers to the lessee the right to use an asset for a given period in exchange for payment; the lessor transfers all benefits and risks inherent to ownership of the asset.
Such assets are recorded in assets at historical cost and depreciated over the same period as similar assets owned outright or public domain real estate assets made available by the French State.
Lease agreements not having the characteristics of finance lease arrangements are recorded as operating leases and only the lease instalments are taken to income.

Sale and lease-back transactions and equivalent

Sale and lease-back transactions
Proceeds from the sale of assets to a lessor under a finance lease arrangement are cancelled in net income in the year of the transaction and released to income over the term of the contract.

Other transactions
In addition, certain financial arrangements concern existing finance lease agreements. As the existing equipment financing structure is not altered, the proceeds of such transactions are recognised in net financial income on signature of the agreements.

DEFERRED TAX

The Group recognises deferred tax on all temporary differences between the tax and book values of assets and liabilities in the consolidated balance sheet.
Deferred tax is recorded using the liability method, applying the most recently voted tax rate at the year-end applicable to the period in which the temporary differences are expected to reverse.
Deferred tax assets in respect of temporary differences and tax losses or credits carried forward are recognised when recovery is deemed probable.
The forecasting range adopted by the Group to assess this recoverability was limited by prudence to that of the available business plans, i.e. 3 years; no deferred tax asset is recognised beyond this limit.

PROVISIONS

Provision for major repairs

The reserve covers the expenses incurred for complete mid-life overhauls of rolling stock and for long-term building maintenance and repair work.
It was calculated:
- for real estate: based on an average maintenance price per m^2 applied to all assets and the length of the overhauls for the assets concerned,
- for rolling stock: by unit (locomotive, car, TGV train, etc.) by series, based on projected annual expense flows and the length of time of the overhaul readjusted for each series.

Reserves for environmental risks

The Group provides for environmental risks when the realisation of the risk is deemed probable. This provision covers the costs related to environmental protection and site restoration and clean-up. It specifically includes a contingency provision for asbestos lawsuits filed against the Group.

Reserves for disputes and litigation

The Group is involved in a certain number of disputes and litigation arising in the normal course of its activities and notably:
performance bonds received from companies supplying construction work,
- guarantees granted to clients in the freight transportation sector covering incidents arising during transport.
- Such disputes and litigation are provided based on an assessment of the related risk.

Up to and including 1999, the parent company self-insured the majority of risks associated with its activities. In 2000, the parent company took out a number of insurance policies providing coverage beyond an initial level covered by self-insurance.

Restructuring provisions
The cost of restructuring measures is provided in full in the current year when such measures have been decided, in principle, and announced prior to the period-end closing. Restructuring costs primarily consist of employee departure costs and the cost of writing off non-current assets, inventory and other assets.

Provisions for loss-making contracts
Provisions are recognised for long-term contracts to meet expected losses. Provisions are based on the time lapsed since the signature of the contract, and a non-renewable risk coefficient.

REVENUE AND OTHER INCOME RECOGNITION

Transport activities (passengers, freight)
Revenue is recognised based on the effective transportation of passengers and freight.
Revenue recognised on the issue of a passenger transport ticket is adjusted at the period-end for tickets issued but not used (taken to Deferred income).

Contributions from the French State and Regional Authorities
These contributions comprise price subsidies covering socially motivated prices introduced by the French State and contributions remunerating global services within a contractual framework or specific services.
They are recorded under Revenues.

Engineering and contracting services performed by the Group
Sub-contracting and project management work performed by the Group is recognised on a percentage of completion basis by project phase.

Maintenance
Maintenance income and income from the operation of the rail network is recognised in accordance with the contract negotiated with the network owner.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed in the year incurred.

ORDINARY AND EXCEPTIONAL ACTIVITIES

Net income from ordinary activities includes all recurring income and expense items directly relating to the operating activities of the Group.
Exceptional income and expenses comprise material items which, due to their nature, unusual character or non-recurrence cannot be considered inherent to the operating activities of the Group.

DIVISION AND GEOGRAPHICAL SEGMENT INFORMATION

Business segments
In addition to its core businesses of passenger and freight rail transport and the delegated management of the infrastructure, SNCF has developed a number of activities performed by subsidiaries.
These primarily enrich, complement and extend the activities of the parent company in four operating divisions:
- Long-distance Passengers, France & Europe,
- Public transport
- Freight transport and Logistics,
- Infrastructure and Engineering,

and an operations division (Common Operations and Investments).

Segment indicators
The business segment indicators are:
- Revenues,
- Gross operating income,
- Net income from ordinary activities.

The accounting methods adopted by each operating division are identical to those used in the preparation of the consolidated financial statements.
The information presented for each division includes transactions between divisions.

Inter-division transactions
All material transactions between operating divisions are eliminated in the presentation of the Group's consolidated financial statements.

EMPLOYEE BENEFITS

Employee benefits (retirement and medical care) are estimated in accordance with prevailing assumptions. These commitments are not accrued but recorded off-balance sheet.
The SNCF pension plan in its entirety is now considered to be a defined benefit plan.

Retirement benefit, medical care and similar commitments are presented in Note 16 based on new assessments.

ACCOUNTING TREATMENT OF EMPLOYEE-RELATED BENEFITS SERVICE ACCOUNTS

Pursuant to the French Act of 21 July 1909, employee-related services carried out by the parent company have no independent legal status but have been granted accounting and financial autonomy.
In order to ensure the comparability of the Group's financial statements with other industrial and commercial groups, total asset and liability accounts relating to these employee-related parent company services are presented in the Group balance sheet under the headings "Special debt account and employee-related benefits service account - Assets" and "Special debt account and employee-related benefits service account - Liabilities" respectively.
The financial statements of these employee-related services are presented in Note 29.

DEBT TRANSFERRED TO THE SPECIAL DEBT ACCOUNT ("SAAD")

In accordance with the corporate plan ("contrat de plan") signed by the French State and the parent company in 1990, a Special Debt Account was set up on 1 January 1991. This account has no independent legal status, although separate accounting records are kept by the parent company.
The role of this account is to isolate part of the SNCF debt, in respect of which interest and capital payments are essentially made by the French State. The debt transferred to the Special Debt Account remains there until extinction and no longer appears on the SNCF balance sheet.

A total of €10.7 billion has been transferred to the Special Debt Account:

- €5.8 billion (€5.9 billion face value) on creation on 1 January 1991,
- €4.31 billion in net liabilities on 1 January 1997 (€4.36 billion face value),
- €0.6 billion on 1 January 1999 (€0.61 billion face value) accompanied by an amendment to its structure by loan substitution.

Special Debt Account resources consist of an annual contribution from the French State (€627 million in 2006), paid in equal quarterly instalments, and an annual payment by the parent company (€16 million in 2006), paid mid-year.
The excess of the French State contribution over net annual expenses is capitalised in the Special Debt Account. The parent company contribution is recorded in net financial income.
When loan repayments allocated to the Special Debt Account exceed the debt repayment capacity of the year, the shortfall is covered by interim financing deducted from euro financing, directly or after swap contracts, secured by the parent company on the markets during the year. As the respective balances were not of identical composition at the outset, nor were they expected to be during the life of the Special Debt Account, the decision was taken to equalise the financial charges borne by the two accounting structures once a year as follows:

- the effective charge rate borne by the debt allocated to the Special Debt Account and the debt retained by the parent company and the effective rate borne by the overall debt is calculated at each year-end,
- the charge rates borne by "IN" denominated debt recorded in the Special Debt Account and that retained by the parent company are equalised, such that each entity bears the overall charge rate via an equalisation payment recorded in financial income for the year. The equalisation payment owed by SNCF was subject to an exemption of €30 million in 2004 and €23 million in 2005. It was extinguished in 2006.

Total Special Debt Account assets and liabilities are presented in the Group balance sheet under the headings "Special debt account - Assets, and Employee-related benefits service account - Assets" and "Special debt account – Liabilities, and Employee-related benefits service account - Liabilities" respectively (see Note 29).

4. GOODWILL

	Gross value	Amortisation and provisions	Net value
31 December 2005	**207**	**–107**	**100**
Amortisation	0	–16	–16
Entries into the scope of consolidation	67	5	72
Translation differences	–2	1	–1
31 December 2006	**272**	**–117**	**155**

Changes in the scope of consolidation include the share subscription warrants of Financière Keos for €68 million.
As at 31 December 2006, the other main goodwill balances, net of amortisation, concern:

- the Geodis sub-group in the amount of €59 million (€66 million as at 31 December 2005),
- the Ermewa sub-group in the amount of €15 million (€17 million as at 31 December 2005).

5. INTANGIBLE ASSETS

	31/12/2005	Acquisitions	Charges	Disposals and reversals	Translation and reclassification differences	31/12/2006
Gross values						
Concessions, patents and software	216	82		–14	7	292
Purchased goodwill	58	0		0	0	59
Other intangible assets	91	11		–3	17	115
Total gross value	**365**	**94**	**0**	**–17**	**24**	**466**
Amortisation, depreciation and provisions						
Concessions, patents and software	–148		–45	14	1	–179
Purchased goodwill	–16		0	1	0	–16
Other intangible assets	–14		–3	3	0	–13
Total amortisation, depreciation and provisions	**–178**	**0**	**–48**	**17**	**2**	**–207**
Net Value	**187**	**94**	**–48**	**0**	**26**	**259**

The line item “Concessions, patents and software” primarily concerns software which represents €113 million, net.

The acquisitions for the year include the software produced internally for €66 million.

The main contributors to “Purchased goodwill” are:

	31/12/2006			31/12/2005
	GROSS	AMORTISATION AND PROVISIONS	NET	NET
Geodis	30	9	20	19
Ermewa	23	0	23	23
VFLI	5	5	0	0
VFE Partenaires	1	1	0	0
Total	**59**	**16**	**43**	**42**

6. TANGIBLE ASSETS

	31/12/2005	Acquisitions/ depreciation and provisions	Disposals	Reversals	Changes in Group structure and reclassification	31/12/2006
Gross values						
Land	1,545	76	–30		35	1,626
Buildings	7,644	316	–138		–72	7,749
Industrial and technical plant	2,210	198	–77		10	2,339
Rail transport equipment	20,684	1,332	–351		6	21,671
Road transport equipment	562	85	–56		5	597
Maritime transport equipment	246	0	0		0	247
Other tangible assets	792	111	–27		–27	847
Assets under construction	2,289	508	–6		12	2,802
Total gross value	**35,973**	**2,625**	**–686**		**–31**	**37,879**
Amortisation, depreciation and provisions						
Land	–93	–14	5	1	16	–84
Buildings	–3,331	–305	114	24	–6	–3,504
Industrial and technical plant	–1,471	–121	74	1	–7	–1,524
Rail transport equipment	–12,610	–1,263	335	59	81	–13,398
Road transport equipment	–357	–60	50	0	–2	–370
Maritime transport equipment	–71	–8	0	0	0	–79
Other tangible assets	–516	–76	25	1	4	–563
Assets under construction	–16	–81	0	57	–75	–115
Total amortisation, depreciation and provisions	**–18,467**	**–1,928**	**604**	**142**	**10**	**–19,637**
Net value	**17,505**	**696**	**–83**	**142**	**–20**	**18,242**

Investments for 2006 comprise:

- adaptation to the digital standards of on-board telecommunications (GSMR: Global System for Mobile-Railways), the upgrading of stations and buildings (particularly for the new East TGV line), preliminary studies for the upgrade of the Paris Est station for the arrival of the East TGV, the construction of a TGV workshop in Lyon and TER maintenance workshops in Lyon, Toulouse and Champagne-Ardennes, and the creation of multimodal division in Marseilles, for a total of €624 million;
- the acquisition and renovation of railway equipment for €1,770 million, including the following projects: the high-capacity railcars (€402 million), new generation double-decker TERs (€244 million), double-decker TGVs (€234 million), Freight locomotives (€157 million) and the East European TGV (€114 million).

Decreases in tangible assets primarily correspond to:

- disposals of rolling stock for a gross value of €351 million and a net book value of €16 million;
- sales of fixed installations to third parties for a gross value of €272 million and a net book value of €54 million (including the sale of a building on rue d'Alsace in Paris).

Cash flows from investments break down as follows:

(in € millions)	**31/12/2006**	31/12/2005
Acquisition of intangible assets	–94	–75
Acquisition of tangible assets	–2,625	–2,527
Total acquisitions	**–2,718**	**–2,602**
including assets held under finance leases	–33	–162
Acquisitions excluding finance leases	**–2,685**	**–2,441**
Investing WCR	126	–216
Cash flows from investments in tangible and intangible assets	**–2,557**	**–2,225**

Assets recorded in tangible assets and held under finance lease agreements break down as follows:

	31/12/2006			31/12/2005
	GROSS VALUE	AMORT.	NET VALUE	NET VALUE
Land	27	0	27	28
Buildings	344	–158	186	251
Rail transport equipment	3,568	–2,021	1,547	1,547
Maritime transport equipment	193	–25	168	175
Other transport equipment	60	–33	27	60
Other tangible fixed assets	58	–10	48	10
Total	**4,251**	**–2,248**	**2,003**	**2,072**

PARENT COMPANY FIXED ASSET REGISTER

SNCF has a fixed asset register representative of all its properties, including those assets subject since 1997 to the conflicting interpretations of Law no. 97-135 of 13/02/97 and its application decrees.

Since 1999, the Commission Nationale de Répartition des Actifs (National Commission of Asset Allocation) has analysed the four main areas of disagreement concerning land used for freight purposes (CM4 plots), housing, passenger concourses in stations and the volume division of buildings. The value of these assets is currently included in Group fixed assets.

At the request of the supervisory ministries, a report on the allocation of assets between RFF and SNCF was submitted on 2 January 2004. The arbitration commission that was set up completed its work in the second half of 2006 and submitted its report on 16 October 2006. The report was published in the Journal Officiel on 29 November 2006.

The financial and accounting figures are currently being analysed.

7. RÉSEAU FERRÉ DE FRANCE 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 Company's assets, with no change in liabilities.
The RFF receivable was constructed line by line so as to present a structure in terms of maturities, foreign currencies and interest rates that is identical in all respects to that of the Company's liability, which totalled €30.3 billion as at 31 December 1996, after swaps.
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 swaps income or expenses were also transferred, resulting in a cash payment. This payment was recognised in the Company financial statements as deferred income, which is recorded in the income statement according to the maturities of the corresponding transactions.
The RFF receivable is embodied in an agreement signed by the two companies.
As at 31 December 2006, the RFF receivable breaks down as follows:

MATURITY STRUCTURE

	31/12/2006	31/12/2005
Less than 1 year	1,353	1,657
1 to 5 years	1,848	3,100
More than 5 years	1,797	1,897
Total	4,998	6,654
Accrued interest receivable	144	156
Total	**5,142**	**6,810**

CURRENCY STRUCTURE EXCLUDING ACCRUED INTEREST

	31/12/2006	31/12/2005
Euro	4,514	6,041
Swiss franc	169	305
Pound sterling	315	308
Total	**4,998**	**6,654**

INTEREST RATE STRUCTURE AFTER ADJUSTMENT FOR DERIVATIVES AND EXCLUDING ACCRUED INTEREST RECEIVABLE

	31/12/2006	31/12/2005
Fixed rate	1,327	2,355
Floating rate	3,671	4,299
Total	**4,998**	**6,654**

8. OTHER LONG-TERM INVESTMENTS

	31/12/2006			31/12/2005
	GROSS	AMORT. / PROV	NET	NET
Non-consolidated investments(1)	601	–18	584	175
Loans to non-consolidated investments	285	0	285	324
Deposits paid(2)	459	0	459	529
Loans and other long-term investments	173	–14	159	151
Total	**1,518**	**–32**	**1,486**	**1,179**

(1) Including the Financière Keos piggy-back shares for €409 million

(2) Deposits with an initial maturity of less than three months

Unconsolidated investments break down as follows:

	31/12/2006				31/12/2005
	% INTEREST	SHAREHOLDER'S EQUITY	NET INCOME	NBV OF INVESTMENTS	NBV OF INVESTMENTS
HLM subsidiaries of SICF	100%	489	62	147	147
SOCRIF	99.77%	79	–10	0	0
Financière Keos in piggy-back	55%			409	
Other non-consolidated investments				28	28
Total				584	175

The SOCRIF sub-group and the HLM (low-rental housing) subsidiaries of SICF are not consolidated due to regulatory restrictions regarding the appropriation of earnings applicable to HLM limited liability companies:

- the liquidation surplus which may be distributed to stockholders is limited to 50% of the par value of securities held,
- distributable earnings are limited annually to a percentage of capital corresponding to the livret A (savings account) rate plus 2%.

As at 31 December 2006, the sub-group balance sheets were as follows (in € millions):

HLM AND SICF SUBSIDIARIES COMBINED (AS AT 31 DECEMBER 2006)

	31/12/2006	31/12/2005		31/12/2006	31/12/2005
Non-current assets, net	2,153	1,798	Shareholders equity *(including net income of €62 million)*	489	423
Current assets, net	314	292	Provisions for contingencies and losses	7	7
			Borrowings	1,707	1,449
			Other liabilities	263	211
Total Assets	**2,466**	**2,091**	**Total liabilities and Shareholder's equity**	**2,466**	**2,091**

SOCRIF SUB-GROUP (AS AT 31 DECEMBER 2006)

Non-current assets, net	78	Shareholders' equity *(including net income of €10 million)*	79
Current assets, net	11	Liabilities	10
Total assets	**89**	**Total liabilities and Shareholders' equity**	**89**

9. EQUITY AFFILIATES

	31/12/2006			31/12/2005
	% CONTROL	NET INCOME	EQUITY AFFILIATES	EQUITY AFFFILIATES
Eurofima	23.70%	7	150	151
FRP Group	20.00%	1	6	5
SHEM	0.00%	1	0	27
Geodis Group subsidiaries		2	6	7
STVA Group subsidiaries		3	30	29
Financière Keos	45.00%	14	15	0
Novatrans	49.93%	0	1	1
Other investments	NS	2	9	6
Total		**30**	**218**	**225**

Movements in investments in equity affiliates essentially involve the removal of the SHEM group as at 31 December 2006.

(in € millions)	31/12/2006	31/12/2005
Opening balance	**225**	**389**
Share in net income	30	–29
Changes in Group structure:	**–25**	**–128**
Equity-accounting of SHEM	0	25
Removal of SHEM	–24	
Proportionate consolidation of Systra		–19
Removal of Cegetel SAS		–133
Other changes in Group structure	–1	–1
Dividends paid	–10	–8
Exchange rate	–3	1
Closing balance	**217**	**225**

10. INVENTORY AND WORK-IN-PROGRESS

	31/12/2006			31/12/2005
	GROSS	PROVISION	NET	NET
Raw materials	427	–73	354	351
Other supplies	64	–4	60	27
Production work-in-progress	68	0	68	75
Total	**560**	**–78**	**482**	**453**

11. OPERATING RECEIVABLES

	31/12/2006			31/12/2005
	GROSS	PROVISION	NET	NET
Trade receivables and related accounts	2,845	–223	2,623	2,624
Payments on account of orders	47	0	47	34
Employee-related receivables	35	0	35	38
Deferred tax assets (1)	549		549	43
Amounts receivable from the French State and local authorities	1,005	0	1,005	783
Other operating receivables	801	–168	633	1,212
Accruals and deferred income	151	0	151	160
Total	**5,433**	**–391**	**5,042**	**4,895**

(1) including a €505 million deferred tax asset on the parent company loss carry-forwards

12. MARKETABLE SECURITIES AND CASH AND CASH EQUIVALENTS

(in € millions)	31/12/2006	31/12/2005
Marketable securities with initial maturities of more than three months and/or exposed to interest rate risk:	**388**	**508**
French and foreign bonds	76	90
Medium-term negotiable debt instruments	**284**	418
Other marketable securities	**28**	
Marketable securities with initial maturities of less than three months and not exposed to interest rate risk:	2,538	1,438
Negotiable debt instruments	1,376	1,145
French mutual funds (UCITS)	995	256
Euro investments	0	13
Negotiable debt instrument repo transactions	130	
Treasury shares	10	3
Foreign currency investments	27	21
Accrued interest receivable	3	**2**
Cash in hand and at bank	**500**	**454**
Total Cash and Cash Equivalents	**3,429**	**2,402**

Only marketable securities with an initial maturity of three months or less fall within the definition of cash for the purposes of the consolidated statement of cash flows.

13. SHAREHOLDERS' EQUITY

	Share Capital	Reserves	Translation differences	Net income	Shareholder's equity, Group share
As at 31 December 2004	**4,271**	**–1,379**	**5**	**323**	**3,220**
Appropriation of net income		323		–323	–
Capital contribution	250				250
Asset impairment		–326			–326
Provisions for major repairs		346			346
Change in translation differences			–1		–1
Consolidated net income – Group share				1,271	1,271
As at 31 December 2005	**4,521**	**–1,035**	**4**	**1,271**	**4,761**
Appropriation of net income		1,271		–1,271	–
Capital contribution(1)	450				450
Change in translation differences			1		1
Consolidated net income – Group share				652	652
As at 31 December 2006	**4,971**	**236**	**5**	**652**	**5,864**

(1) On 2 March 2005, the European Commission authorised a financial contribution to SNCF Freight for a maximum amount of €1.5 billion, breaking down into a €700 million payment by SNCF and a maximum payment of €800 million by the French State. The first tranche of the planned instalments was paid by the French State in March 2005 and capitalised in accordance with the decision of the French State and the European Commission.
The second and third tranches were paid in November 2006 for a total of €450 million.

Given the net profits of the last few years, reserves are positive as at 31 December 2006.

14. MINORITY INTERESTS

	31/12/2006	31/12/2005
Opening Balance	**209**	**179**
Dividend distribution	–16	–10
Change in translation differences	–1	0
Share capital increase	3	8
Changes in Group structure	–2	2
Minority interest share in net income(1)	37	29
Other	1	–1
Closing Balance	**231**	**209**

(1) The minority interest share in the 2006 net income mainly concerned the Geodis sub-group (€29 million).

15. PROVISIONS

	Opening balance	Charge	Provision used	Provision not used	Changes in Group Structure and Reclassification	Closing Balance
Tax and customs risks(1)	35	6	–4	–18	–1	18
Environmental risks(2)	120	5	–27	–2	0	96
Major repairs(3)	1,134	149	–155	–20	–6	1,102
Litigation and disputes(4)	333	86	–38	–45	–5	331
Compensation for work-related injuries and employee benefits(5)	179	13	–15	–1	0	176
Restructuring	63	6	–39	–1	–2	27
Other(6)	141	209	–65	–19	12	278
Total	**2,006**	**474**	**–344**	**–106**	**–2**	**2,028**

(1) This line item primarily concerns the parent company which provides for tax disputes for reasons of prudence

(2) These contingencies primarily concern the following elements at the parent company:

– site decontamination: €26 million;

– casbestos-related costs: €64 million.

(3) The provision covers the expenses incurred for complete mid-life overhauls of rolling stock and long-term maintenance and repair work for parent company buildings

(4) This item primarily comprises the contingencies related to legal disputes and contract settlements, as well as contractual contingencies vis-à-vis RFF.

(5) This item records compensation and work-related injuries in the amount of €84 million for the parent company and €32 million for the Geodis group. It also includes long-time service medals

(6) Including a provision for Freight railway equipment firm orders for €70 million

16. EMPLOYEE BENEFITS

The SNCF employee commitments cover retirement, medical insurance, work-related accidents and social welfare initiatives. The main actuarial assumptions used for calculating commitments are as follows (identical to those of 31 December 2005):

	31/12/2006
Gross discount rate	4.25%
Inflation rate	2.0%
Mortality table (1)	TPG93 prospective generation table
Turnover table	18 – 29 years: 2.0% 30 – 41 years: 0.0% 42 – 49 years: 0.3% 49 – 55 years: 0.9%
Gross growth rate of wages	+3.5%
Gross growth rate of pensions	+2.0%

(1) SNCF has opted not to apply the new mortality tables (2005 TGH and TGF), as it believes the new tables were prepared for annuity beneficiaries in the insurance sector and are not necessarily representative of the SNCF population.

Retirement benefit commitments

Retirement benefit commitments primarily result from the Law of 21 July 1909 defining the special regime applicable to SNCF employees and Article 30 of the SNCF terms of reference defining, with effect from 1 January 1970, the terms and conditions under which the French State assures the financial balance of this regime.

Benefits paid under the SNCF pension plan are funded by:

- a contribution of 36.29% of total payroll costs (so-called T1 + T2, as set by the Decree of 27 February 1991 – 7.85% for employees and 28.44% for the employer);
- an additional employer contribution (T3) to fully cover the expense of supplementary benefits granted by SNCF since 1990 in comparison with the benchmark scheme. In 2006, the rate amounted to 5.29%;
- any revenue from the compensation of national pension schemes;
- the French State subsidy with respect to Article 30 of the SNCF terms of reference.

In a defined benefit scheme, all retirement benefit commitments, and not solely the portion of supplementary benefits subsequent to 1990, must be disclosed in the financial statements prepared under French GAAP.

Accordingly, SNCF pension commitments amounted to €111 billion as at 31 December 2006, compared with €109 billion as at 31 December 2005 in pro forma (and €8.2 billion published as at 31 December 2005).

The SNCF pension scheme is also funded by third parties. Benefits are thus partially funded by employee contributions, inter-scheme compensation, and a French State contribution under Article 30. It is difficult to estimate the discounted value of amounts expected by SNCF in this regard. An estimate using an open population and taking into account growth assumptions for employees over 20 years and beyond 31 December 2006, as well as hiring salary adjustments, which is now being finalised, resulted in values of between €77billion and €84 billion as at 31 December 2006 (comparable data as at 31 December 2005).

Medical care and other commitments

The Company itself finances medical care benefits provided to active and retired employees, via the SNCF medical care fund and the SNCF senior executive medical care fund.

Benefits include the reimbursement of medical costs, temporary accommodation allowances, retirement allowances and death allowances.

A portion of these guarantees are covered by the bilateral national compensation mechanism under the Social Security healthcare regime.

The supplementary health care guarantees and the specific allocations are funded by the contributions of active and retired employees and employer contributions for these employees.

The amount for commitments presented as at 31 December 2005 concerned specific allocations relating to the retirement period.

The additional analyses conducted in 2006 as part of the IFRS transition revealed that the supplementary guarantees for retired employees had been indirectly funded through an SNCF contribution estimated at 2.71% of the total pension funds. Under IAS 19, this funding constitutes a post-employment benefit that must be disclosed.

At the end of 2006, the gross commitment for medical care benefits was estimated at approximately €3 billion (compared with €1.5 billion published as at 31 December 2005). The amount does not include any positive impacts from a potential fund surplus now under assessment.

Compensation for work-related injuries

The Company self-finances compensation for work-related injuries owed to active and retired employees.

Payments made to retired employees and surviving spouses are viewed by SNCF as additional pensions. As such, the probable present value of these additional pension payments is included in off-balance sheet commitments.

As at 31 December 2006, these commitments amounted to €574 million (compared to €594 million as at 31 December 2005).

Other commitments

Social welfare initiatives:

The Company itself funds social welfare initiatives which, outside the SNCF framework, fall under common law regimes.

A portion of the social welfare beneficiaries are retired rail workers. The analysis of the social welfare regime as part of the IFRS transition identified post-employment benefits with respect to family workers, pensioner housing improvements and retirement home maintenance expenses, for a total of €358 million at the end of 2006 (information not presented as at 31 December 2005).

Travel privileges:

Travel privileges are granted to personnel (figures unavailable).

Change in commitments during fiscal year 2006

The level of commitments was particularly affected by:

- financial cost linked to the loss of a discounting year;
- cost of entitlement vested due to the acquisition of an additional year of service;
- payment of benefits.

The total commitment can vary following changes during the year:

- scheme amendments;
- actuarial variances resulting from changes in assumptions or relating to differences between assumptions made and their effective realisation during the year.

The amendment taken into account in the pension cost concerns the 2-point increase in the minimum pension level in 2006 and includes, in 2007, the incorporation of a residence compensation half-point in the liquid pension base.
The change in commitments covering retirement, medical insurance, work-related accidents and social welfare initiatives between 2005 and 2006 breaks down as follows:

Pensions: The 2005 (pro forma)/2006 change amounts to +€2.4 billion attributable to the financial cost (+€4.5 billion), cost of entitlement vested (+€2 billion), benefits paid (–€4.7 billion) and amendments (+€0.6 billion).
The present value of third-party payments is comparable to that of 31 December 2005.

Medical care benefits: The 2005 (pro forma)/2006 change amounts to +€64 million attributable to the financial cost (+€122 million), cost of entitlement vested (+€53 million), benefits paid (–€127 million) and actuarial variances (+€16 million).

Compensation: The 2005/2006 change amounts to –€20 million attributable to the financial cost (+€25 million), benefits paid (–€62 million) and actuarial variances (+€17 million).

Social welfare initiatives: The 2005 (pro forma)/2006 change amounts to +€8 million attributable to the financial cost (+€15 million), cost of entitlement vested (+€7 million), and benefits paid (–€14 million).

Current developments

SNCF's control over the pension fund requires the entity's consolidation under IFRS.
Under IAS, retirement and medical care commitments need not be provided if the following conditions are met:

- payment of contributions transferring all risk (transfer of the actuarial risk in particular);
- to a separate entity;
- over which SNCF has no control in substance.

A solution to avoid the presentation, as at 30 June 2007, of massively negative equity bearing no relation to any actual change in the economic and financial situation, was proposed to the SNCF Group Board of Directors on 11 April 2007. The Board examined draft decrees regulating the creation of an independent legal entity for SNCF and the payment of contributions transferring risk to this entity.
The model complies with three principles of neutrality: employee neutrality, including the personnel of the SNCF Caisse de prévoyance et de retraite (CPR) (medical care and pension fund), accounting neutrality: no disruption to the accounts, financial neutrality for the French State and SNCF.

Under IFRS, the funding of the contribution paid by the SNCF medical care fund to the Caisse nationale d'assurance-maladie des travailleurs salariés (national health insurance fund for salaried employees) with respect to retired rail workers, which is in fact assumed by SNCF, represents a commitment to be provided in balance sheet liabilities. This contribution is assessed in the notes to the financial statements (off-balance sheet commitments).
A solution to avoid a 30 June 2007 presentation of negative equity, bearing no relation to any actual change in the economic and financial situation, was proposed to the SNCF Group Board of Directors on 11 April 2007. The Board examined draft decrees regulating the neutralisation of medical care commitments.

Other benefits granted to personnel have been identified as commitments that should be provided in the IFRS opening balance sheet: social welfare initiatives, compensation for work-related injuries (already described in the notes to the financial statements) and travel privileges. As no information was available for the latter benefit, the IFRS notes to the financial statements will contain a disclosure as to its nature and the lack of figures.

17. LOANS AND BORROWINGS

Loans and borrowings recorded in the balance sheet consist of long-term loans issued by the Group (excluding the parent company Special Debt Account), liabilities relating to finance lease transactions entered into by the Group and cash borrowings.

	31/12/2006	31/12/2005
Long-term borrowings (A)	**8,943**	**10,272**
Bond issues	7,104	8,487
Other long-term borrowings	1,637	1,573
Accrued interest payable	202	212
Cash liabilities	**2,302**	**2,094**
Treasury notes	1,082	1,532
Deposits received	38	46
Other borrowings(1)	763	165
Bank overdrafts	409	337
Foreign currency-denominated borrowings	3	3
Accrued interest payable	8	11
Liabilities excluding finance leases	**11,245**	**12,365**
Finance lease liabilities (B)	3,702	**3,679**
Finance leases	3,677	3,664
Accrued interest payable	26	15
Loans and borrowings	**14,948**	**16,045**
Including long-term borrowings (A)+(B)	**12,646**	**13,951**

(1) Including Financière Keos piggy-back for €409 million as at 31/12/2006

LONG-TERM BORROWINGS

Structure by maturity of long-term borrowings, including finance lease liabilities, after adjustment for derivatives.

	31/12/2006	31/12/2005
Maturing within 1 year	2,942	2,819
Maturing within 1 to 5 years	4,552	5,714
Maturing after 5 years	5,187	5,331
Neutralisation of swaps impact	–263	–142
Long-term borrowings excluding accrued interest payable	**12,418**	**13,722**
Accrued interest payable	**228**	**227**
Long-term borrowings	**12,646**	**13,951**

Structure by currency and interest rate of long-term borrowings, including finance lease liabilities, after adjustment for derivatives and excluding accrued interest payable

	31/12/2006	31/12/2005
Euro	12,117	13,105
Swiss franc	249	451
Pound sterling	315	308
Neutralisation of swaps impact	–263	–142
Long-term borrowings excluding accrued interest payable	12,418	13,722
By interest rate:		
Fixed rate	8,775	9,514
Floating rate	3,898	4,350
Neutralisation of swaps impact	–263	–142

LONG-TERM BORROWINGS NET OF THE RESEAU FERRE DE FRANCE (RFF) RECEIVABLE

The structure of the RFF receivable is described in Note 7.
Structure by maturity of net long-term borrowings, including finance lease liabilities, after adjustment for derivatives.

	31/12/2006	31/12/2005
Maturing within 1 year	1,589	1,162
Maturing within 1 to 5 years	2,704	2,614
Maturing after 5 years	3,390	3,434
Neutralisation of swaps impact	–263	–142
Long-term borrowings excluding accrued interest payable	**7,420**	**7,068**
Accrued interest payable	**84**	**71**
Net long-term borrowings	**7,504**	**7,140**

Structure by currency and interest rate of net long-term borrowings, including finance lease liabilities, after adjustment for derivatives and excluding accrued interest payable.

	31/12/2006	31/12/2005
Euro	7,603	7,064
Swiss franc	80	146
Neutralisation of swaps impact	–263	–142
Long-term borrowings excluding accrued interest payable	**7,420**	**7,068**
By interest rate:		
Fixed rate	7,448	7,159
Floating rate	227	51
Neutralisation of swaps impact	–263	–142

MATURITIES OF CASH BORROWINGS

Only cash borrowings with an initial maturity of three months or less fall within the definition of cash for the purposes of the consolidated statement of cash flows.

	31/12/2006	31/12/2005
Initial maturity of 3 months or less	**1,519**	**1,298**
Treasury notes	1,072	903
Bank overdrafts	409	337
Deposits received	32	38
Foreign currency-denominated borrowings	–	3
Other borrowings	6	16
Initial maturity of 3 months or more	**782**	**796**
Treasury notes	10	628
Deposits received	6	8
Other borrowings	759	148
Accrued interest payable	8	11
Cash borrowings	**2,301**	**2,094**

GROUP NET INDEBTEDNESS

The Group manages its net indebtedness by reference to a nominal debt amount approved by the shareholder. Based on the balance sheet, Group net indebtedness breaks down as follows:

	31/12/2006	31/12/2005
Long-term borrowings excluding accrued interest payable	12,418	13,724
RFF receivable excluding accrued interest receivable	–4,998	–6,654
Impact of swaps	263	142
Net long-term borrowings (a)	**7,683**	**7,212**
Current net cash (b)	**–1,577**	**–847**
Net indebtedness (a) + (b)	**6,106**	**6,364**

18. DERIVATIVES

FOREIGN EXCHANGE INSTRUMENTS

Currency swaps

In order to reduce its exposure to exchange rate fluctuations on certain borrowings, the Group enters into currency swaps. Such hedges are matched specifically against the corresponding borrowing. The nominal amount of currency swaps as at 31 December 2006 is as follows:

(in millions)	Commitments received (in foreign currencies)	Commitments given (in euros)
Euro	144	146
Swiss franc	900	577
US dollar	2,440	1,995
Australian dollar	0	0
Canadian dollar	400	250
Hong Kong dollar	472	57
New Zealand dollar	100	50
Pound sterling	926	1,462
Japanese yen	51,500	412

Forward currency purchases

(in millions)	Foreign currency
Swiss franc (1)	100
US dollar (1)	450

(1) hedging of financial transactions

Currency options

(in millions)	31/12/2006
Euro call sale	66
Euro put sale	2

INTEREST RATE INSTRUMENTS

In managing the interest rate risk exposure of its borrowings, the Group trades on the interest rate swap and swaption market.

Swap and swaption outstandings, represented by their nominal outstandings, are as follows:

(in millions)	Net long-term borrowings	Net short-term borrowings
Fixed rate receiver swaps	1,475	1,082
Fixed rate payer swaps	6,672	1,873
Index-based swaps	2,484	
Swaption sales	858	

COMMODITY INSTRUMENTS

As part of its ordinary activities, the parent company trades on petroleum product forward markets in order to optimize its fuel supply costs.
The corresponding commitments are as follows:

(in tons)	Volume
Commodity swaps (fixed payer)	240,000
Commodity swaps (fixed receiver)	60,000

MANAGEMENT OF COUNTERPARTY RISK

The main transactions which could generate counterparty risk are:

Financial investments:

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).
A counterparty approval procedure exists, with investment volume and term limits for each counterparty.

Derivatives:

Derivative transactions seek to manage the interest rate and foreign exchange risk resulting from normal activities. They are restricted to regulated market and over-the-counter transactions with approved counterparties with which a Master Agreement has been signed. A Collateral Agreement is also signed with certain counterparties in order to limit counterparty risk.

MARKET VALUE OF DERIVATIVES

Procedures for valuing derivatives as at 31 December 2006 differ according to the nature of the instrument concerned.
The fair value of conventional interest rate and currency swaps was calculated by discounting future flows, leg by leg, using zero coupon curves as at 31 December 2006, using the valuation model of a market software package used by the company.

Other interest rate and currency swap transactions were valued at prices provided as at 31 December 2006 by financial institution counterparties of the Company.
The fair value of OTC currency options was determined by a valuation model from a market software package used by the Company.
All market parameters used in this valuation were obtained from contributors external to the Company.
The market value of derivatives corresponds to the amount payable (-) or receivable (+), excluding accrued interest, to cancel these commitments.

Estimated market values as at 31 December 2006 (excluding accrued interest) are presented below:

	Estimated market value (excluding accrued interest) as at 31 December 2006	Profitability (premiums - market values) as at 31 December 2006
Management of forex risk		
Currency swaps	–348	
Currency options		–
Management of interest rate risk		
Interest rate swaps	–104	
Options	–	1
Management of commodity risk		
Swaps	**–11**	
Options		–

19. OPERATING AND OTHER LIABILITIES

	31/12/2006	31/12/2005
Accounts payable and related accounts	2,983	2,752
Payments on account received on orders	142	127
Employee-related payables	901	945
Amounts payable to the French State and local authorities	1,120	1,107
Deferred tax liabilities	44	36
Other operating liabilities	723	1,039
Investment subsidies	5,083	4,398
Unrealised foreign exchange gains used for hedging	249	128
Accruals and deferred income	1,088	1,202
Total	**12,334**	**11,734**

Accruals and deferred income include tickets received prior to 31 December 2006 and used subsequent thereto (€432 million) and revenue relating to the management agreement with RFF (€211 million).

20. DIVISION SEGMENT INFORMATION

	31/12/2006	31/12/2005 PRO FORMA
Revenues	**21,874**	**20,855**
Passengers		
Long-distance Passengers, France & Europe	6,249	5,963
Public Transport	5,778	5,478
Freight transport and Logistics	6,595	6,448
Infrastructure and Engineering	4,468	4,359
Common Operations and Investments	4,076	4,018
Inter-company transactions	–5,291	–5,411
Gross operating income	**1,990**	**1,877**
Passengers		
Long-distance Passengers, France & Europe	1,203	1,125
Public Transport	401	419
Freight transport and Logistics	202	193
Infrastructure and Engineering	0	19
Common Operations and Investments	183	121
Net income from ordinary activities	**695**	**568**
Passengers		
Long-distance Passengers, France & Europe	725	652
Public Transport	–25	–5
Freight transport and Logistics	–103	–116
Infrastructure and Engineering	–72	–43
Common Operations and Investments	170	79

21. PURCHASES AND EXTERNAL CHARGES

	31/12/2006	31/12/2005
Purchases including inventory movements	–2,793	–2,624
Sub-contracting	–2,526	–2,627
Rental [1]	–2,597	–2,478
Other external charges	–2,902	–2,690
Total	–10,818	–10,419

(1) Includes fees invoiced by Réseau Ferré de France and Eurotunnel

22. EMPLOYEE COSTS AND NUMBERS

	31/12/2006	31/12/2005
Employee costs	–9,328	–9,157
including employee profit-sharing	–25	–21
Average number of employees (full-time equivalent)	201,742	205,839

The decrease in SNCF Group employees is related to parent company (2,568) – average number of paid workers – and the 2005 disposal of the Sernam group (1,987) – average number of workers from 1 January 2005 to the date of disposal.

Compensation paid to members of parent company management and decision-making bodies totalled €2.9 million in 2006 (16 persons concerned for the entire year or a portion thereof), compared to €2.5 million 2005 (12 persons concerned for the entire year or a portion thereof).

23. DEPRECIATION, AMORTISATION AND OPERATING PROVISIONS

	31/12/2006	31/12/2005
Depreciation and amortisation (net)	–967	–941
Provisions for impairment of non-current assets (net)	1	13
Provisions for impairment of current assets (net)	–27	–19
Provisions for contingencies and losses (net)	54	–21
Total	–939	–969

24. NET FINANCIAL INCOME

	31/12/2006	31/12/2005
Net cash management and borrowing costs	–327	–355
Net gains on finance lease transactions (1)	3	7
Income from non-consolidated investments	12	12
Other financial income and expenses	–7	34
Total	–319	–303

(1) net income from parent company lease transactions (a New Zealand lease for €4 million in 2005)

25. EXCEPTIONAL ITEMS

	31/12/2006	31/12/2005
Capital gains on asset disposals	**293**	**960**
Disposals of real estate assets	156	141
Other disposals	137	819
Impairment of non-current assets	**–682**	**–107**
Other	**–78**	**–10**
Total	**–468**	**844**

Capital gains on other disposals relate to:
- the sale of the final tranche of SHEM securities in 2006;
- the sale of Cegetel securities and the first tranche of SHEM securities in 2005.

The line item primarily comprises capital gains on asset disposals minus the recognition of impairment losses for parent company: **–**€640 million for SNCF Freight, and **–**€60 million for Corail and Corail Intercity.

26. INCOME TAX

Analysis of the tax charge

	31/12/2006	31/12/2005
Current tax charge	–51	–36
Deferred tax income	499	2
Total tax income (charge)	**448**	**–34**

Tax income includes the first capitalisation of a portion of the parent company tax losses for €505 million.
A deferred tax asset of €505 million was recognised for the first time in 2006 with respect to the parent company tax loss carry-forwards. The recognition of this receivable is related to the use of the loss carry-forwards, given current profits and a positive overall profit forecast for the coming years. The recognition of a deferred tax asset was limited to the amount in the 3-year business plan, minus prudence contingencies.
The current tax charge mainly concerns Geodis (€36 million).

TAX PROOF

	2006	2005
Net income of consolidated companies	674	1,343
Income tax recorded	448	–34
Net income before tax of consolidated companies	226	1,377
Tax rate	33.33%	33.83%
Notional tax	**–75**	**–466**
Permanent differences	22	9
Items taxed at a different rate	3	129
First activation on non-capitalised prior tax losses	505	
Tax reduction on non-capitalised prior tax losses	0	373
Unrecognised tax assets on timing differences for the year	–8	–89
Elimination of inter-company provisions on investments	0	18
Supplementary tax	0	–11
Other	1	1
Tax charge recorded	**448**	**–34**
Effective tax rate	**–198.2%**	**2.5%**

TAX ASSETS NOT RECOGNISED

SNCF opted for the tax grouping regime on 1 July 1988. As at 31 December 2006, the tax group comprised 40 subsidiaries, including: SNCF Participations, France Wagons, EFFIA Group and SNEF Group.

Group tax losses carried forward as at 31 December 2006 amounted to €9.6 billion.

Unrecognised tax assets as at 31 December amounted to €3.0 billion.

DEFERRED TAXES RECOGNISED

	31/12/2006	31/12/2005
Tax loss carry-forwards	512	–
Non-deductible provisions	19	19
Pensions	9	9
Other timing differences	9	16
Deferred tax assets	**549**	**43**
Valuation differences	16	18
Regulated provisions	8	7
Other timing differences	20	11
Deffered tax liabilities	**44**	**36**

Deferred tax assets mainly stem from the parent company for €505 million.
Deferred tax liabilities mainly concern Ermewa and Geodis.

27. OFF-BALANCE SHEET COMMITMENTS

		31/12/2006				31/12/2005
			MATURING WITHIN			
Operating leases	Given/ Received	Total	Less than one year	1 to 5 years	More than 5 years	Total commitment
Operating leases						
Real estate operating leases	given	834	239	491	103	821
Equipment operating leases	given	285	21	65	199	284
Equipment operating leases	received	263	11	55	197	9
Real estate operating leases	received	4	3	0	1	2
Irrevocable purchase agreements						
Purchase commitments given to suppliers (railway equipment)[1]	given	5,786	1,416	3,154	1,216	3,650
Purchase commitments from suppliers (railway equipment)[1]	received	2,433	712	1,402	319	1,185
Share purchase commitments[2]	given	460	460	0	0	0
Other purchase commitments for operations[3]	received					
Other purchase commitments for operations[3]	given	2,481	1,388	910	183	NC
Credit lines						
Available bank credit lines	received	509	159	350	0	619
Financial guarantees						
vis-à-vis associated undertakings:						
Guarantees given[4]	given	316	102	174	40	610
Guarantees received[5]	received	286	75	172	39	365
Vis-à-vis employees:						
Guarantees given in respect of loans secured by employees[6]	given	1,100	1,100	0	0	855
Vis-à-vis third parties:						
Endorsements and guarantees	given	837	525	203	109	146
Endorsements and guarantees	received	548	102	0	445	1,032
Debt purchase commitment	**given**	**0**	**0**	**0**	**0**	**88**
Other contingent commitments						
Offers to sell – real estate	received	332	332	0	0	39
Offers to sell – real estate	given	105	105	0	0	0
Investment purchase or sale option	received	2	2	0	0	16
Investment purchase or sale option	given	2	2	0	0	115
Regional re-investment (TER)	given	0				
Guarantees and counter-guarantees given as part of acquisitions (price adjustment clauses, pricing terms indexed to sales volume, etc.)	given	0	0	0		
Advances repayable to third parties	given	91	20	55	16	49
Total off-balance sheet commitments	**Given**	**12,298**	**5,378**	**5,053**	**1,867**	**NA**
	Received	**4,376**	**1,396**	**1,979**	**1,001**	**3,266**

(1) Commitments given concern firm orders for rolling stock. Commitments received correspond to investment subsidies receivable from regions for ordered rolling stock (TER and Transilien).

(2) Geodis signed a €460 million purchase agreement for the TFM securities on 15 November 2006. The purchase was finalised on 5 February 2007 (see Note 31).

(3) Other operating commitments given concern firm orders for contracts and various purchases (infrastructure, energy, and transport contracts, etc.).

(4) Guarantees given concern €308 million in guarantees granted by the company in respect of SOFIAP (formerly SOCRIF) borrowings.

(5) Guarantees received concern in full a joint and several sight counter-guarantee given to the Company in respect of the loans granted to SOFIAP. They perfectly match guarantees given.

(6) Total outstandings on guarantees given by the Company in respect of real estate loans secured by employees. Statistically, guarantee calls are very limited.

LEASE TRANSACTIONS

SNCF carried out QTE lease transactions in 2004.
The QTE Lease consists in leasing a "qualified technological equipment" network to a US lessor, who immediately sub-leases them to SNCF for a maximum period of 16 years. The assets in question are all the SNCF ticket sale and reservation equipment.
At the end of the 16-year period, SNCF has 2 options:
- exercise an option to purchase the residual rights at a pre-determined price, thus maintaining its initial profit;
- give the equipment to the US lessor who will use it in his own name.

The lessor is a fiscally transparent US trust, specially created for this transaction, which can only operate for this purpose.

During the initial period (16 years), 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 during the transaction period. This profit corresponds to the retrocession of a portion of the tax deferral obtained by the investor.
The use, replacement, operation and definition of the hardware and software are not affected. The risks borne by SNCF are limited to equipment ownership and the risks generated by French law. Risks relating to the changes in US tax laws are fully borne by the investor.

SNCF also concluded two New Zealand lease transactions in September 2004 and March 2005.
The New Zealand lease consists in the sale of rolling stock (Corail Téoz cars) to a New Zealand investor, who immediately leases them to SNCF for a term of 18 years.
At the end of the 18-year period, SNCF has 2 options:
- exercise a purchase option at a predetermined price, thus maintaining its initial profit;
- give the equipment to the New Zealand lessor, for whom SNCF will act as market sales agent for the equipment, guaranteeing a sale price that at least equals the amount of the purchase option.

This transaction generated a net gain for SNCF on signature of the lease. During the leasing period (18 years), all payments made and received in connection with this arrangement lease offset each other and do not impact the financial statements.
The risks borne by SNCF are limited to equipment ownership, the risks generated by French law, and counterparty risks covered by collateralisation contracts.

ERMEWA

In connection with the 2003 sale of 50.4% of the Ermewa Suisse group securities to an external partner, the following commitments were given:
- a draft sales agreement was signed by the shareholders, indicating the preferred withdrawal option and a guarantee of a return on the Group's investment for the partner by July 2007 for a total amount of €88 million;
- commitments have been granted by the Group until July 2007 for the partner's backers for a total amount of €68 million, the payments made for the purchase of these commitments being deducted from the aforementioned guarantee;
- pledge of Financière Ermewa, Groupe Ermewa Genève and Ermewa Paris securities to lending banks to guarantee the repayment of amounts borrowed;
- pledge of the Ermewa France and TMF business values to lending banks;
- distribution of Ermewa France preferred dividends to Financière Ermewa.

SNCF Participations has pledged to repay certain managers of the Ermewa Group up to 6.5% of the capital gain generated on the sale of Ermewa securities.
In December 2006, SNCF Participations and IPE signed a memorandum of agreement providing for a secondary LBO that will be set up in the first half of 2007. The arrangement will include all the current governance provisions.

KEOLIS

On 27 September 2006, 3i, the majority shareholder of Keolis, and SNCF Group, the industrial reference shareholder, jointly decided to organise 3i's divestiture of its stake in Keolis. SNCF Group and a consortium combining AXA (acting through AXA Private Equity) and the Caisse de Dépôt et Placement du Québec (CDPQ), signed a memorandum of agreement under which the consortium undertakes to acquire a 55% majority interest in Keolis, with SNCF Group maintaining its 45% interest and remaining the industrial reference shareholder.
Pending the acquisition of a stake in the consortium's share capital, an agreement concluded between SNCF Participations and Deutsche Bank (DB) was signed on 4 October 2006, under which DB carries (piggy-back), as at 12 December 2006 and on behalf of SNCF Participations, 55% of the Keos financial securities sold by 3i and other shareholders. The agreement, scheduled to expire on 12 June 2007, provides for the following commitments:

- Deutsche Bank undertakes to sell to SNCFP no later than the expiration date, all the piggy-back shares it holds at any time until the date of the transaction's final settlement;
- SNCFP undertakes to purchase from DB or have purchased all the piggy-back shares stipulated in the agreement at a set price;
- in exceptional circumstances where the agreement to buy has not been exercised or the disposal cannot take place under the terms and conditions provided in the agreement, DB shall have the right to transfer the shares remaining at the expiration date to one more holding structures for a sale price of nil (this disposal giving rise to the application of stipulations from the agreement relating to monetary settlement – in other words to the repayment of the acquisition price net of distributions but plus the piggy-back remuneration).

GEODIS

Geodis signed a €460 million purchase agreement for the TFM securities on 15 November 2006. The purchase was finalised on 5 February 2007 (see Note 31).

STVA

As part of the set-up within STVA of a corporate savings scheme, whose funds will be managed by Crédit Agricole Épargne Salariale, the Group undertook to assure the liquidity of the STVA mutual fund (created specifically for this purpose), whose assets primarily comprise STVA shares.

ALPINE RAIL MOTORWAY

The French State has committed to finance the operating deficit (for its 50% portion) of the Alpine Rail Motorway's experimental phase.

28. CONSOLIDATED STATEMENT OF CASH FLOWS

CLOSING CASH BALANCE

The closing cash balance breaks down as follows:

	Note	31/12/2006	31/12/2005
Cash in hand and at bank	12	500	454
Marketable securities with an initial maturity of less than 3 months	12	2,538	1,438
Deposits paid with an initial maturity of less than 3 months	8	458	529
Cash borrowings with an initial maturity of less than 3 months	17	–1,519	–1,282
Closing cash balance		**1,976**	**1,138**

MOVEMENT IN THE CASH BALANCE

Net cash from operations

Net cash from operations amounted to €1,337 million, compared to €1,570 million in 2005.
This cash results primarily from cash from operations (+€1,522 million).

Net cash used in investing activities

Excluding the impact of changes in Group structure, net cash used in investing activities remains substantial: €2,243 million in 2006 (compared to €1,954 million in 2005), for an increase of 15% or €289 million, excluding the impact of changes in Group structure.

Investments primarily concern the acquisition and renovation of rolling stock (€1,770 million), and the upgrading of stations and buildings (€624 million).
The resources essentially stem from the disposal or real estate and SHEM securities.

Net cash from financing activities

Net cash from financing activities generated a net resource of +€1,303 million, consisting of €852 million in investment subsidies primarily received for TER rolling stock and €450 million in State aid for Freight. Excluding the Special Debt Account financing, loan issues on the market totalled €1,898 million, with repayments of €1,421 million.

ANALYSIS OF GROUP NET DEBT

	31/12/2006	31/12/2005	Variation
Long-term borrowings excluding accrued interest payable	8,741	10,059	–1,319
Finance lease liabilities excluding accrued interest payable	3,677	3,664	13
Cash borrowings maturing in more than 3 months (including deposits)	783	796	–13
RFF receivable excluding accrued interest receivable	–4,998	–6,654	1,656
Marketable securities maturing in more than 3 months	–389	–508	119
Net debt with an initial maturity of more than 3 month (A)	**7,814**	**7,358**	456
Net debt financing flows in the statement of cash flows (B)			**17**
DIFFERENCE (A) - (B)			**439**

The difference breaks down as follows:

Exchange rate fluctuations on RFF receivable	10
Exchange rate fluctuations on borrowings	–125
Piggy-back of Financière Keos securities	409
Reclassifications	138
Changes in Group structure	–26
Increase in finance lease liabilities	33
Total	**439**

29. SNCF FINANCIAL STATEMENTS FOR THE SPECIAL DEBT ACCOUNT AND EMPLOYEE-RELATED BENEFITS SERVICE ACCOUNT

SNCF BALANCE SHEET AND INCOME STATEMENT FOR THE EMPLOYEE-RELATED BENEFITS SERVICE ACCOUNT

Balance sheet

	31/12/2006				31/12/2005			
	PENSION FUND	MEDICAL CARE	OTHER FUNDS	TOTAL	PENSION FUND	MEDICAL CARE	OTHER FUNDS	TOTAL
Assets								
Non-current assets	13	1	47	61	28	1	48	77
Current assets	1,512	48	61	1,621	1,288	138	22	1,448
Total assets	**1,525**	**49**	**108**	**1,682**	**1,316**	**139**	**70**	**1,525**
Liabilities and shareholders' equity								
Net equity	41	211	31	283	40	157	31	228
Other liabilities	151	138	225	514	90	170	52	312
Inter-company accounts	1,333	–300	–148	885	1,186	–188	–13	985
Total liabilities and shareholders' equity	**1,525**	**49**	**108**	**1,682**	**1,316**	**139**	**70**	**1,525**
Total liabilities and shareholders' equity excluding inter-company accounts	**192**	**349**	**256**	**797**	**130**	**327**	**83**	**540**

Income statement

	31/12/2006				31/12/2005			
	PENSION FUND	MEDICAL CARE	OTHER FUNDS	TOTAL	PENSION FUND	MEDICAL CARE	OTHER FUNDS	TOTAL
Expenses								
Benefits paid to members	4,749	1,598	813	7,160	4,638	1,565	247	6,450
Other expenses	142	175	10	327	58	199	18	275
Total expenses	**4,891**	**1,773**	**823**	**7,487**	**4,696**	**1,764**	**265**	**6,725**
Income								
Members' contributions	351	24	1	376	339	23	1	363
Employer contributions	1,261	480	12	1,753	1,222	464	11	1,697
Compensation and contributions	3,179	1,159	805	5,143	3,108	1,186	245	4,539
Other income	100	165	6	271	27	89	8	124
Total income	**4,891**	**1,828**	**824**	**7,543**	**4,696**	**1,762**	**265**	**6,723**
Net income	**–**	**55**	**1**	**56**	**–**	**–2**	**–**	**–2**

SNCF BALANCE SHEET FOR THE SPECIAL DEBT ACCOUNT

Balance sheet

	31/12/2006	31/12/2005		31/12/2006	31/12/2005
Assets			**Liabilities and shareholders' equity**		
Miscellaneous assets[1]	213	263	Capital contribution for the year	205	205
			Accumulated deficits[2]	–8,389	–8,613
			Net income for the year	21	19
	213	**263**	**Total**	**–8,163**	**–8,389**
			Borrowings[3]	8,172	8,462
Inter-company accounts		–	Inter-company accounts	19	15
			Other liabilities[1]	184	175
Total	**213**	**263**	**Total**	**213**	**263**
Total excluding inter-company accounts	**213**	**263**	**Total excluding inter-company accounts**	**194**	**248**

(1) Asset and liability accounts are presented after neutralisation of swaps impact

(2) The accumulated deficit balance is reduced each year by net income from the Special Debt Account and the prior year capital contribution, in accordance with the technical provisions for debt financing and management in effect since the Special Debt Account's creation in 1991

(3) Including accrued interest payable

Income statement

	31/12/2006	31/12/2005		31/12/2006	31/12/2005
Expenses			**Income**		
Financial expenses	521	540	Financial income	104	70
Other expenses	0	1	French State contribution	422	472
Net income for the year	21	19	SNCF contribution	16	18
Total	**542**	**560**	**Total**	**542**	**560**

As at 31 December 2006, Special Debt Account liabilities, after swaps, amounted to €7.9 billion (€8.3 billion as at 31 December 2005), excluding accrued interest.

Maturity structure

	31/12/2006	31/12/2005
Maturing in:		
Less than 1 year		486
1 to 5 years	4,404	4,088
More than 5 years	3,603	3,686
Neutralisation of swaps impact	**–59**	**–4**
Special Debt Account borrowings excluding accrued interest payable	**7,948**	**8,256**
Accrued interest payable	*224*	*205*

Currency structure excluding accrued interest

The currency breakdown of borrowings allocated to the Special Debt Account, before adjustment for derivatives, is as follows:

	31/12/2006	31/12/2005
Euro	6,346	6,724
Swiss franc	373	386
Pound sterling	298	73
US dollar	569	763
Australian dollar		26
Canadian dollar	262	182
Hong Kong dollar	46	44
New Zealand dollar	54	58
Special Debt Account borrowings excluding accrued interest payable	**7,948**	**8,256**

The currency breakdown of borrowings allocated to the Special Debt Account, after adjustment for derivatives, is as follows:

	31/12/2006	31/12/2005
Euro	8,007	8,260
Neutralisation of swaps impact	–59	–4
Special Debt Account borrowings excluding accrued interest payable	**7,948**	**8,256**

Structure by currency excluding accrued interest

The breakdown by interest rate type of borrowings allocated to the Special Debt Account, after adjustment for derivatives and the cash balance mechanism is as follows:

	31/12/2006	31/12/2005
Fixed rate	6,753	7,399
Floating rate	1,254	861
Neutralisation of swaps impact	*–59*	*–4*
Special Debt Account borrowings excluding accrued interest payable	**7,948**	**8,256**

30. LITIGATION AND DISPUTES

The Group is involved in a number of legal proceedings and disputes in the course of its operating activities, which are unresolved at the year-end. Provisions are raised to cover the charges associated with these disputes where they are considered probable and they can be quantified or estimated with reasonable accuracy.

France Télécom

In October 2000, SNCF initiated a suit against France Télécom before the Paris administrative court in order to obtain payment of damages with respect to the installation of telecommunication cables on SNCF rail property between 1991 and 1997. In his conclusions before the

tribunal, the Government commissioner dismissed all the inadmissibility grounds raised by France Télécom with the exception of the SNCF receivable held on France Télécom that was transferred to RFF on 1 January 1997.
By notification dated 5 April 2004, the Paris administrative court rejected the SNCF suit on the grounds that the company had no reason to act in accordance with Article 6 of the law of 13 February 1997. SNCF appealed the ruling on 28 May 2004 before the registry of the Paris administrative appeal court. The parties are now exchanging their statements of claim. SNCF considers that it has solid arguments to contest this ruling.

Disputes relating to competitors

Euro Express Sonderzuge and Bahn Touristik Express have filed suit against SNCF for abuse of market power regarding rate increases for the French routes used by foreign pilgrimage trains. An investigation is under way, and SNCF has responded to the various questionnaires sent by the European Commission (the most recent dated October 2006). The SNCF and the Commission have recently established contact to examine the terms and conditions of various commitments that SNCF could undertake to put an end to the procedure.

Karavel and Last Minute.com have filed suit against SNCF regarding the enticement of customers for the exclusive benefit of the joint venture between Voyages-sncf.com and the on-line tour operator Expedia and for distorting the competition in the on-line retail travel market.
The merits of these two suits are being examined by the French Competition Council following its dismissal of the protective measures requested by Karavel.

Lastly, British Airways has filed suit against SNCF/Eurostar Group Ltd and FRP for refusing to display a British Airways advertising campaign in the stations. The suit is being contested by FRP pursuant to a binding agreement with SNCF. The British Airways suit also claims predatory price practices for the Eurostar Paris-London route.
This suit was the subject of a request for protective measures, which was examined by the French Competition Council in February 2005. This resulted in a decision not to proceed for FRP and the dismissal of the protective measures requested for the unfair price practices.
The French Competition Council has referred the suit for a more comprehensive analysis of the financial relations between Eurostar and SNCF. On 20 March 2007, the Council sent an additional questionnaire to SNCF and Eurostar.

Transportation of deportees during the second world war

On 6 June 2006, the Toulouse administrative court ordered SNCF and the French State to pay, respectively, €20,000 and €40,000 to the beneficiaries of Messrs Spyritus and Lipietz. The suit cited the involvement of SNCF and the French State, between May and August 1944, in the arrest in Pau of these individuals and their relatives, their transportation by train from Pau to Toulouse and subsequently to Paris-Austerlitz, and their imprisonment for approximately 3 months at the Drancy camp (they were not deported).
In thus ordering SNCF to compensate the claimants for one third of the damages suffered, the Toulouse administrative court considered:

- that their action was not time-barred, the starting point for the decennial time limit being deferred, in the court's opinion, from 1944 to the publication in 1996 of the Rapport Bachelier, a documentary report, since prior to this publication the SNCF's role was unknown,
- and that SNCF was liable given that it was autonomous and could have opposed the inhuman transport conditions.

In July 2006, SNCF appealed this ruling before the Bordeaux administrative appeal court. The French State did not appeal.

In a unanimous decision on 27 March 2007, the Bordeaux administrative appeal court overruled the Toulouse administrative court declaring that the administrative jurisdiction was not competent to hear the case.
In accordance with the Company's arguments, the court considered that SNCF, a semi-public company at the time and therefore a private-law corporation, operated an industrial and commercial public service and, accordingly, that it only transported persons of Jewish origin from stations close to administrative detention centres to stations serving transit centres (with a view to their subsequent deportation), <u>under the authority of the German occupation forces and at the State's request or requisition</u>.
The court emphasized that the conditions under which the transports at issue were carried out, particularly the train composition, the type of cars used, the interior layout and the entries to these cars, like the conditions of treatment of deportees, "were determined by the occupier and implemented under the State's authority", and hence that SNCF could not be seen as "having, through the requisite services, performed an administrative public service [in this case an administrative police operation], nor as having the prerogatives of public authority, the exercise of which being the source of the damage" and that, consequently, only the judiciary was competent to decide.

31. SUBSEQUENT EVENTS

ACQUISITION OF TFM

Geodis carried out a €159 million share capital increase with the maintenance of shareholder preferential subscription rights. This transaction was intended to partially finance the acquisition of the Freight Forwarding division (air and maritime forwarding agent) of TNT ("TFM") announced on 16 November 2006 and realised on 5 February 2007.
SNCF Group, which holds approximately 43.11% of Geodis, subscribed this share capital increase by exercising all its rights.
TNT Freight Management (TFM) is a global forwarding agent. It had revenues of €782 million in 2005. Following the integration of TFM, revenues from the freight forwarding activity of Geodis will double, representing approximately €1.6 billion.

CREATION OF SIDEROS

SNCF and SNCB have concluded an agreement that formalises the creation of Sideros, a joint venture. In an initial phase, this venture will prepare the launch of the future Sideros, to be created in 2007, after the necessary authorisations from the national and local authorities are obtained.
The future Sideros will be a new logistics operator, forwarding agent and freightcar owner, which will market transport and logistics services for the industrial sector of the iron and steel industry in Europe. It will be a subsidiary equally owned by SNCB and SNCF Group.

TER EQUIPMENT ORDERS

SNCF has placed an order with Alstom for the supply of 67 double-deck Coradia Duplex distributed-power regional trains (51 trains on 8 February 2007 and 16 trains on 31 March 2007), for a total of 245 cars. Under an industrial workshare agreement with Alstom, Bombardier will participate in the manufacture of 95 of the cars.
The order forms part of the multi-year investment programme launched in September 2000 and financed by French regions, to renew the TER (Regional Express Trains) fleet.
SNCF has also placed an order with Bombardier Transport, 67 high-capacity railcars, or 256 cars.
The order forms part of the multi-year investment programme launched in December 2001 for the supply of a maximum of 700 high-capacity railcars.

CREATION OF TRANSPORT ET LOGISTIQUE PARTENAIRES

In 2007, SNCF Group will create Transport et Logistique Partenaires, an industrial holding company, in order to link up the Freight subsidiaries excluding Geodis. The decision was approved by the Board of Directors of SNCF Participations on 27 March 2007.
The link-up of the freight transport and logistics subsidiaries to a division holding company is intended to strengthen the industrial synergies among the various players and create new customer service solutions.

32. SCOPE OF CONSOLIDATION

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.

Passenger	% control	% interest
Direct SNCF Participations subsidiaries		
Fully consolidated		
Voyageurs France Europe Partenaires	100.00	99.89
Effia	99.99	99.88
Equity accounted		
Financière Keos (Keolis holding company)	45.00	44.95

Transport and Logistics	% control	% interest
Direct SNCF Participations subsidiaries		
Fully consolidated		
France Wagons	100.00	99.89
Sté de Transports de Véhicules Automobiles (S.T.V.A.)	82.22	81.87
Naviland Cargo	93.81	94.27
Cie de Transports de Céréales (CTC)	53.06	69.35
Geodis	45.07	43.06
Proportionate consolidation		
Ermewa SA (Paris)	66.14	64.15
Groupe Ermewa SA	49.60	49.55
Direct Geodis subsidiaries		
Fully consolidated		
Bourgey Montreuil Holding	100.00	43.52
Calberson SA	100.00	43.52

Infrastructure and Engineering	% control	% interest
Direct SNCF Participations subsidiaries		
Fully consolidated		
SNCF International	100.00	99.89
AREP	99.99	99.88
INEXIA	100.00	99.89
Proportionate consolidation		
Systra SA	50.00	35.83

Common Operations and Investments	% control	% interest
Direct SNCF subsidiaries		
Fully consolidated		
Sté Immobilière de Construction Française (S.I.C.F)	100.00	100.00
SNCF Participations	99.89	99.89
Equity accounted		
Eurofima	23.70	23.70
Direct SNCF Participations subsidiaries		
Fully consolidated		
Seafrance	100.00	99.89

DETAILED SCOPE OF CONSOLIDATION

Consolidation methods:

- FC: Full consolidation
- PC: Proportionate consolidation
- EA: Equity accounted
- NC: Not consolidated

Change in Group structure:

- CNG: Change in corporate name
- CME: Change in method
- CPC: Change in % control
- EEX: Entry – external growth
- ECO: Entry – consolidation criteria
- ECR: Entry – creation
- RDI: Removal – disposal
- RCO: Removal – consolidation criteria
- RME: Removal – merger
- RLI: Removal – liquidation

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
PARENT COMPANY						
SNCF	FC	100.00	100.00	100.00	100.00	
PASSENGER - FRANCE & EUROPE						
A2C	FC	100.00	99.89	100.00	99.89	
Brit Cities Limited	FC	100.00	99.89	100.00	99.89	
CRM Services	FC	100.00	99.89	100.00	99.89	
Eurostar Group	FC	62.00	61.93	62.00	61.93	
French Rail Inc	FC	100.00	99.89	100.00	99.89	
French Railways Ltd	FC	100.00	99.89	100.00	99.89	
French Travel Service	FC	100.00	99.89	100.00	99.89	
GEIE Sysrail	FC	100.00	99.89	100.00	99.89	
IDTGV	FC	100.00	99.89	100.00	99.89	
L'Agence Voyages-sncf.com	FC	50.10	50.04	50.10	50.04	
Lyria	FC	74.00	73.92	74.00	73.92	
PARVIS	FC	100.00	99.89	100.00	99.89	
Rail Europe Bénélux	FC	100.00	99.89	100.00	99.89	
Rail Europe Deutschland	FC	100.00	99.89	100.00	99.89	
Rail Europe Espana	FC	10000	99.89	100.00	99.89	
Rail Europe Group Limited	FC	100.00	99.89	100.00	99.89	
Rail Europe Groupe Inc	FC	87.12	87.02	87.12	87.02	
Rail Europe Italia	FC	100.00	99.89	100.00	99.89	
Rail Europe Limited	FC	100.00	99.89	100.00	99.89	
Rail Europe Suisse	FC	100.00	99.89	100.00	99.89	
SAM Paris Nord	FC	60.00	59.93	60.00	59.93	
Thalys International	FC	70.00	69.92	70.00	69.92	
Transmanche Night Travel Ltd	FC	100.00	99.89	100.00	99.89	
VFe-commerce	FC	100.00	99.89	100.00	99.89	
Voyages-sncf.com	FC	100.00	99.89	100.00	99.89	
Voyageurs France Europe Partenaires SA	FC	100.00	99.89	100.00	99.89	
VSC Technologies	FC	100.00	99.89	100.00	99.89	
Artesia	PC	50.00	49.95	50.00	49.95	
Elipsos	PC	50.00	49.95	50.00	49.95	
RE4A	PC	50.00	49.95	50.00	49.95	
Rhéalys SA	PC	30.00	29.97	30.00	29.97	
Intercapital Régional Rail Ltd	EA	35.00	34.96	35.00	34.96	
PUBLIC TRANSPORT						
Effia (holding company)	FC	99.99	99.88	99.99	99.88	
Sceta Parc	FC	99.97	99.84	99.97	99.84	
Effia Services	FC	99.79	99.87	99.99	99.87	
Effia Voyageurs	FC			99.99	99.87	RME

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
Via Stationnement	FC	100.00	99.85	100.00	99.85	
Canal TP	FC	74.97	86.04	74.97	86.04	
S.E.G.	FC	100.00	99.85	100.00	99.85	
Quiberon Stationnement	FC	52.00	51.92	52.00	51.92	
S.G.F.A.	FC	90.00	89.76	90.00	89.76	
M.T.I. Conseil	FC	100.00	99.88	100.00	99.88	
Effia Transports	FC	100.00	99.89	100.00	99.89	
Equity accounted Keolis group						
Financière Keos (parent company)	EA	45.00	44.95	45.35	45.30	
Subsidiaries fully consolidated at Keolis						
Eole		45.00	44.95	45.35	45.30	
Keolis		45.00	44.95	45.35	45.30	
Keolis Chalons		45.00	44.95	45.35	45.30	
Sté Tpt Urbains d'Oyonnax		45.00	44.95	45.35	45.30	
Cie Tpts Méditerranéens		45.00	44.95	45.35	45.30	
Aerobag		45.00	44.95	45.35	45.30	
Aerolignes		45.00	44.95	45.35	45.30	
Aéroport Angers Marcé		45.00	44.95	45.35	45.30	
Aerosat		45.00	44.95	45.35	45.30	
Airelle		45.00	44.95	45.35	45.30	
Ateliers Chantiers de Fécamp		45.00	44.95	45.35	45.30	
Autocars Charrière Fils		45.00	44.95	45.35	45.30	
Autocars Planche		45.00	44.95	45.35	45.30	
Busslink		45.00	44.95	45.35	45.30	
C.T.A. Valentinoise		45.00	44.95	45.35	45.30	
Cannaise de Service		45.00	44.95	45.35	45.30	
Cars de Bordeaux		45.00	44.95	45.35	45.30	
Cars du bassin de Thau		45.00	44.95	45.35	45.30	
Cars Planche Cottin Prioux		45.00	44.95	45.35	45.30	
Cars Rebmann–Lavergne				45.35	45.30	RLI
Ceyte Tourisme Méditerranée		45.00	44.95	45.35	45.30	
Cie Bus Alençonnais–Cobal		45.00	44.95	45.35	45.30	
Cie Maritime Penn Ar Bed		45.00	44.95	45.35	45.30	
Cie Tpts De l'Artois		45.00	44.95	45.35	45.30	
Cie Tpts Languedoc Narbonne		45.00	44.95	45.35	45.30	
Citypendeln		45.00	44.95	45.35	45.30	
CSG Commuter Security		45.00	44.95	45.35	45.30	
Entreprise Charles Caron		45.00	44.95	45.35	45.30	
Entreprise Philippe Détré		45.00	44.95	45.35	45.30	
Garrel et Navarre		45.00	44.95	45.35	45.30	
Gep Vidal		45.00	44.95	45.35	45.30	
Groupe Ernest Planche		45.00	44.95	45.35	45.30	
Groupe Orléans Express		45.00	44.95	45.35	45.30	
Institut Keolis		45.00	44.95	45.35	45.30	
Interhone		45.00	44.95	45.35	45.30	
Jobard et Cie		45.00	44.95	45.35	45.30	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1
Keolis Auch		45.00	44.95	45.35	45.30
Keolis Besançon		45.00	44.95	45.35	45.30
Keolis Agen		45.00	44.95	45.35	45.30
Keolis Angers		45.00	44.95	45.35	45.30
Keolis Arles		45.00	44.95	45.35	45.30
Keolis Aude		45.00	44.95	45.35	45.30
Keolis Blois		45.00	44.95	45.35	45.30
Keolis Brest		45.00	44.95	45.35	45.30
Keolis Caen		45.00	44.95	45.35	45.30
Keolis Calvados		45.00	44.95	45.35	45.30
Keolis Canada Inc		45.00	44.95	45.35	45.30
Keolis Chateauroux		45.00	44.95	45.35	45.30
Keolis Chatellerault		45.00	44.95	45.35	45.30
Keolis Cherbourg		45.00	44.95	45.35	45.30
Keolis Concarneau		45.00	44.95	45.35	45.30
Keolis Conseil et Projets		45.00	44.95	45.35	45.30
Keolis Deutschland Holding Gmbh		45.00	44.95	45.35	45.30
Keolis Deutschland Vervaltung Gmbh		45.00	44.95	45.35	45.30
Keolis Espagne		45.00	44.95	45.35	45.30
Keolis Gironde		45.00	44.95	45.35	45.30
Keolis Gohelle		45.00	44.95	45.35	45.30
Keolis Grand Tarbes		45.00	44.95	45.35	45.30
Keolis La Roche-su-Yon		45.00	44.95	45.35	45.30
Keolis Laval		45.00	44.95	45.35	45.30
Keolis Littoral		45.00	44.95	45.35	45.30
Keolis Lorient		45.00	44.95	45.35	45.30
Keolis Lyon		45.00	44.95	45.35	45.30
Keolis Montelimar		45.00	44.95	45.35	45.30
Keolis Morlaix		45.00	44.95	45.35	45.30
Keolis Nordic		45.00	44.95	45.35	45.30
Keolis Pays de Montbeliard		45.00	44.95	45.35	45.30
Keolis Provence		45.00	44.95	45.35	45.30
Keolis Quimper		45.00	44.95	45.35	45.30
Keolis Saintes		45.00	44.95	45.35	45.30
Keolis St Brieuc		45.00	44.95	45.35	45.30
Keolis St Malo		45.00	44.95	45.35	45.30
Keolis Tours Tours		45.00	44.95	45.35	45.30
Keolis UK		45.00	44.95	45.35	45.30
Keolis Val de Maine		45.00	44.95	45.35	45.30
Keolis Vesoul		45.00	44.95	45.35	45.30
Les Cars de Camargue		45.00	44.95	45.35	45.30
Les cars Roannais		45.00	44.95	45.35	45.30
Les Courriers Bretons		45.00	44.95	45.35	45.30
Les Courriers Catalans		45.00	44.95	45.35	45.30
Les Courriers d'Ile-de-France		45.00	44.95	45.35	45.30
Les Courriers du Midi		45.00	44.95	45.35	45.30

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
Les Courriers Mosellans		45.00	44.95	45.35	45.30	
Les Courriers Normands		45.00	44.95	45.35	45.30	
Monnet Tourisme		45.00	44.95	45.35	45.30	
Normandy Cars		45.00	44.95	45.35	45.30	
Pacific Car		45.00	44.95	45.35	45.30	
Prioris				45.35	45.30	RLI
S.E.S.				45.35	45.30	RLI
S.N.C.O.A.		45.00	44.95	45.35	45.30	
S.N.T. Comett		45.00	44.95	45.35	45.30	
S.R.T.A.		45.00	44.95	45.35	45.30	
S.T.2.L. Westell		45.00	44.95	45.35	45.30	
S.T.A.V.S.		45.00	44.95	45.35	45.30	
S.T.E.F.I.M.		45.00	44.95	45.35	45.30	
S.T.U. du Lot-et-Garonne		45.00	44.95	45.35	45.30	
SCE A14		45.00	44.95	45.35	45.30	
SCI La Rouvière				45.35	45.30	RLI
Serag Voyages		45.00	44.95	45.35	45.30	
Seratech'				45.35	45.30	RLI
Setver		45.00	44.95	45.35	45.30	
Sodetrav		45.00	44.95	45.35	45.30	
Somap		45.00	44.95	45.35	45.30	
SOTRAM Martigues		45.00	44.95	45.35	45.30	
STCAR		45.00	44.95	45.35	45.30	
STCR Arras		45.00	44.95	45.35	45.30	
Sté des Tpt du littoral de Toulon		45.00	44.95	45.35	45.30	
Sté Rennaise Tpts et Services		45.00	44.95	45.35	45.30	
Ste Tpt Région Boulogne		45.00	44.95	45.35	45.30	
Sté Tpt Services Aeroportuaires		45.00	44.95	45.35	45.30	
Sté Tpts Agg. Alesienne		45.00	44.95	45.35	45.30	
Sté Tpts Agglom. Chartraine		45.00	44.95	45.35	45.30	
Sté Tpts Agglom. Montargis		45.00	44.95	45.35	45.30	
Sté Tpts Agglom. Roannaise		45.00	44.95	45.35	45.30	
Sté Tpts Commun Nimois		45.00	44.95	45.35	45.30	
Sté Tpts de Givors		45.00	44.95	45.35	45.30	
Sté Tpts Région Abbeville		45.00	44.95	45.35	45.30	
Ste Tpts Région Dijonnaise		45.00	44.95	45.35	45.30	
Sté Tpts Robert		45.00	44.95	45.35	45.30	
Sté Tpts Urb. Cahors		45.00	44.95	45.35	45.30	
Ste Tpts Urb. des Deux Cantons				45.35	45.30	RLI
Sté Tpts Urbains Rennais		45.00	44.95	45.35	45.30	
Tourisme Garage Vermot		45.00	44.95	45.35	45.30	
Tpts Commun Metropole Lilloise		45.00	44.95	45.35	45.30	
Trans Val de Lys		45.00	44.95	45.35	45.30	
Transétude		45.00	44.95	45.35	45.30	
Transport Braichotte Brendel				45.35	45.30	RLI
Transports Urbains de Reims		45.00	44.95	45.35	45.30	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
Var Tour		45.00	44.95	45.35	45.30	
Via Autoroute		45.00	44.95	45.35	45.30	
Via International				45.35	45.30	RLI
Via Normandie		45.00	44.95	45.35	45.30	
Voyages Buchet		45.00	44.95	45.35	45.30	
Voyages Dourlens		45.00	44.95	45.35	45.30	
Voyages Monnet		45.00	44.95	45.35	45.30	
VS Voyages		45.00	44.95	45.35	45.30	
Cariane SA		45.00	44.95	45.35	45.30	
Athis Cars		45.00	44.95	45.35	45.30	
C.F.T.V.		45.00	44.95	45.35	45.30	
C.S.T.A.		45.00	44.95	45.35	45.30	
Cariane Adour		45.00	44.95	45.35	45.30	
Cariane Drôme		45.00	44.95	45.35	45.30	
Cariane Est		45.00	44.95	45.35	45.30	
Cariane Littoral		45.00	44.95	45.35	45.30	
Cariane Loiret		45.00	44.95	45.35	45.30	
Cariane Nord				45.35	45.30	RME
Cars Jura Sud		45.00	44.95	45.35	45.30	
Cars Sylvestre		45.00	44.95	45.35	45.30	
City				45.35	45.30	RLI
Compagnie du Blanc Argent		45.00	44.95	45.35	45.30	
Devillairs		45.00	44.95	45.35	45.30	
Gie Orset		45.00	44.95	45.35	45.30	
Intrabus Orly		45.00	44.95	45.35	45.30	
Keolis Atlantique		45.00	44.95	45.35	45.30	
Keolis Bassin de Thau		45.00	44.95	45.35	45.30	
Keolis Bourgogne		45.00	44.95	45.35	45.30	
Keolis Centre		45.00	44.95	45.35	45.30	
Keolis Eure		45.00	44.95	45.35	45.30	
Keolis Eure et Loire		45.00	44.95	45.35	45.30	
Keolis Languedoc		45.00	44.95	45.35	45.30	
Keolis Oise		45.00	44.95	45.35	45.30	
Keolis Pyrénées		45.00	44.95	45.35	45.30	
Keolis Seine et Eure		45.00	44.95	45.35	45.30	
Keolis Seine Maritime		45.00	44.95	45.35	45.30	
Keolis Somme		45.00	44.95	45.35	45.30	
Keolis Touriscar Ain		45.00	44.95	45.35	45.30	
Keolis Urbest		45.00	44.95	45.35	45.30	
Keolis Val de Saône		45.00	44.95	45.35	45.30	
Keolis Val d'Oise		45.00	44.95	45.35	45.30	
Keolis Voyages		45.00	44.95	45.35	45.30	
Millau Cars		45.00	44.95	45.35	45.30	
MJ 70		45.00	44.95	45.35	45.30	
MJ90		45.00	44.95	45.35	45.30	
Monts Jura autocars		45.00	44.95	45.35	45.30	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
S.A.P. Cariane Provence		45.00	44.95	45.35	45.30	
S.C.A.C.		45.00	44.95	45.35	45.30	
S.C.A.C. Bagnis		45.00	44.95	45.35	45.30	
S.T.A.		45.00	44.95	45.35	45.30	
S.T.U.V		45.00	44.95	45.35	45.30	
S.T.U.V.G.				45.35	45.30	RLI
S.V.I.				45.35	45.30	RLI
S.V.T.U.		45.00	44.95	45.35	45.30	
SA SAP Drogoul		45.00	44.95	45.35	45.30	
SFD		45.00	44.95	45.35	45.30	
STC Cagnes		45.00	44.95	45.35	45.30	
T.A.E.		45.00	44.95	45.35	45.30	
T.P.R.		45.00	44.95	45.35	45.30	
T.V.B.		45.00	44.95	45.35	45.30	
Train Bleu de St Marcellin		45.00	44.95	45.35	45.30	
Transorly		45.00	44.95	45.35	45.30	
Transports de la Briere		45.00	44.95	45.35	45.30	
Transports George's		45.00	44.95	45.35	45.30	
Transroissy		45.00	44.95	45.35	45.30	
Transtub		45.00	44.95	45.35	45.30	
Subsidiaries fully consolidated at Keolis						
ORGEBUS		45.00	44.95	45.35	45.30	
Bad Kreuznach Bus		45.00	44.95	45.35	45.30	
Zweibrücken		45.00	44.95	45.35	45.30	
S.T.A. Chauny		45.00	44.95	45.35	45.30	
SEAG		45.00	44.95	45.35	45.30	
SEACA		45.00	44.95	45.35	45.30	
C.T.C.O.P.		45.00	44.95	45.35	45.30	
Transevry		45.00	44.95	45.35	45.30	
Trans Pistes		45.00	44.95	45.35	45.30	
Govia		45.00	44.95	45.35	45.30	
Thameslink		45.00	44.95	45.35	45.30	
New Southern Railway		45.00	44.95	45.35	45.30	
First/Keolis Holding Ltd		45.00	44.95	45.35	45.30	
First/Keolis Transpennine Holding		45.00	44.95	45.35	45.30	
First/Keolis Transpennine Ltd		45.00	44.95	45.35	45.30	
London South Eastern Railway		45.00	44.95	45.35	45.30	
Slivia Inc		45.00	44.95	45.35	45.30	
City Trafik		45.00	44.95	45.35	45.30	
Rhenus Keolis Gmbh		45.00	44.95	45.35	45.30	
Rhenus Keolis Vervaltung		45.00	44.95	45.35	45.30	
Martin Becker		45.00	44.95	45.35	45.30	
Martin Becker Vervaltung		45.00	44.95	45.35	45.30	
Stadtverkehr Martin Becker		45.00	44.95	45.35	45.30	
Freiberg		45.00	44.95	45.35	45.30	
Idar Oberstein		45.00	44.95	45.35	45.30	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
Moselbahn		45.00	44.95	45.35	45.30	
Zwickau		45.00	44.95	45.35	45.30	
Eurobahn Niedersachsen Gmbh				45.35	45.30	RLI
Eurobahn Niedersachsen Co.KG				45.35	45.30	RLI
Extertalbahn		45.00	44.95	45.35	45.30	
		45.00	44.95	45.35	45.30	
Subsidiaries equity accounted at Keolis						
T.I.C.E.		45.00	44.95	45.35	45.30	
Eastbourne Buses		45.00	44.95	45.35	45.30	
Netlog		45.00	44.95	45.35	45.30	
Scodec		45.00	44.95	45.35	45.30	

TRANSPORT AND LOGISTICS

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
A.A.T.	FC	100.00	81.87	100.00	81.84	
Ain Express (01 Express)	FC	69.85	30.40	69.85	30.71	
Aisne Express (02 Express)	FC	100.00	43.49	100.00	43.93	
Akidis	FC	100.00	81.87	100.00	81.84	
Alpes-Maritimes Express (06 Express)	FC	100.00	43.52	100.00	43.68	
Artois Express	FC	49.90	21.72	49.90	21.80	
Atlantis Cargo	FC			100.00	99.89	RME
Audas Distribution	FC	100.00	43.06	99.85	43.62	
Aveyron Express	FC	100.00	43.52	100.00	43.68	
B.M. Dauphine	FC	100.00	43.52	100.00	43.68	
B.M. Auvergne	FC	100.00	43.52	100.00	43.68	
B.M. Normandie	FC	100.00	43.52	100.00	43.68	
B.M. Provence	FC	100.00	43.52	100.00	43.68	
Batrans	FC	100.00	81.87	100.00	81.84	
Begey	FC	100.00	43.52	100.00	43.68	
Belgitrans	FC	100.00	43.52	100.00	43.68	
Betourné International	FC			100.00	43.68	ECR
Beugniet	FC	100.00	43.52	100.00	43.68	
Blazy	FC	100.00	43.52	100.00	43.68	
BM Alsace	FC	100.00	43.52	100.00	43.68	
BM Automotive	FC	100.00	43.52			ECR
BM Chimie	FC	100.00	43.52	100.00	43.68	
BM Deutschland	FC	100.00	43.52	100.00	43.68	
BM Epsilon	FC	100.00	43.52			ECR
BM Equipt 1	FC	100.00	43.52	100.00	43.68	
BM Equipt 2	FC	100.00	43.52	100.00	43.68	
BM Equipt 3	FC	100.00	43.52	100.00	43.68	
BM Francilienne	FC	100.00	43.52	100.00	43.68	
BM Holding	FC	100.00	43.52	100.00	43.68	
BM Île-de-France	FC	100.00	43.52	100.00	43.68	
BM Italia	FC	99.75	43.52	99.75	43.68	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
BM Luxembourg	FC	100.00	43.52	100.00	43.68	
BM Ouest	FC	100.00	43.52	100.00	43.68	
BM Picardie	FC	100.00	43.52	100.00	43.66	
BM Route	FC	100.00	43.52	100.00	43.68	
Bouches-du-Rhône Express	FC	100.00	43.52	100.00	43.68	
C.A.A.T.	FC	10000	81.87	100.00	81.84	
C.T.C.	FC	53.06	69.28	53.06	69.28	
Calberson	FC	100.00	43.52	100.00	43.68	
Calberson Alsace	FC	100.00	43.52	100.00	43.68	
Calberson Ardennes	FC	99.90	43.48	99.90	43.64	
Calberson Armorique	FC	100.00	43.52	100.00	43.68	
Calberson Aube	FC	95.02	41.35	95.02	41.51	
Calberson Autun	FC	100.00	43.52	100.00	43.68	
Calberson Auvergne	FC	100.00	43.48	100.00	43.68	
Calberson Belgium	FC	100.00	43.52	100.00	43.68	
Calberson Bretagne	FC	100.00	43.52	100.00	43.68	
Calberson Danzas	FC			99.94	43.68	ECR
Calberson Eure et Loir	FC	99.03	43.10	99.03	43.26	
Calberson Europe Île-de-France	FC	100.00	43.52	100.00	43.68	
Calberson Europe Nord	FC	99.97	43.52	99.97	43.68	
Calberson Europe Rhône-Alpes	FC	100.00	43.52	100.00	43.68	
Calberson F.M. (Haute Saône Express : 70)	FC	100.00	43.52	100.00	43.68	
Calberson GE	FC	99.97	43.06	99.97	43.68	
Calberson Grèce	FC	50.00	21.76	50.00	21.84	
Calberson Île-de-France	FC	100.00	43.52	100.00	43.68	
Calberson International	FC	100.00	43.06	100.00	43.68	
Calberson Location	FC	100.00	43.52	100.00	43.68	
Calberson Loire	FC			100.00	43.68	ECR
Calberson Loiret	FC	100.00	43.52	100.00	43.68	
Calberson Lorraine (54 Express)	FC	100.00	43.51	100.00	43.67	
Calberson Méditerranée	FC	99.99	43.52	99.99	43.68	
Calberson Moselle (57 Express)	FC	100.00	43.52	100.00	43.68	
Calberson Normandie (Agences : Rouen, Evreux)	FC	100.00	43.52	100.00	43.68	
Calberson Oise	FC	100.00	43.52	100.00	43.68	
Calberson Paris	FC	99.99	43.52	99.99	43.68	
Calberson Picardie	FC	99.99	43.52	99.99	43.68	
Calberson Rhône-Alpes	FC	100.00	43.52	100.00	43.68	
Calberson Romania	FC	100.00	41.93	100.00	42.09	
Calberson Roussillon	FC	100.00	43.52	100.00	43.68	
Calberson Marne La Vallée	FC	100.00	43.52	100.00	43.68	
Calberson Seine-St-Denis	FC	100.00	43.52	100.00	43.68	
Calberson Sud-Ouest	FC	100.00	43.52	100.00	43.68	
Calberson Yvelines	FC	100.00	43.52	100.00	43.68	
Calvados Express (14 Express)	IG	100.00	43.52	100.00	44.68	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
Car & Commercial deliveries	IG	100.00	81.87	100.00	81.84	
Car & Commercial land	IG	100.00	81.87	100.00	81.84	
Car & Commercial Ltd	IG	100.00	81.87	100.00	81.84	
Cargo Docks	IG	100.00	99.89	100.00	99.89	
CES	IG	100.00	43.52	100.00	43.68	
CFD INDUSTRIE	IG	100.00	99.89	100.00	99.89	
Challenge International Belgium	IG	99.95	66.33	99.95	66.33	
Challenge International Méditerranée	IG	100.00	66.36	100.00	66.36	
Challenge International SA	IG	66.44	66.36	66.44	66.36	
Challenge Overseas Caraïbes	IG	65.92	43.75			ECR
Chaveneau Bernis	IG	99.91	31.47	99.91	31.59	
Chenue à la Croix de Lorraine	IG	100.00	43.06	100.00	43.68	
Cie Modalhor Express Holding	IG	51.00	50.94	51.00	50.94	
Cobatrans	IG	96.00	78.59	96.00	78.56	
Cofica1	IG			100.00	43.68	RME
Cofica2	IG			100.00	43.68	RME
Cofica3	IG			100.00	43.68	RME
Cofica4	IG			100.00	43.68	RME
Cofica5	IG			100.00	43.68	RME
COFITAL	IG	100.00	81.87	100.00	81.84	
Cogewip	IG	100.00	80.58	100.00	80.58	
Coquelle Gourdin	IG	98.33	97.53	98.33	97.53	
Créneau SA	IG	100.00	43.52	100.00	43.68	
Delisle	IG	100.00	43.52	100.00	43.68	
DESBRUGERES	IG	100.00	99.89	100.00	99.89	
DISTRICHRONO	IG	100.00	99.89	100.00	99.89	
Drôme Express	IG	100.00	43.52	100.00	43.68	
Dusolier Calberson	IG	99.94	43.50	99.94	43.94	
ECORAIL	IG	99.99	99.88	99.99	99.88	
EDIFRET	IG	100.00	99.73	100.00	99.73	
Egerland France	IG	51.00	49.78	51.00	49.76	
Ego Boniface	IG	99.97	43.52	99.97	43.67	
Locotract	IG	100.00	99.89	100.00	99.89	
Euromatic Belgium	IG	98.39	43.06	98.39	42.98	
Express Seine-et-Marne	IG	100.00	43.52	100.00	43.68	
Feron de Clebsattel	IG	97.97	99.19	97.97	99.19	
Fertis	IG	100.00	99.89	100.00	99.89	
Flandre Express (59 Express)	IG	100.00	43.52	74.88	32.71	
Foissin	IG	100.00	43.52	100.00	43.68	
Fondimare	IG	100.00	66.36	100.00	66.36	
Fortec Distribution Network Ltd	IG	100.00	43.52	100.00	43.68	
France Wagons	IG	100.00	99.89	100.00	99.89	
France-Location Distribution	IG	100.00	43.52	100.00	43.68	
FREIGHT EUROPE UK	IG	100.00	99.89	100.00	99.89	
FRET INTERNATIONAL	IG	100.00	99.89	100.00	99.89	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
FROIDCOMBI	IG	48.93	48.88	48.93	48.88	
Gard Express	IG	100.00	43.52	100.00	44.68	
GARMATEX	IG			78.42	78.33	RCO
Gemafer	IG	100.00	99.89	100.00	99.89	
Geodis Afrique	IG	100.00	43.06	100.00	43.68	
Geodis Antilles	IG	99.87	43.45	99.87	43.61	
Geodis Asie (Geodis International)	IG	100.00	43.06	100.00	43.68	
Geodis BM Rakotrans	IG	52.00	22.63	52.00	22.71	
Geodis BM Réseau	IG	100.00	43.52	100.00	43.68	
Geodis BM Unitrans	IG	52.00	22.63			EEX
Geodis Calberson Lipetsk	IG	100.00	43.06	100.00	42.09	
Geodis Chine (Shenzen)	IG	100.00	43.50	100.00	43.66	
Geodis Deutschland	IG	100.00	43.52	100.00	43.68	
Geodis Groupage Services	IG	100.00	43.52	100.00	43.68	
Geodis Holding Italia	IG	100.00	43.52	100.00	43.68	
Geodis Holding BV	IG	100.00	43.52	100.00	43.68	
Geodis Hungaria	IG	100.00	43.06	100.00	42.09	
Geodis Iberia	IG	99.44	43.28	99.44	43.44	
Geodis Île-de-France Service	IG	99.99	43.52	99.99	43.96	
Geodis Immobiliare Italia	IG	100.00	43.52	100.00	43.68	
Geodis Interservices	IG	100.00	43.06	100.00	43.68	
Geodis Italie	IG			100.00	43.96	RLI
Geodis Logistics	IG	100.00	43.06	100.00	43.68	
Geodis Logistics Center C.V.	IG	98.53	43.04	98.53	43.04	
Geodis Logistics Euromatic	IG	100.00	43.06	100.00	43.68	
Geodis Logistics Europarts	IG	100.00	43.06	100.00	43.68	
Geodis Logistics France	IG	100.00	43.06	100.00	43.68	
Geodis Logistics France Champagne-Ardenne	IG	99.99	43.06	99.99	43.68	
Geodis Logistics France Nord	IG	100.00	43.06	100.00	43.68	
Geodis Logistics France Rhône-Alpes	IG	100.00	43.06	100.00	43.68	
Geodis Logistics France Sud	IG	100.00	43.06	100.00	43.68	
Geodis Logistics France Sud-Ouest	IG	99.99	43.06	99.99	43.68	
Geodis Logistics Gestion Immobilière	IG	100.00	43.06	100.00	43.68	
Geodis Logistics Ireland	IG	100.00	43.52	100.00	43.68	
Geodis Logistics Maroc	IG	99.90	43.47	99.90	43.63	
Geodis logistics Mexico	IG			99.99	43.68	
Geodis Logistics Nord-Ouest	IG	100.00	43.06	100.00	43.68	
Geodis Logistics Ouest	IG	99.99	43.06	99.99	43.68	
Geodis Logistics Polska	IG	100.00	43.52	100.00	43.68	
Geodis logistics Taïwan	IG	100.00	43.06	100.00	43.68	
Geodis Logistique Méditerranée	IG	100.00	43.06	100.00	43.68	
Geodis Magyarorszag Logisztik	IG	100.00	43.52	100.00	43.68	
Geodis Networks	IG	100.00	43.06	100.00	43.68	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
Geodis Oil and Gaz	IG	100.00	43.52	100.00	43.68	
Geodis Overseas Cameroun	IG	90.18	38.83	90.18	39.39	
Geodis Overseas Côte-d'Ivoire	IG	100.00	43.06	100.00	43.68	
Geodis Overseas France SA	IG	99.98	43.51	99.98	43.67	
Geodis Overseas Guadeloupe	IG			99.92	43.61	RME
Geodis Overseas India	IG	100.00	43.06	100.00	43.68	
Geodis Overseas Ltd (Hong Kong + Chine)	IG	99.96	43.06	99.96	43.66	
Geodis Overseas Ltd Taïwan	IG	100.00	43.06	100.00	43.68	
Geodis Overseas Ltd Thaïland	IG	100.00	43.06	100.00	43.68	
Geodis Overseas Malaysia	IG	100.00	43.06	100.00	43.68	
Geodis Overseas Maroc	IG	100.00	43.52	100.00	43.67	
Geodis Overseas Mexico	IG	100.00	43.06	100.00	43.68	
Geodis Overseas Polynesia	IG	93.83	40.40	93.83	40.97	
Geodis Overseas PT Indonesia	IG	90.00	39.17	90.00	39.31	
Geodis Overseas PTE (Singapore)	IG	100.00	43.06	100.00	43.68	
Geodis Overseas Réunion	IG	89.95	39.14	89.95	39.28	
Geodis Overseas Sénégal	IG	100.00	43.06	100.00	43.68	
Geodis Overseas Services-GOS	IG	100.00	43.06	100.00	43.68	
Geodis Overseas Transport Thaïland	IG	100.00	43.06	100.00	43.68	
Geodis SA	IG	45.07	43.06	45.07	43.68	
Geodis Solutions	IG	100.00	43.06	100.00	43.68	
Geodis Tchad	IG	100.00	43.06	100.00	43.68	
Geodis UK Ltd	IG	100.00	43.52	100.00	43.68	
Geodis UK Ltd	IG	100.00	43.52	100.00	43.68	
Geodis Züst Ambrosetti	IG	100.00	43.52	100.00	43.68	
Géosiap Cameroun	IG	100.00	43.06	100.00	39.39	
Gie BM Combi	IG	100.00	43.52			EEX
Gie Financière Geodis	IG	100.00	43.06	100.00	43.68	
Gie France Express	IG	67.01	30.01	67.01	29.78	
Gironde Express (33 Express)	IG	100.00	43.52	100.00	43.68	
Haute-Provence Express	IG	100.00	43.52	100.00	43.68	
Helf	IG	94.95	78.53	95.96	78.53	
Helu Trans Malaysia	IG	100.00	43.06	100.00	43.68	
Hérault Express (34 Express)	IG	100.00	43.52	100.00	43.68	
Ibercondor	IG	100.00	43.28	100.00	43.44	
Immobilière Geodis I	IG	100.00	43.06	100.00	43.68	
Immobilière Geodis II	IG	100.00	43.06	100.00	43.68	
Immobilière Geodis II Logistics	IG	100.00	43.52			ECR
Instit. De Form. Eur. Multimodal (IFEM)	IG	100.00	99.89	100.00	99.89	
L.S.I.	IG	100.00	99.89	100.00	99.89	
Le Bois Chaland	IG	100.00	43.06	100.00	43.68	
LOCOREM	IG	100.00	99.89	100.00	99.89	
LOGISTRA	IG	99.80	99.69	99.80	99.69	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
M. N. Walbaum	IG	99.75	43.41	99.75	43.57	
M.E.I. (Mancelle d'Emballages)	IG	99.40	43.24	99.40	43.68	
M.G. Transports	IG	99.90	43.52	99.90	43.64	
Marne Express	IG			100.00	43.57	RME
MGL	IG	99.91	43.48	99.91	43.64	
MPL	IG	100.00	43.52	100.00	43.68	
NAVILAND CARGO	IG	93.81	94.27	93.81	94.27	
Normanche	IG	100.00	81.87	100.00	81.84	
Ortrans	IG	100.00	81.87	100.00	81.84	
Pan European Transport Ltd	IG	100.00	43.52	100.00	43.68	
Pan European Transport UK	IG	100.00	43.52	100.00	43.68	
Paris 8	IG	100.00	43.52	100.00	43.68	
Picardie Express	IG	99.60	43.35	49.70	21.85	
PLC	IG	100.00	43.52	100.00	43.68	
Provence Express	IG	100.00	43.52	100.00	43.68	
Ramscroft Ltd	IG			100.00	43.68	RLI
Rhône Dauphiné Express	IG	100.00	43.52	100.00	43.68	
RIVERAIN	IG			100.00	99.87	RME
ROUCH INTERMODAL	IG	100.00	98.85	100.00	98.85	
Rouleurs du Cambresis	IG	100.00	43.52	100.00	43.68	
S.M.C.	IG	100.00	43.52	100.00	43.68	
S.M.T.R. (Mayenne Express 53/ Orne Express 61 Agence d'Alençon/ Sarthe Express 72)	IG	99.98	43.52	99.98	43.68	
S.N.T.C.	IG	100.00	81.87	100.00	81.84	
S.N.T.N. Calberson	IG	99.98	43.52	99.98	43.67	
S.T.V.A.	IG	82.22	81.87	82.19	81.84	
S.T.V.A. U.K.	IG	100.00	81.87	100.00	81.84	
SARI	IG	65.68	56.82	65.68	56.82	
Savin	IG	99.94	43.50	99.94	43.66	
Sceta Transport	IG			100.00	43.68	RME
SCI Alsace	IG	100.00	43.52	100.00	43.68	
SCI BM Chelles	IG	100.00	43.52	100.00	43.68	
SCI BM Craywick	IG	100.00	43.52	100.00	43.68	
SCI BM Le Fontanil	IG	100.00	43.52	100.00	43.68	
SCI Borny	IG	100.00	43.52	100.00	43.68	
SCI Cel	IG	100.00	43.52	100.00	43.68	
SCI Champagne-Ardenne	IG	100.00	43.52	100.00	43.68	
SCI Charlotte	IG	100.00	43.52	100.00	43.68	
SCI Charval	IG	99.50	43.30	99.50	43.46	
SCI Danjoutin	IG	100.00	43.52	100.00	43.68	
SCI de la Brèche	IG	100.00	43.52	100.00	43.68	
SCI De La Poudrière	IG	100.00	43.52	100.00	43.63	
SCI de Vaux	IG	100.00	43.52	100.00	43.68	
SCI Du Rouvray	IG	100.00	43.52	100.00	43.68	
SCI Etupes	IG	99.90	43.48	99.90	43.64	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
SCI Euroflory Parc	IG			100.00	43.68	RLI
SCI Ferrus Immo	IG	100.00	81.87	100.00	81.84	
SCI FGH	IG	75.00	73.38			ECR
SCI Gilly	IG	82.50	35.91	82.50	36.04	
SCI Horizons	IG	100.00	43.52	100.00	43.68	
SCI Île-de-France	IG	100.00	43.52	100.00	43.68	
SCI Immolog	IG	100.00	43.06	100.00	43.68	
SCI JCC	IG	100.00	43.52	100.00	43.68	
SCI Le Polygone	IG	100.00	43.52	100.00	43.68	
SCI Le Revard	IG	66.70	29.03	66.70	29.14	
SCI Mery	IG	100.00	43.52	100.00	43.68	
SCI Norferrus	IG	100.00	81.87	100.00	81.84	
SCI Normandie	IG	100.00	43.52	100.00	43.68	
SCI Ouest	IG	100.00	43.52	100.00	43.68	
SCI Portes-Lès-Valences	IG			100.00	43.68	RLI
SCI Région Bretagne	IG	100.00	43.52	100.00	43.68	
SCI Rhône Ferrus	IG	100.00	81.87	100.00	81.84	
SCI Royneau le Coudray	IG	98.39	42.40	98.39	42.56	
SCI Salaise	IG	100.00	43.52	100.00	43.68	
SCI Sopyrim	IG	100.00	81.87	100.00	81.84	
SCI Sud-Est	IG	100.00	43.52	100.00	43.68	
SCI Sud-Ouest	IG	100.00	43.52	100.00	43.68	
SCI SVIG	IG	99.97	43.51	99.97	43.67	
SCI Val-Ferrus	IG	80.00	65.50	80.00	65.47	
SCI Voujeaucourt	IG	100.00	43.52	100.00	43.68	
SD Calberson	IG	99.97	43.51	99.97	43.67	
Sealogis	IG	100.00	99.89	100.00	99.89	
SEFERGIE	IG	100.00	98.85	100.00	98.85	
SEGI	IG	98.31	98.85	98.31	98.85	
Seine Express Transport	IG	100.00	43.52	100.00	43.68	
Seine-Maritime Express	IG			100.00	43.68	RME
Serma	IG	100.00	99.89	100.00	99.89	
Setcargo	IG	100.00	43.06	100.00	43.68	
Seti	IG			49.89	43.68	RME
Setrada	IG	100.00	81.87	100.00	81.84	
SFC	IG	99.98	99.16	99.98	99.16	
SGW	IG	99.94	99.83	60.61	67.43	
Shanghai E & T Calberson Overseas	IG	74.89	32.58	74.89	32.91	
SLV	IG	100.00	43.52	100.00	43.68	
SNC Bercy	IG	100.00	71.14	100.00	71.22	
SNCF FRET BÉNÉLUX	IG	100.00	99.89	100.00	99.89	
SNCF FRET DEUTSCHLAND GMBH	IG	100.00	99.89	100.00	99.89	
SNCF FRET ITALIA SRL	IG	100.00	99.89	100.00	99.89	
Société des entrepôts Paris-Sud (SEPS)	IG	100.00	43.06	100.00	43.68	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
Sogewag	IG	100.00	79.25	100.00	79.25	
Somap	IG	81.75	81.00	81.75	81.00	
Somedat	IG	100.00	81.87	100.00	81.84	
Soptrans	IG	100.00	81.87	100.00	81.84	
Sotraf	IG	100.00	81.87	100.00	81.84	
Sotrago	IG	100.00	43.52	100.00	43.68	
Sotrameuse	IG	100.00	43.52	100.00	43.68	
Soyer Devaux	IG	100.00	66.36	100.00	66.36	
SPW	IG	100.00	50.94	100.00	50.94	
Sté de Gestion du Terminal Bourgneuf d'Aiton	IG	65.00	33.11	65.00	33.11	
STESIMAF	IG	80.00	86.68	80.00	86.68	
STSI	IG	99.46	99.35	99.46	99.35	
TCL Cameroun	IG	100.00	43.51	100.00	43.67	
TCL Houston	IG	88.63	38.56	88.63	38.70	
TCL Tchad	IG	100.00	43.51	100.00	43.67	
Telf Lamaysouette	IG	100.00	43.52	100.00	43.68	
Thethys	IG	100.00	81.87	100.00	81.84	
Transinformatique	IG	99.84	60.14	99.84	60.14	
Transnord	IG	100.00	43.52	100.00	43.68	
Transport Bernis	IG	67.66	29.45	67.66	29.56	
Transport Huet	IG	99.97	43.51	99.97	43.67	
Transportvoiture Belgique	IG	99.96	81.83	99.96	81.80	
Trate Sud S.r.l.	IG	100.00	43.52	100.00	43.68	
Uniroute	IG	100.00	81.87	100.00	81.83	
United Distribution Group plc	IG			100.00	43.68	RLI
United Distribution Internat. Ltd	IG			100.00	43.68	RLI
United Distribution Ltd	IG			100.00	43.68	RLI
V.F.L.I.	IG	100.00	99.89	100.00	99.89	
Valenciennes Express	IG	100.00	43.52	100.00	43.68	
Valenda	IG	100.00	43.06	100.00	43.68	
Valtrans	IG	80.00	65.50	80.00	65.47	
Van der Laan	IG	100.00	43.52	100.00	43.68	
Var Express	IG	100.00	43.52	100.00	43.68	
Vellave de Transport	IG	98.04	42.67	98.04	42.82	
VFLI Cargo	IG	100.00	99.89	100.00	99.89	
Vfli Romania	IG	100.00	99.89	100.00	99.89	
Vitesse Logistics BV	IG	100.00	43.68	100.00	43.68	
Vitesse Netherland BV	IG	100.00	43.68	100.00	43.68	
Vitesse Onroerend Goed BV	IG	100.00	43.68	100.00	43.68	
Vitesse Pharmaceuticals distribution BV	IG	100.00	43.68	100.00	43.68	
VOIES FERRÉES DU MORVAN	IG	100.00	99.89	100.00	99.89	
Waren Brokers	IG	100.00	43.06	100.00	43.68	
Waren Shipping	IG	100.00	43.06	100.00	43.68	
XP Log	IG	99.92	66.31	99.92	66.31	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
ZA Far (SEA) PTE Ltd Singapore	IG			100.00	43.68	RLI
Züst Ambrosetti Korea	IG	100.00	43.06	100.00	43.68	
Ateliers d'Orval	IP	66.14	64.15	66.14	64.15	
Autoroute Ferroviaire Alpine	IP	49.99	49.94	49.99	49.94	
Chemfreight Gmbh	IP	24.80	24.77	24.80	24.77	
Cie de Conteneurs Réservoirs	IP	66.14	64.15	66.14	64.14	
Cita (Allemagne)	IP	66.14	43.25	66.14	57.68	
Ermefer (Genève)	IP	49.60	49.55	49.60	49.55	
Ermefer Wien	IP			49.60	49.55	RLI
Ermefret Belgium	IP	66.14	48.01	66.14	64.08	
Ermefret Berlin	IP	49.60	49.55	49.60	49.55	
Ermefret Italie	IP	66.14	42.98	66.14	42.98	
Ermefret Nederland	IP	49.60	24.77	49.60	49.55	
Ermewa Ferroviaire	IP	66.14	64.15	66.14	64.15	
Ermewa Hambourg	IP	49.60	49.55	49.60	49.55	
Ermewa Iberica	IP	66.14	64.15	66.14	64.15	
Ermewa Intermodal	IP	66.14	64.15	66.14	64.15	
Ermewa SA (Paris)	IP	66.14	64.15	66.14	64.15	
Ermewa SA (Genève)	IP	49.60	49.55	49.60	49.55	
Ermewa Sati	IP	66.14	64.15	66.14	64.15	
Eurotainer Asie	IP	66.14	64.15	66.14	64.15	
Eurotainer Finances	IP			66.14	64.15	RME
Eurotainer Inc	IP	66.14	64.15	66.14	64.15	
Eurotainer SAS	IP	66.14	32.07	66.14	64.15	
Eurotainer Shangai	IP	66.14	64.15			ECR
EVS	IP	66.14	33.06	66.14	33.06	
Ferifos	IP	66.14	64.15	66.14	64.15	
Financière Ermewa	IP	49.60	49.55	49.6	49.55	
Geodis Overseas Tunisie	IP	50.00	21.76	50.00	21.84	
Groupe Ermewa SA	IP	49.60	49.55	49.60	49.55	
Logistica	IP	49.99	49.94	49.99	49.94	
SEP Transpul	IP	66.14	39.85	66.14	64.15	
SEP Union Wagon	IP	66.14	64.15	66.14	64.15	
Thales Freigh T.F.L.	IP	50.00	21.76	50.00	21.84	
TMF	IP	66.14	48.11	66.14	64.15	
Transucre	IP	66.14	38.41	66.14	38.49	
Unifer	IP	66.14	64.15	66.14	61.60	
Agrofreight	MEE	12.40	12.39			EEX
Axis et associés	MEE	49.00	21.33	49.00	21.40	
Brixia Zust SRL	MEE	30.00	13.06			EEX
CADEFER	MEE	20.00	19.98	20.00	19.98	
Cical	MEE	33.07	24.01	33.07	32.07	
Cogip	MEE	34.00	14.80	34.00	14.85	
CWS	MEE	33.93	33.89	33.93	33.89	
D.A.T.	MEE	49.99	40.93	49.99	40.91	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
Ermechem	MEE	83.19	47.72	83.19	47.78	
Mostwa	MEE	50.00	40.93	50.00	40.92	
NOVATRANS	MEE	49.93	49.01	33.63	38.21	
Rail Euro Concept	MEE	50.00	49.95	50.00	49.95	
Setram	MEE	25.00	20.47	25.00	20.46	
Sibelit	MEE	42.50	42.45			ECR
Sideuropa	MEE	50.00	49.95	50.00	49.95	
SNTD Noyon	MEE	35.59	15.48	35.59	15.55	
Transfesa (ss groupe)	MEE	20.20	16.53	20.20	16.53	
VEVA	MEE	50.00	40.93	50.00	40.92	
Werner Egerland	MEE	20.00	16.38	20.00	16.37	
MG Services	NC			100.00	43.96	RDI

INFRASTRUCTURE AND ENGINEERING

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
AREP	IG	99.99	99.88	99.99	99.88	
AREP Ville	IG	100.00	99.89			ECR
EF2R	IG	100.00	99.89	100.00	99.89	
Espaces Ferroviaires Aménagement	IG	99.93	99.88	99.93	99.82	
Espaces Ferroviaires Transactions	IG	99.80	99.69	99.80	99.69	
Inexia	IG	100.00	99.89	100.00	99.89	
SCI La Chapelle	IG	100.00	99.89	100.00	99.89	
SNCF INTERNATIONAL	IG	100.00	99.89	100.00	99.89	
SNEF (soc. nat. d'espaces ferrov.)	IG	100.00	99.89	100.00	99.89	
Canarail Consultant	IP	50.00	28.45	50.00	28.45	
Citilabs Inc	IP	50.00	20.01	50.00	19.88	
Citilabs Ltd	IP	50.00	20.01	50.00	19.88	
Consulcio Consultor Systra	IP	20.00	14.33			ECR
FINANCIÈRE SYSTRA	IP	50.00	49.95	50.00	49.95	
Foncière du Coq	IP	50.00	35.83	50.00	35.83	
Gestion Canarail	IP			39.71	28.45	RDI
Kuo Tung	IP	50.00	35.83	50.00	35.83	
Mexistra	IP	50.00	35.83	50.00	35.83	
MVA Asia	IP	50.00	35.83	50.00	35.83	
MVA Consulting Group	IP	50.00	35.83	50.00	35.83	
MVA Hong Kong Limited	IP	100.00	35.83	50.00	35.83	
MVA Limited	IP	50.00	35.83	50.00	35.83	
MVA Shenzen	IP	100.00	35.83	50.00	35.83	
MVA Singapour	IP	52.00	35.83	50.00	35.83	
MVA Thaïlande	IP	50.00	35.82	50.00	35.82	
Soget	IP	100.00	35.83	50.00	35.83	
Sotec Ingenierie	IP	50.00	23.29	50.00	23.29	
Systra (Shangai) Consulting Co Ltd	IP	99.80	35.83	50.00	35.83	
Systra Asia Pacific	IP	100.00	32.24	50.00	32.24	

	M	PC YEAR N	PI YEAR N	PC YEAR N-1	PI YEAR N-1	
Systra Consulting	IP	50.00	35.83	50.00	35.83	
Systra GCP SA	IP	50.00	19.70			EEX
Systra Inc	IP	50.00	35.83	50.00	35.83	
Systra India	IP	50.00	35.83			ECR
Systra Ingeneria SL	IP	50.00	34.04	50.00	34.04	
Systra Limited	IP	50.00	35.83	50.00	35.83	
Systra Maroc	IP	50.00	35.76	50.00	35.83	
Systra Philippines	IP	50.00	23.62	50.00	23.62	
Systra SA	IP	50.00	35.83	50.00	35.83	
Systra Singapore Pte Ltd	IP	20.00	35.83	50.00	35.83	
Systra Sotecni Spa	IP	50.00	35.83	50.00	35.83	
Systra Venezuela	IP	50.00	35.83			ECR
Systracade	IP	25.00	17.91	25.00	17.91	
Brixia Zust S.r.l	ME	30.00	13.07			ECR
MVA Beijing	ME	25.00	17.91	25.00	17.91	
AREP A	NC	100.00	99.99			ECR

COMMON OPERATIONS

Ceretif	IG	98.00	69.13	98.00	69.13	
G.I.E. FINANCIÈRE SCETA	IG	100.00	93.06	100.00	76.50	
GIE EURAIL TEST	IG	90.00	90.00	90.00	90.00	
ICF Novedis	IG	100.00	100.00	100.00	100.00	CGN
Immobilière des Chemins de fer Français (S.I.C.F.)	IG	100.00	100.00	100.00	100.00	
S.P.F.R.D.	IG	100.00	99.89	100.00	99.89	
SCI DU CERCLE	IG	100.00	99.89	100.00	99.89	
SCI NEY	IG	100.00	99.88	100.00	99.88	
Seafrance	IG	100.00	99.89	100.00	99.89	
SNC MONCEAU	IG	100.00	99.88	100.00	99.88	
SNC VÉZELAY	IG	100.00	99.89	100.00	99.89	
SNCF PARTICIPATIONS	IG	100.00	99.89	100.00	99.89	
Orfea	IP	50.00	49.95	50.00	49.95	
EUROFIMA	ME	23.70	23.70	23.70	23.70	
Forces Motrices du Valentin (F.M.V.)	ME	20.00	20.00	20.00	20.00	
France Rail Publicité (F.R.P.)	ME	20.00	20.00	20.00	20.00	
France-Bus Publicité	ME	15.20	15.20	15.20	15.20	
LANDIMAT	ME	20.00	20.00	20.00	20.00	
SEMAPA	ME	20.00	20.00	20.00	20.00	
Soc. Hydro. Du Midi (SHEM)	NC			20.00	19.98	RDI

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2006

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an 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. The report also includes information relating to the specific verification of information in the group management report. This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us, we have audited the accompanying consolidated financial statements of SNCF, for the year ended December 31, 2006.
These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

Except as discussed in the following paragraph, we conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
The SNCF performed Impairment tests on fixed assets as described in note 3 of the financial statements. Concerning Freight activity, where no forecasted cash flows were available and considering the valuation method of the rolling material, we are not able to give an opinion on the fair value of the fixed assets whose net value amounts to 1 billion euros after an impairment amounting to 570 million euros as at December 31, 2006
As indicated in note 6 of the financial statements, there are disagreements between RFF and SNCF relating to the devolution of some fixed assets. The arbitration committee gave its conclusions on October 16, 2006. As the financial and accounting treatment is still under examination by the company, we are not able to assess the consequences on the consolidated financial statements at December 31, 2006.
In our opinion, except for the matters described above, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2006 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of French Company Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:
- Notes 3 and 29 to the financial statements set out the principles for treating as of off-balance-sheet the financial debt transferred to the special debt account – 'service Annexe d'Amortissement de la Dette', and the main figures related thereto. As part of our assessment of financial statements taken as a whole, we ensured of the adequateness of information relating to this subject.
- Notes 2 and 16 to the financial statements relating to pension plan and medical care benefit commitments, describe the regimes and the valuation methods. These engagements are not accrued in accordance with the option offered under French GAAP. Within the framework of our assessment of the significant estimates made by management, we ensured of the reasonableness of the actuarial assumptions and of the adequateness of information relating to those plans.
- Note 26 relating to deferred taxes explains the financial situation resulting in the first accounting of deferred tax assets on the parent company. We carried out the assessment of the reasonableness of the assumptions made to estimate those deferred tax assets.

The assessments were thus made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of our qualified audit opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified the information given in the group management report.
Except for the effect, if any, of the matters described above, we have no other matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Paris and Courbevoie, April 11, 2007

The Statutory Auditors

MAZARS & GUÉRARD **MAZARS** Marie-Laure Philippart Gilles Rainaut	**ERNST & YOUNG Audit** Francis Gidoin Christine Vitrac

PARENT COMPANY FINANCIAL STATEMENTS

All amounts are in millions of euros (€ millions), unless stated otherwise

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BALANCE SHEET AS AT 31 DECEMBER 2006

ASSETS

	31/12/2006	31/12/2005
Intangible assets	169	115
Tangible assets	15,881	14,835
Reseau ferre de france (RFF) receivable	5,142	6,810
Other long-term investments	6,306	6,193
Total non-current assets	**27,498**	**27,953**
Inventory and work-in-progress	452	429
Operating receivables	6,449	6,333
Special debt account – assets	213	263
Employee-related benefits service account – assets	1,682	1,525
Marketable securities	2,372	1,815
Cash and cash equivalents	71	64
Total current assets	**11,240**	**10,429**
Prepayments and deferred charges	169	128
Bond redemption premiums	7	10
Unrealised foreign exchange losses	38	73
Total assets	**38,952**	**38,593**

EQUITY

	31/12/2006	31/12/2005
Share capital	4,971	4,521
Revaluation reserve	70	70
Accumulated deficit	368	–966
Net income for the period	138	1,334
Net equity	**5,547**	**4,959**
Investment subsidies	4,051	3,586
Regulated provisions	39	44
Total shareholders' equity	**9,636**	**8,589**
Provisions for contingencies and losses	3,028	2,853
Loans and borrowings	13,412	15,175
Operating liabilities	9,224	8,515
Special debt account – liabilities	194	248
Employee-related benefits service account – liabilities	797	540
Accruals and deferred income	2,362	2,463
Unrealised foreign exchange gains	300	210
Total liabilities and shareholders' equity	**38,952**	**38,593**

INCOME STATEMENT

	2006	2005
Revenues	**16,743**	**16,009**
Capitalised production and production for stock	1,083	1,162
Purchases and external charges	–7,600	–7,221
Added value	**10,226**	**9,951**
Other operating income	121	60
Taxes and duties other than income tax	–752	–698
Personnel expenses	–8,107	–7,895
Gross operating income	**1,487**	**1,418**
Depreciation, amortisation and provisions, net	–765	–753
Other management expenses	–20	–26
Net operating income	**702**	**640**
Net financial expense(1)	**–25**	**–188**
Net income from ordinary activities(2)	**677**	**452**
Exceptional income(3)	–603	805
Profit from tax grouping regime	64	77
Net income for the year(4)	**138**	**1,334**

(1) Including one-off dividends paid by SNCF Participations: €215 million.
The net financial expense, excluding SNCF Participations dividends, amounts to – €240 million

(2) 2006 net income from ordinary activities (excluding one-off SNCF Participation dividends) amounts to €462 million

(3) 2006 exceptional items, excluding Freight provisions, amounted to €37 million

(4) 2006 net income, excluding Freight provisions, amounted to €778 million

STATEMENT OF CASH FLOWS

	2006	2005
Net income	**138**	**1,334**
Elimination of non-cash items or items not related to operations:		
• Depreciation, amortisation and provisions, net (excluding current asset provisions)	1,600	996
• Capital gains (losses) on disposals	–173	–987
• Other	–9	14
Cash flow from company operations[(1)]	**1,555**	**1,357**
Change in working capital requirements	–227	–24
(A) Net cash from operations	**1,328**	**1,333**
Tangible and intangible asset purchases	–2,565	–2,377
Change in investment capital requirements[(2)]	88	217
Equity purchases	–	–
Other long-term investment purchases	–202	–48
Sub-total (1)	**–2,679**	**–2,208**
Tangible and intangible asset sales	318	164
Equity sales	1	408
Other long-term investment sales	125	195
Sub-total (2)	**444**	**767**
(B) Net cash used in investing activities (1) + (2)	**–2,235**	**–1,441**
Change in share capital[(3)]	450	250
New loans secured	1,777	402
Loan repayments, net	–1,222	–496
Investment subsidies received	852	735
Change in marketable securities[(4)]	148	–268
Change in cash borrowings[(4)]	–618	178
Other changes	–3	–20
(C) Net cash from financing activities	**1,384**	**781**
Increase/(decrease) in cash balance (A+B+C)	**477**	**673**
Opening cash balance	703	30
Closing cash balance	1,180	703

(1) Cash flow from operations amounted to €1,578 after restating charges/reversals to provisions for current assets (€23 million)
Cash flow from ordinary activities, excluding one-off SNCF Participation dividends, amounts to €1,363 million

(2) Change in suppliers of fixed assets

(3) State aid for the Freight Plan

(4) Portion with an initial maturity of more than 3 months

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Year ended December 31, 2006

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. The report also includes information relating to the specific verification of information in the group management report. This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us, we hereby report to you, for the year ended December 31, 2006, on:
- the audit of the accompanying annual financial statements of SNCF,
- the justification of our assessments,
- the specific verifications and information required by law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

Except as discussed in the following paragraph, we conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
The SNCF performed Impairment tests on fixed assets as described in note 2 of the financial statements. Concerning Freight activity, where no forecasted cash flows were available and considering the valuation method of the rolling material, we are not able to give an opinion on the fair value of the fixed assets whose net value amounts to 1 billion euros after an impairment amounting to 570 million euros as at December 31, 2006
As indicated in note 3 of the financial statements, there are disagreements between RFF and SNCF relating to the devolution of some fixed assets. The arbitration committee gave its conclusions on October 16, 2006. As the financial and accounting treatment is still under examination by the company, we are not able to assess the consequences on the financial statements at December 31, 2006

In our opinion, except for the matters described above, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2006 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of French Company Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:
- Notes 2 and 28 to the financial statements set out the principles for treating as of off-balance-sheet the financial debt transferred to the special debt account – 'service Annexe d'Amortissement de la Dette', and the main figures related thereto. As part of our assessment of financial statements taken as a whole, we ensured of the adequateness of information relating to this subject.
- Notes 2 and 25 to the financial statements relating to pension plan and medical care benefit commitments, describe the regimes and the valuation methods. These engagements are not accrued in accordance with the option offered under French GAAP. Within the framework of our assessment of reasonableness of the significant estimates made by management, we ensured of the reasonableness of the actuarial assumptions and of the adequateness of information relating to those plans.

The assessments were thus made in the context of the performance of our audit of the financial statements taken as a whole and therefore contributed to the formation of our qualified audit opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.
Except for the effect, if any, of the matters described above, we have no other matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the Directors' Report with respect to the financial position and the financial statements.

Paris and Courbevoie, April, 11 2007

The Statutory Auditors

MAZARS & GUÉRARD
MAZARS
Marie-Laure Philippart
Gilles Rainaut

ERNST & YOUNG Audit

Francis Gidoin
Christine Vitrac

REPORT ON SNCF GROUP CORPORATE GOVERNANCE AND INTERNAL CONTROL

As a public issuer, SNCF is subject to article 122 of the French Financial Security Act of 1 August 2003, as amended.

The report on SNCF Group corporate governance and internal control meets the SNCF obligations with respect to the public disclosure of information on the terms and conditions governing the preparation and organisation of the Board of Directors' work and internal control procedures.

This report, issued for fiscal year 2006, was presented to the Board of Directors on 11 April 2007. As was the case with the three previous reports, it describes the progress made in setting up a quality internal control function, to which SNCF has long been committed, not only in terms of financial reporting reliability but also in regard to all operating activity. The report is based on the COSO framework and the work of the AMF (French Securities Regulator) designated working group responsible for the selection and adaptation of an internal control framework, published in January 2007. The framework provides for the classification of internal control procedures according to the four aims determined by the working group: compliance with laws and regulations, application of directives set by the Chairman and Executive Management, proper functioning of the company's internal control processes, and financial reporting reliability.

The main internal control developments mentioned in the 2006 report concern the completion of a risk-mapping process and the implementation of improvement measures in internal control by all Activities, Sectors and Transversal Functions, as well as the reorganisation of the legal department to better ensure compliance with the prevailing laws and regulations.

This report is available on simple request from the SNCF Audit and Risk Department, 8 rue des Pirogues de Bercy – 75012 PARIS.

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