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 ANNUAL REPORT 2006



ANNUAL REPORT
2006



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TURNOVER

21.9

BILLION EUROS
IN GROUP TURNOVER,
A 5% INCREASE

CURRENT EARNING

695

MILLION EUROS
IN GROUP CURRENT EARNING
UP BY 22%

EMPLOYEES

201,742

GROUP EMPLOYEES IN 2006
(EXCLUDING EMPLOYEES OF COMPANIES
CONSOLIDATED BY THE EQUITY METHOD)

SNCF

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www.sncf.com

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www.sncf.com

THE SNCF GROUP KEEPS ON SURPRISING YOU

SELF-FINANCING CAPACITY

1.5

BILLION EUROS
IN GROUP SELF-FINANCING CAPACITY
UP BY 5%

INVESTMENTS

2.7

BILLION EUROS
IN GROUP INVESTMENTS

NET DEBT

6.1

BILLION EUROS IN GROUP NET DEBT
AS OF 31 DECEMBER 2006
DOWN BY 6%



SNCF is a European group

"It federates the SNCF corporation and 49 groups of companies which forge its unique know-how. The SNCF Group links the train with other modes of transport and is inventing multimodal travel in Lyon and in Stockholm. It transports freight by train and lorry from point to point across Europe. The Group is the true dimension of SNCF."

CLAIRE DREYFUS-CLOAREC, ADVISOR TO THE CHAIRWOMAN



LOADING FREIGHT AT THE AUTONOMOUS PORT OF MARSEILLE



SNCF is developing formidable energy

"The SNCF Group's 201,742 employees work in diversified activities in geographically dispersed locations, but a single idea unites them: providing the best service to each customer, passenger or shipper, to ensure that they prefer SNCF over the competition."

JACQUES DAMAS, DIRECTOR OF INDUSTRIAL OPERATIONS

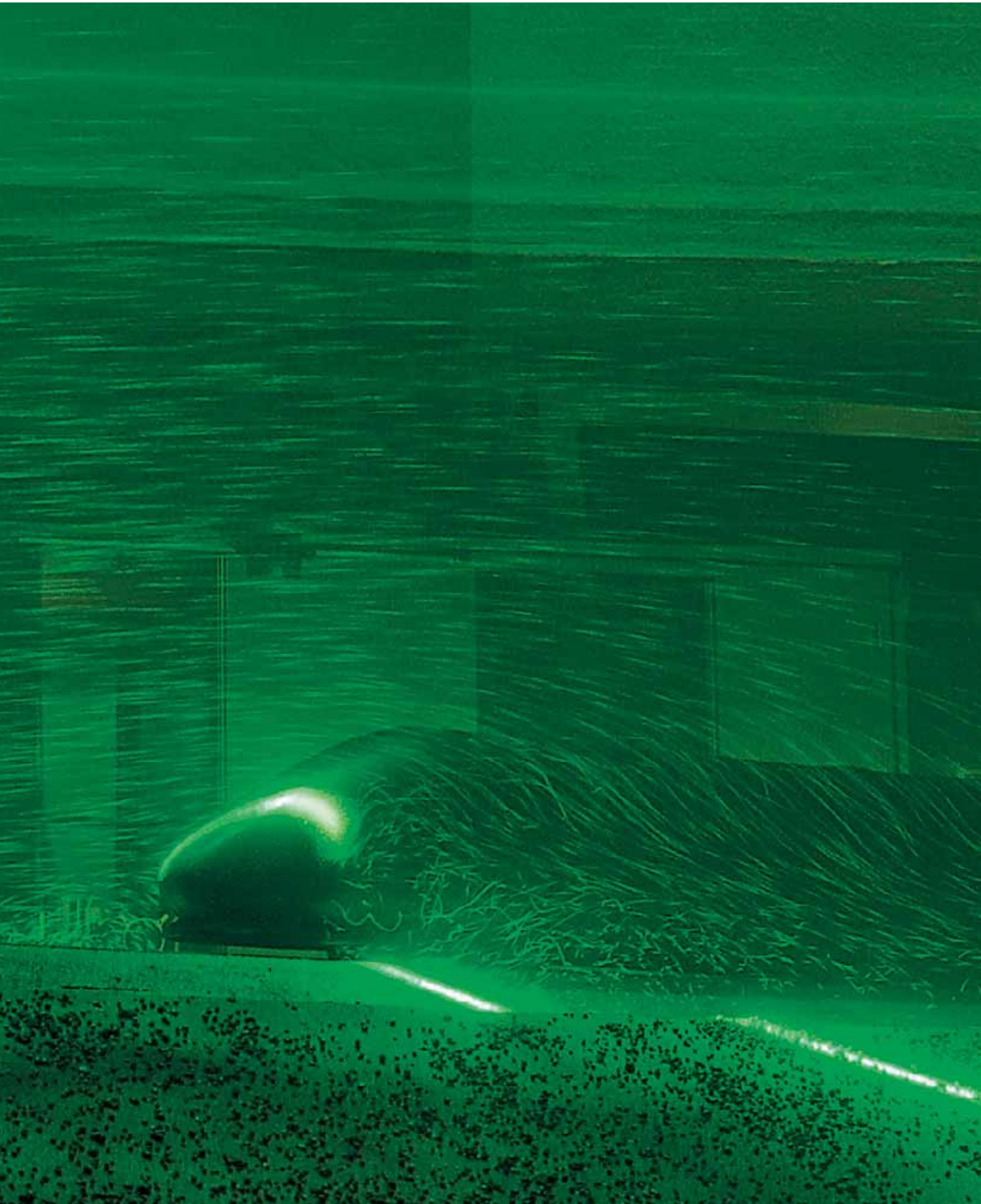




SNCF is inventing the future of the train

"It undertakes major R&D projects, such as the signalling system adopted by all of Europe's railways. It encourages the spirit of innovation among operational personnel, who proposed 22,500 ideas in 2006. We are now all researchers at SNCF."

JACQUES COUVERT, EXECUTIVE VICE PRESIDENT FOR HERITAGE-RESEARCH-ENGINEERING



TECHNICAL CENTRES

SNCF posts positive results

“For the 3rd consecutive year, the SNCF Group has made a profit. It is reinvesting all profits in its major projects: freight locomotives, the East European TGV, maintenance machinery or external growth. The SNCF Group is seeking to finance its dynamics sustainably to serve its customers and partners.”

JEAN-PIERRE MENANTEAU, DIRECTOR OF FINANCE, PURCHASING AND INFORMATION SYSTEMS AND TELECOMMUNICATIONS

T EUROPEEN



ULTRA-MODERN MAINTENANCE WORKSHOP DEDICATED TO THE EAST EUROPEAN TGV
AT THE L'OURCQ SITE (SEINE-SAINT-DENIS DEPARTMENT)





SNCF has convictions and is committed

"It is urgent to promote railways in Europe for their ecological benefits. Finding a balance between economic performance and accessibility for all is a duty, and making sure that the competition does not use social dumping is a battle. This is the SNCF Group's commitment and will be its true success."

ÉLISABETH BORNE, DIRECTOR OF STRATEGY



SNCF is moving, innovating and amazing

“It transports more than a billion passengers and 100 million metric tons of freight a year. That means a lot of expectations to meet. SNCF is taking a hard look at itself and is mobilised to get the trust of shippers back. It is looking forward and pushing hard to become travellers’ preference.”

BERNARD EMSELLEM, DIRECTOR OF COMMUNICATION





MESSAGE FROM ANNE-MARIE IDRAC

CHAIRWOMAN OF THE SNCF GROUP

In previous years, I read Louis Gallois' editorials with interest and consideration. As Chairwoman of SNCF since July 2006, I am pleased to present our performances, recognizing the efforts made by all.

In 2006, the SNCF Group posted the best economic results since it was founded. This is thanks to the performances of the passenger divisions: turnover for local public transport is now equal to that of mainlines, where the TGV has confirmed its role as a driving force. It is true that the SNCF Freight results are well below our objective. But the 2003-2006 plan made it possible to reinvest and to lay the groundwork for a revolution for the customer, which is now underway, in the new context of the arrival of competition from private rail operators. In all, the integration of the SNCF Group has provided consolidated results that are all the more remarkable in that they included practically no exceptional items in 2006.

These results were not obtained by chance. This was the third consecutive year. They are the fruit of the general mobilisation and incredible energy of the 230,000 employees at the SNCF Group. This was the greatest discovery I made when I arrived, contrary to many preconceived notions that I also held. SNCF has the strength of a mature company that is well managed, innovative and growing.

The scope of this performance goes beyond the context of the Group and its accounts, it serves our country. We make value for our shareholder, the French State, which is a source of pride for our State-owned company. We also contribute to the growth of our country by consolidating our future and further widening our ambitions as the national champion. The SNCF Group has a decisive role to play in France's attractiveness and its economic dynamic.

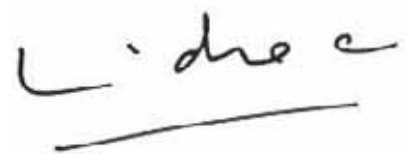
Bolstering public transport is also an exciting challenge for sustainable development in France and Europe, and the SNCF Group takes this to heart. Its long-term vision is engrained in its public service and transport genes. Eurostar's position is exemplary on this level: its ambition for being the greenest railway company, by reducing its CO₂ emissions by 25% in 5 years, is an inspiration for us to convince people and freight shippers to prefer the train, notably our trains. Improving social dialogue, diversifying our recruitments and developing

BOLSTERING PUBLIC TRANSPORT IS ALSO AN EXCITING CHALLENGE FOR SUSTAINABLE DEVELOPMENT IN FRANCE AND EUROPE

accessibility to our services also mean sustainable development for our generous, respectful company, and for the community.

The SNCF Group has what it takes to succeed and change. Strongly rooted in the rail know-how of 165,000 railway workers, we now propose point-to-point services for the mobility of people and freight. We listen to all of our customers – passengers, shippers, regions – and we seek to respond to everyone's needs. We have special concern for people with impaired mobility, senior citizens and children. We are personalising our freight offer to the diverse logistical needs of shippers. Transporting 1 billion passengers and more than 100 million metric tons of freight a year while proposing customised services and rates every time: this is the challenge taken up by the SNCF Group, and it will be its true performance and its chance for development.

The year 2007 will be the year of Europe for the SNCF Group. With the expected inauguration of the East European TGV, the dynamic successes of Geodis and Keolis, and, of course, the new, strong-willed dimension of Freight in growing sustainable development markets. Our horizons are widening, but our commitment remains the same: serving the community and, through the quality of our services, improving everyday life for everyone.



BOARD OF DIRECTORS

CHAIRWOMAN	
Anne-Marie Idrac	
ADMINISTRATORS	GOVERNMENT COMMISSIONER
Henri Bascunana	Daniel Bursaux
Jean-Didier Blanchet	
Emmanuel Caquot	DEPUTY GOVERNMENT COMMISSIONER
Henri Célié	Patrick Vieu
Louis Defline	
Claude Gressier	HEAD OF THE ECONOMIC AND FINANCIAL MISSION FOR TRANSPORTATION
Hubert Haenel	André Barilari
Philippe Josse	
Pierre Mirabaud	SECRETARY OF THE BOARD
Patrick Ollier	Michelle Audibet
Thierry Roy	
Monique Sassier	SECRETARY OF THE CENTRAL WORKS COUNCIL
Danielle Sinoquet	
Éric Tournebœuf	Sylvain Brière
Benoît Vincent	
Benedikt Weibel	
Rémy Rioux	

CORPORATE GOVERNANCE

Board of Directors

The SNCF Board of Directors defines the general policies of the Public Company and determines the Group's direction. It holds at least 10 ordinary sessions a year. It has 18 members: 7 represent the State, 5 are chosen for their skills, and 6 are elected staff representatives. They serve a five-year term, which is renewable twice. The Chairman of the Board of Directors is appointed from among its members and on their proposal, by decree adopted in the Council of Ministers. The Board of Directors has set up an Accounts Audit and Risks Committee, a Strategic Committee, a Contracts Committee and a Public Transport Conventions Committee.

Management

The Chairwoman appoints members to the Executive Committee and defines their roles and responsibilities. The Executive Committee examines, on the Chairwoman's initiative or on a proposal by the other members after deliberation, projects and orientations necessary for the Group's development. The members of the Executive Committee receive delegations from the Chairwoman to act and make decisions on her behalf in their area of expertise. Under these delegations, they have authority over all the company's organisations. The Audit and Risks Directorate gives Management reasonable guarantee as to the level of control of operations both at SNCF and at the Group and contributes to improving the risk management system. Its role includes conducting audits and helping to improve internal control at SNCF and the Group. Lastly, a Security Audit Directorate, under the authority of the Executive Vice President, audits SNCF entities.

EXECUTIVE COMMITTEE



Anne-Marie Idrac

Chairwoman
of the SNCF Group



Guillaume Pepy

Chief Executive Officer



Pierre Izard

Executive Vice President
for Infrastructure



Mireille Faugère

Director for Long-distance
Passengers France & Europe



Bernard Emsellem

Director of Communication



François Nogué

Director of Human Resources



Jean-Pierre Farandou

Director of Public Transport



Pierre Blayau

Chairman of Geodis,
Advisor to the Chairwoman



Claire Dreyfus-Cloarec

Advisor to the Chairwoman



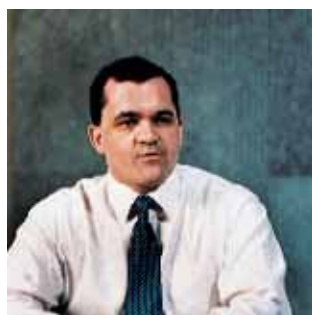
Jacques Damas

Director of Industrial Operations



Élisabeth Borne

Director of Strategy



Jean-Pierre Menanteau

Director of Finance, Purchasing
and Information Systems
and Telecommunications



Jacques Couvert

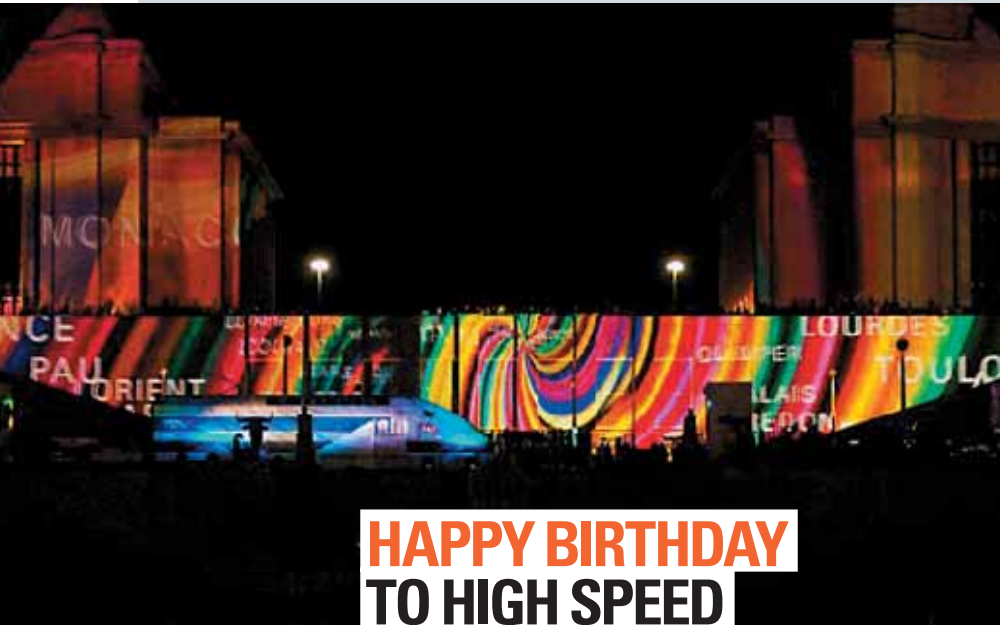
Executive Vice President for
Heritage-Research-Engineering



Olivier Marembaud

Executive Vice President
for Freight

IMPORTANT EVENTS

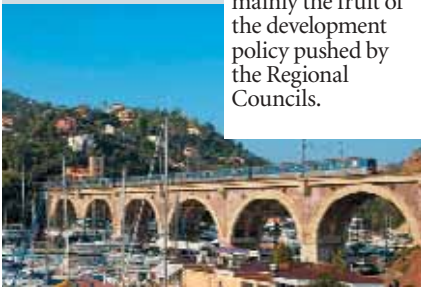


HAPPY BIRTHDAY TO HIGH SPEED

In 2006, the TGV celebrated the 25th anniversary of its first run at 270 km/h which was to redraw French geography. This was the perfect opportunity to invite the public to share giant Paris-Brest pastries in the train stations and at the Trocadéro big party, bringing together over 180,000 visitors in two days. Thalys organised its 10th anniversary without borders and the Mediterranean TGV celebrated its 5th birthday and 100 million passengers.

RECORD TRAFFIC +8.6%

Better than in 2005 (+6.5%) and much better than the public transport market which grew by approximately 2% a year. This is mainly the fruit of the development policy pushed by the Regional Councils.



EFFIA 1ST MULTIMODAL CENTRE

This was the first invitation to tender of its kind, launched by the Pays-de-la-Loire region, which chose Effia for the technical performances of their response. The Destineo internet site presents all of the public transport offers in the region, including air transport. It integrates advanced functions such as the display of travel movements, tourist, cultural and sport information.

CHANGES AT THE HEAD OF THE SNCF GROUP

"The Board of Directors of EADS has appointed me as head of their company. I am therefore going to leave SNCF where I have been for exactly ten years. I would like to share my emotion with you." These were the first lines of the letter sent by Louis Gallois to all railway workers on 3 July 2006. *"Louis Gallois' succession is very demanding. I am truly impressed by everything that the railway employees have done with him in the past ten years. I intend to follow in his footsteps."* The first words from Anne-Marie Idrac, appointed Chairwoman of the SNCF Group by the Government, went to the railway workers on 13 July 2006.



INEXIA: THE SPIRIT OF ENGINEERING

To respond to invitations to tender in the context of public-private partnerships, the SNCF Group has created a new engineering subsidiary. With the strength of a team of 250 people, Inexia is on the road to winning infrastructure projects in road and rail transport.

FREIGHT: MOBILISATION

Faced with particularly aggressive attacks from the competition on prices and not up to customer expectations, SNCF Freight is losing turnover and had not turned around as hoped at the end of 2006. The Group is mobilised to regain its competitiveness and markets.

EUROPE IS MOVING FORWARD

A joint subsidiary completes the alliance between the SNCF Group and the German operator Deutsche Bahn, after Eurostar, Thalys, Artesia with the Italians, Elipsos with the Spanish and Lyria with the Swiss. Mission: joint operation of East European TGV international trains.

10,982 HIRED

There were 5,900 hirings in 2006 at SNCF, 1,350 under training/work-experience contracts and 650 recruitments in sensitive neighbourhoods. There were 5,082 hirings at the companies in the SNCF Group.

TRANSPARENT ÉCO- COMPARATEUR®

Train, plane or car? In just a few seconds, Voyages-sncf.com lets web users find the cheapest, fastest and least polluting means of transportation. This tool is decried by the competition but loved by our customers, with more than 1.5 million visitors in four months.

VFLI: FREIGHT STRIKES BACK

Domestic rail freight was opened to competition on 31 March 2006. To offer their customers competitive solutions on short and medium-distance lines, the SNCF Group is counting on its subsidiary, VFLI. The French leader in rail haulage on industrial sites is becoming a local rail operator.



IMPORTANT EVENTS



NETWORK RENOVATION STATE COMMITMENT

An additional 1.8 billion euros. The 2007-2010 plan for renovating the national railway network was announced by the Minister of Transportation, with priority actions such as the modernisation of maintenance methods and the reconditioning of switching stations.

1ST CONVENTIONS OF THE 2ND GENERATION

Thirteen regional conventions out of twenty reached their term on 31 December 2006. Whether for new conventions or extensions, all negotiations met the deadlines. The Public Transport division is committed and is innovating in all directions to ensure the loyalty of the organising authorities.

VOYAGES- SNCF.COM

+33%

With 1.5 billion euros in turnover in 2006, including 1.3 billion corresponding to 32 million train tickets and 220 million in non-rail sales (plane tickets, car rentals and hotel rooms), the SNCF on-line booking site has improved its position as the leading commercial tourism site in France.

EAST EUROPEAN TGV HEADING TO 10 JUNE

At the end of 2006, Infrastructure was on schedule:

7 stations were delivered out of the 18 on the line, East European Technicentre was inaugurated, 5 electrical substations, 4 switching stations and two-thirds of the catenaries were in service. The Long-distance Passengers France & Europe division is getting ready: training sessions at the Service University, development of communicating station tools, definition of the rates system, etc. Ready for the inaugural Paris-Strasbourg trip on 10 June 2007.



1ST TRAM- TRAIN IN FRANCE

It runs both on the rail network and in the heart of cities, and appeared in France on Les Coquetiers line T4. Eight kilometres link Bondy and Aulnay-sous-Bois (Seine-Saint-Denis department) with 35,000 passengers a day.



EQUALITY & SKILLS 12 MEETINGS

To remove the obstacles to employment facing young people in the neighbourhoods located in sensitive urban zones, SNCF held 12 Equality & Skills forums in 2006, in Trappes, Évry, Strasbourg, Lille, etc. Results: nearly 4,000 people were met, 2,400 interviews were held at the SNCF recruitment agency and approximately 650 candidates were recruited.

AREP IN CHINA

Shanghai South station, an architectural symbol of the city and an exemplary intermodal station designed by the AREP design unit, has been inaugurated. This 60,000 m² flying saucer on 6 levels provides total fluidity for vehicle traffic and provides travellers with the shortest route for access to the platforms.

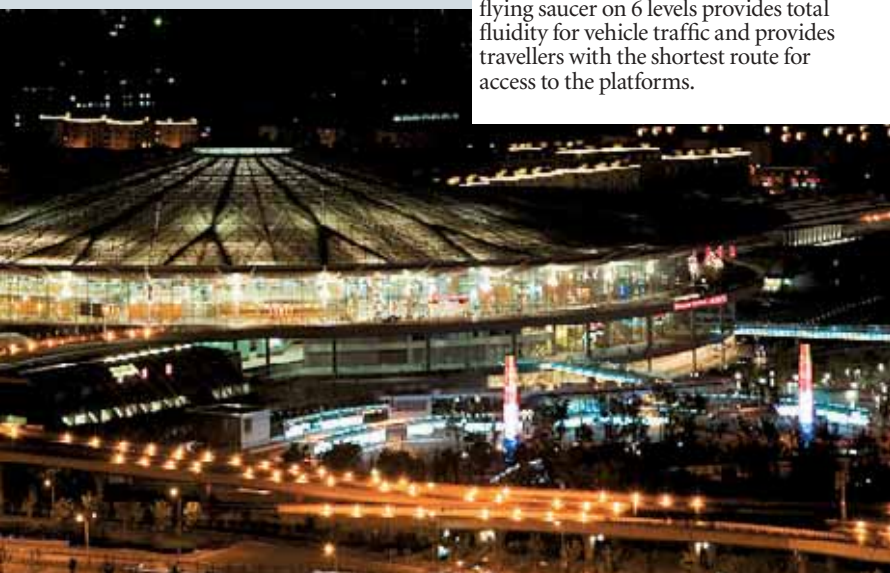


FUTURE TRAIN FOR THE ÎLE-DE- FRANCE REGION

1.8 billion euros, financed equally by the SNCF Group and the Île-de-France Transportation Syndicate. The contract was signed with Bombardier for the supply of 172 electric railcars with original performances and comfort, to enter into service starting at the end of 2009 at a rate of 30 trains a year.

GEODIS CONQUEST

In 2006, Geodis scored points in all its professions: in Express Delivery with the routing of FedEx shipments in France, in Logistics with piloting for all of Nestlé France's transport flows and in air and sea transport commissioning with the acquisition of TFM (TNT Freight Management), providing Geodis with additional customer portfolios and geographical positions in Scandinavia, Germany, the Americas and Oceania.

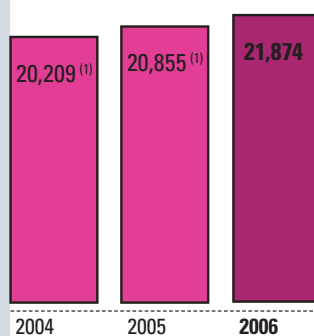


KEY FIGURES 2006

SNCF GROUP

TURNOVER (MILLIONS OF EUROS)

+5%

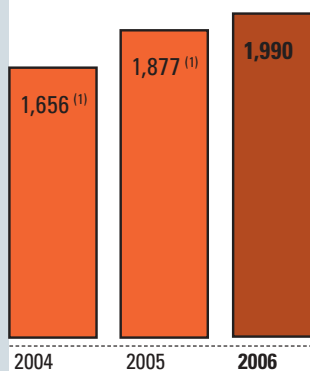


(1) Pro forma

Turnover for a constant perimeter grew by 5%, driven by strong growth in passenger traffic.

GROSS OPERATING SURPLUS (GOS) (MILLIONS OF EUROS)

€2,000

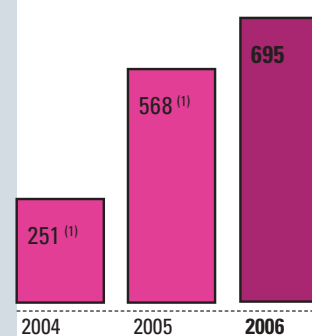


(1) Pro forma

Up by 6%, GOS reached €1,990 million for the first time despite the unexpected, brutal shock of SNCF Freight on turnover and the sharp increase in certain operating expenses (energy costs, public charges of all kinds).

CURRENT EARNINGS (MILLIONS OF EUROS)

+22%



(1) Pro forma

Current earnings exceeded another performance threshold, climbing from €568 million to €695 million, thus causing current margins to increase from 2.7% to 3.2%.

CONSOLIDATED EARNINGS BY STRATEGIC PROFESSION

PASSENGERS STRATEGIC PROFESSION LONG-DISTANCE PASSENGERS FRANCE & EUROPE DIVISION

(IN MILLIONS OF EUROS)

	2006	2005
TURNOVER FOR THE DIVISION ⁽¹⁾	6,249	5,963
GROSS OPERATING SURPLUS	1,203	1,125
CURRENT EARNINGS	725	652

The Long-distance Passengers France & Europe division confirmed its commercial dynamism in France and Europe, with continued growth in traffic, notably on High Speed, the acceleration of volumes at Voyages-sncf.com and the growth in commercial revenues in stations.

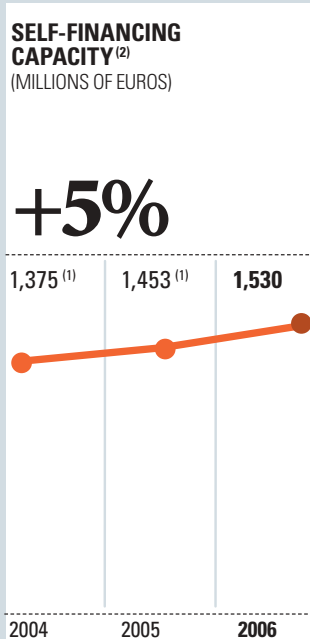
(1) Including inter-division turnover.

PASSENGERS STRATEGIC PROFESSION PUBLIC TRANSPORT DIVISION

(IN MILLIONS OF EUROS)

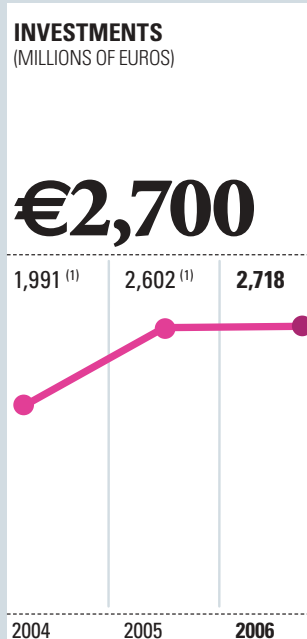
	2006	2005
TURNOVER FOR THE DIVISION ⁽¹⁾	5,778	5,478
GROSS OPERATING SURPLUS	401	419
CURRENT EARNINGS	-25	-5

The Public Transport division recorded good commercial growth with the development of TER, Transilien and Keolis offers (both in France and on the European level), and the opening of new parking areas by Effia. The new ambition of Corail Intercités for medium-distance trains and its specific commercial policy received a favourable response from passengers.



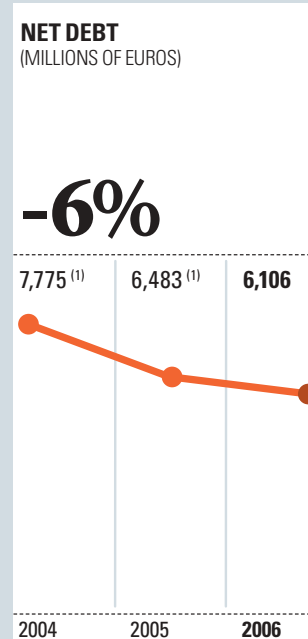
(1) Pro forma

The Group's self-financing capacity increased by 5%, but the SNCF Freight situation weighed on the Group's self-financing. Outside the impact of SNCF Freight, the Group actually made a slight self-financing margin (+€88 million).



(1) Pro forma

The Group maintained its investments in modernisation and development financed with its own resources at a high level (€1.9 billion).



(1) Pro forma

Net debt continued to decrease to €6.1 billion, despite debt for a €409 million temporary repurchasing agreement for Keos securities (Keolis).

STRATEGIC PROFESSION TRANSPORT AND LOGISTICS

(IN MILLIONS OF EUROS)	2006	2005
TURNOVER FOR THE DIVISION ⁽¹⁾	6,595	6,448
GROSS OPERATING SURPLUS	202	193
CURRENT EARNINGS	-103	-116

The Transport and Logistics strategic profession continued its overall turnaround (improvement in current earnings by 11%), but SNCF Freight is in an emergency situation. In the context of sharp rail competition, an ambitious programme of actions was set up to:

- restore the quality of service in the short term;
- implement industrial integration in the Freight activity;
- strengthen the SNCF Group's offer.

STRATEGIC PROFESSION INFRASTRUCTURE AND ENGINEERING

(IN MILLIONS OF EUROS)	2006	2005
TURNOVER FOR THE DIVISION ⁽¹⁾	4,468	4,359
GROSS OPERATING SURPLUS	0	19
CURRENT EARNINGS	-72	-43

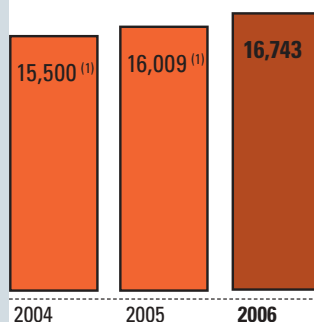
Infrastructure has mobilised strongly in its contracting services for rail equipment for the full East European LGV line and the ramping up of work under the government's plan for renovating the network. Engineering activities have notably been developing internationally: Systra in America and the Middle East, AREP and SNCF International in Asia. Infrastructure has continued its major efforts in productivity on maintenance activities, but the delegate manager for Infrastructure is looking for a balanced economic model.

KEY FIGURES 2006

SNCF PARENT COMPANY

TURNOVER (MILLIONS OF EUROS)

+5%

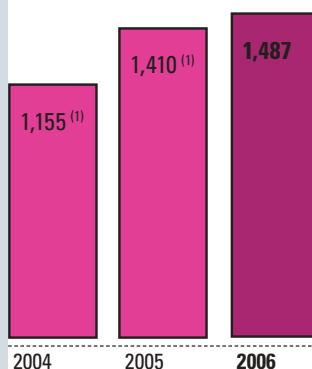


(1) Pro forma

The growth in turnover is driven by Long-distance Passengers France & Europe activities, the development of TER and Transilien Public Transport and the increase in the volume of work by Infrastructure, compensating for the effects of Freight's unexpected, brutal shock on turnover.

GROSS OPERATING SURPLUS (GOS) (MILLIONS OF EUROS)

€1,500

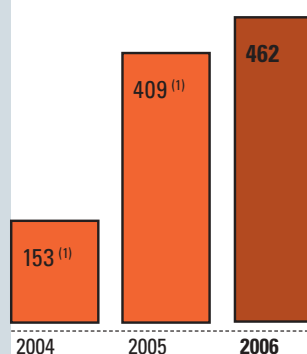


(1) Pro forma

GOS was up by 6%. This was the result of the strong growth in business which made it possible to absorb the strong jump in energy costs and public charges of all kinds.

CURRENT EARNINGS⁽²⁾ (MILLIONS OF EUROS)

+13%



(1) Pro forma

(2) Excluding non-recurring dividends paid by SNCF Participations

Current earnings posted €462 million in profit. This result translates the dynamism of Passenger activities, although the negative shock of Freight on turnover weighed on the acceleration of the company's profitable trajectory.

TRAFFIC

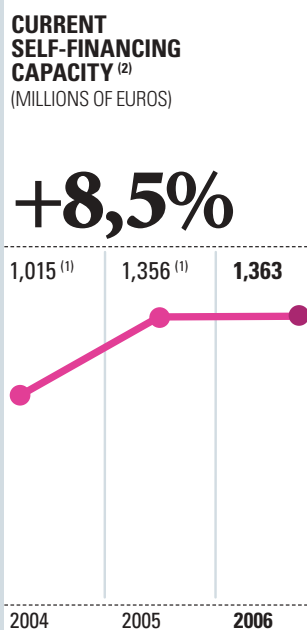
ANNUAL TRAFFIC PASSENGER

NUMBER OF PASSENGERS TRANSPORTED (IN MILLIONS)	2006	2005
MAINLINES + REGIONAL SERVICES EXCLUDING ÎLE-DE-FRANCE	358	343
REGIONAL SERVICES IN ÎLE-DE-FRANCE	655	633

ANNUAL TRAFFIC FREIGHT⁽¹⁾

(IN MILLIONS OF METRIC TONS)	2006	2005
TONNAGE TRANSPORTED	108.33	107.53

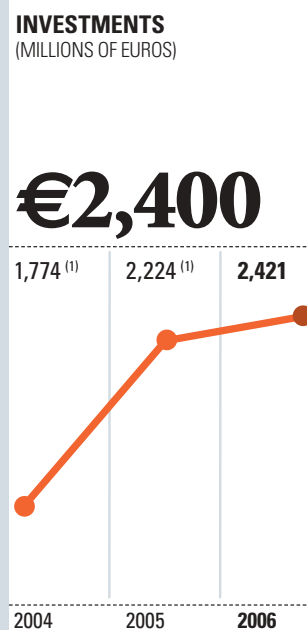
(1) Including transport in service.



(1) Pro forma

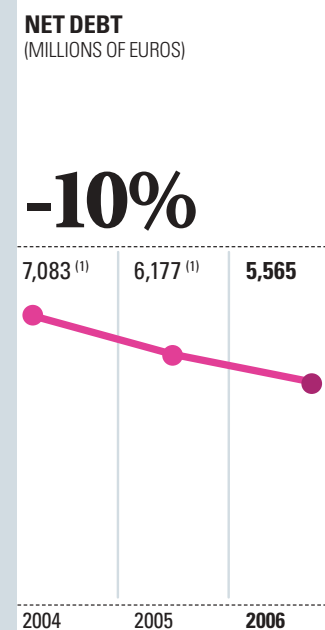
(2) Excluding non-recurring dividends

Self-financing capacity of the parent company, penalised by the SNCF Freight situation, was stable in relation to 2005 and is not yet sufficient to finance investments with company resources.



(1) Pro forma

The SNCF parent company has pursued its ambitious investment programme. The amount invested in modernisation and development financed with company resources grew by 5%, from €1,489 million to €1,569 million.



(1) Pro forma

The net debt of the SNCF parent company dropped from €612 million, for a 10% decrease. Beyond these favourable results, this drop integrates receipts on the sale of assets and the payment of State aid for the Freight plan in November 2006.

FACING THE COMPETITION

The SNCF Group is in competition with road and air transport.

The **opening** of international rail passenger traffic announced for 2010 promises another battle on SNCF's own turf. The Group is preparing for the fray to **construct the Europe of railways.** Intermodality, service and speed are the levers of **sustainable competitiveness** to be implemented right away.



1.



2.

1. Eurostar in the Tarentaise Valley.

2. Industrial maintenance establishment for equipment at Tergnier.



2010

THE OPENING OF INTERNATIONAL RAIL PASSENGER TRAFFIC

SPIRIT: OPENING

COMPETITION IN ALL DIVISIONS /

The Freight division ran into its first competitive train in 2005 and was hit head on by the total opening of its market in 2006.

The battle is raging over prices and delivery times with EWS, Secorail, Rail 4 Chem, Rail Link Europe and Veolia Transport. As for High Speed, the opening is scheduled for international traffic in 2010, and air will be the competition.

For the Public Transport division, cars are still a major competitor. Since January 2006, the Infrastructure division has been in competition with Réseau Ferré de France on major railway projects in the context of public-private partnerships.

POSITION: SERVICE

MEETING THE EXPECTATIONS OF EACH CUSTOMER /

A NEW TRIP /

On 10 June 2007, the East European TGV will reveal the best of train travel. Interior design by Christian Lacroix, an innovative restaurant menu, personnel trained at the Service University, etc. Communicating stations provide access to all information at all times, and the e-package will fluidify travel for Paris-Reims subscribers.

A SERVICE CHAIN /

Intermodality is the future of transport services and the recognised know-how of the SNCF Group. Intermodality between its divisions which connect TER, TGV and Corail trains. Intermodality with the companies in the Group. Keolis connects train

with bus, metro or tramway networks. Effia adds parking at the station and the global information system to the modes of transport offered.

For Freight, the logistics solution is integrated into the lines of production and service for industrial customers to ensure point-to-point freight transport.

A PERSONALISED

RESPONSE / The SNCF Group is refining its distribution because that is the decisive competitive asset. After "business area", launched in 2006 on Voyages-sncf.com, business customers will have their own on-line booking tool starting in 2007: the business portal.

The Access+ service will provide handicapped persons and those with impaired mobility with complete support in organising their trip.

will be inaugurated in 2009.

In a revolution in the summer of 2007, European passengers will discover Railteam, the network of High-Speed services bringing together 7 operators in a definitively European rail offer. An innovative idea launched by SNCF in 2004. The European level also applies to Freight, which signed the Sideros project with SNCB and is relaunching negotiations with Die Bahn for the creation of a joint structure for cross-border traffic.

CHALLENGE: SPEED

SAVING TIME AND WINNING MARKET SHARES /

In the spring of 2007, SNCF set the world rail speed record at 574.8 km/h, with its partners RFF and Alstom. The Group's objective is to showcase its technical performance and its desire to be one of the main actors worldwide.

It is always a question of winning market shares from air and the automobile. And, in response to the commercial success, the constructors are already at work on high-capacity trains with 1,000 to 1,200 seats. /

SCALE: EUROPE

LEADER IN MOBILITY ON THE CONTINENT /

The European High Speed network is taking a huge step forward with the launch of the East European TGV, operated by a joint SNCF-Die Bahn company. It will expand toward the North starting in 2007 with the commissioning of High Speed One, which will save twenty minutes on the Paris-London and Brussels-London routes, followed by the new HSL Zuid Brussels-Amsterdam line in 2008. To the South, the LGV Perpignan-Figueras-Barcelona line



3. Gare du Nord in Paris, an intermodality centre.

4. Tramway in Lyon.

THE STRENGTH OF OUR ASSETS

The SNCF Group is backed up by its **qualities as a carrier**, its mastery of the rail fundamentals, its distribution power, its motivated personnel who are sensitive to **customer culture**, and its hundreds of innovative ideas. The SNCF Group has what it takes to move from the best in transport to the **best in services** by 2010.

1. Train sales agent.

2. Gare du Nord in Paris.



1.

2.





MEETING
GUILLAUME PEPEY
CHIEF EXECUTIVE
OFFICER

**WITH THE RESULTS FOR 2006,
THE SNCF GROUP CAN
BE CONFIDENT.
WHAT IS THE GROUP'S
AMBITION?**

GUILLAUME PEPEY: To be the leader in mobility and exchanges in Europe. Nothing less. Our development plan is based on continued growth in turnover, a gross operating surplus up by more than 6% in 2007, with an increase in investments of more than 20% in 2008, thus providing good margins for manoeuvre. This performance will reduce our debt to below 5 billion euros. But the indicator we are proudest of, for ourselves and for the community, will be the increase in rail market shares. We've got the wind in our sails. It is up to us to surf this wave and to make the most of our assets.

**WHAT ASSETS CAN THE SNCF
GROUP DEPEND ON?**

G.P.: Our rail know-how is recognised worldwide. People want to buy it. And they are right. In 25 years, the TGV has transported 1.2 billion passengers with zero fatal accidents. Another asset: the SNCF brand. With the TGV, it is the only railway brand known around the world. Between a master of the essentials – safety and punctuality – and a strong brand, the Group has everything it needs to win the battle. Our established presence in Europe and around the world will enable us to earn our piece of the pie internationally. Have you heard of our three public transport franchises in the United Kingdom? Our logistics activities in Eastern Europe? We have 430 TGVs, which is 3 times Die Bahn's fleet and 1.5 times that of British Airways. In 15 years, 146 billion euros are going to be invested in the rail network in Europe. This is a wonderful opportunity for the SNCF Group and the world rail speed record is a way of strengthening our image.

**COMPETITION IS A REAL SHOCK,
BUT ISN'T IT JUST BEGINNING?**

G.P.: Competition is a challenge for us. It pushes us forward. Look at the freight sector, where it is particularly intense. We are cleaning up the situation. We are on the rebound and the profitable practices of our competitors have inspired us. We are ready for public-private partnerships for Infrastructure. Ready for invitations to tender in public transport with Keolis. Ready to provide maintenance for the Deutsche Bahn's ICE train at the East European TGV Technicentre. Ready to reinforce our customer success with the highly relevant TGV model. And ready to deploy our innovative ideas, like no other operator in Europe. What does competition really change? It is our function to look to the future. We know our strengths and we are moving forward. With a single objective: to make the SNCF Group a leader in development, a European brand that is reliable, recognised and... loved.

**MAKING THE SNCF GROUP
A LEADER IN DEVELOPMENT,
A EUROPEAN BRAND
THAT IS RELIABLE, RECOGNISED
AND... LOVED**

THE STRENGTH OF OUR SYNERGIES

The SNCF Group federates **4 professional divisions** which bring together the know-how of the parent company and its **subsidiaries**. It is at the Group level that SNCF develops its skills, its services and its **leadership**: **2nd French transport group** behind Air France-KLM and **4th European group** behind Deutsche Post, Die Bahn and Air France-KLM.

1. Thalys at the Cologne station.

2. A customer visits a workshop.

3. Advertising campaign on People and SNCF at Paris-Montparnasse.



1.



2.

4 DIVISIONS: THE PARENT COMPANY AND ITS SUBSIDIARIES

FREIGHT DIVISION

Partner for industry, the Freight division brings together multimodal freight transport (rail, road, combined) and logistics services from point to point across Europe.

LONG-DISTANCE PASSENGERS FRANCE & EUROPE DIVISION

High speed, long distance and innovative services: Long-distance Passengers France & Europe groups together French carriers, European alliances and companies specialised in ticket distribution and trade in stations.

PUBLIC TRANSPORT DIVISION

A multimodal assembler, Public Transport federates the Group's contractual activities in France and Europe: all-mode transport (train, bus, tramway, metro) and intermodal services, notably information centres.

INFRA-STRUCTURE DIVISION

The heart of the railway system, the Infrastructure division handles infrastructure management for RFF and makes use of the SNCF Group's know-how in France and around the world.

PARENT COMPANY FREIGHT ACTIVITY

FRET SNCF

PARENT COMPANY LONG-DISTANCE PASSENGERS FRANCE & EUROPE ACTIVITY

TGV
CORAIL / TEOZ
CORAIL / LUNEA

PARENT COMPANY PUBLIC TRANSPORT ACTIVITY

TRANSILIEN
CORAIL INTERCITÉS
TER

PARENT COMPANY INFRASTRUCTURE ACTIVITY

MAINTENANCE AND MANAGEMENT OF INFRASTRUCTURE, DELEGATED SUPERVISOR AND CONTRACTOR, ENGINEERING

COMBINED

NAVILAND CARGO
NOVATRANS
ROUCH
FROIDCOMBI
ÉCORAIL

LONG-DISTANCE INTERNATIONAL TRANSPORT

EUROSTAR
THALYS
ARTESIA
LYRIA
ELIPSOS
ALLEO

TRANSPORT AND SERVICES

GROUPE KEOLIS
EFFIA
CFC

ENGINEERING

SNCF INTERNATIONAL
GROUPE SYSTRA
INEXIA

RAIL MOTORWAY

CME
LORRYRAIL

COMPLEMENTARY TRANSPORT SERVICES

DISTRIBUTION
RAIL-EUROPE
VOYAGES-SNCF.COM
VFE COMMERCE
VSC TECHNOLOGIE
L'AGENCE
VOYAGES-SNCF.COM
®iDTGV
OTHER
A2C
CRM SERVICES
PARVIS

ASSETS

AREP

DISTRIBUTION

DISTRICHRONO

GRAIN

LOGISTRA
CTC

NUCLEAR CHEMISTRY AND INDIVISIBLE LOADS

STSI

AUTOMOBILES

STVA

PORTS

SEALOGIS

INTERNATIONAL

FRET INTERNATIONAL

CARS

FRANCE WAGONS
ERMEWA
SGW

TERMINALS TRANSPORT AND LOGISTICS

VFLI
GARMATEX

GEODIS GROUP

JOINT FUNCTIONS

In the context of its preparation for IFRS standards, the SNCF Group has set up a Joint Functions and Participations division.

SEAFRANCE
SICF
SOCRIF



CUSTOMER SERVICE: THE STAKES FOR THE SNCF GROUP



ONE GROUP 4 DIVISIONS

PAGE 34

FREIGHT

6.6
BILLION EUROS
IN TURNOVER
-103
MILLION EUROS
IN CURRENT EARNINGS

PAGE 40

LONG-DISTANCE PASSENGERS FRANCE & EUROPE

6.2
BILLION EUROS
IN TURNOVER
725
MILLION EUROS
IN CURRENT EARNINGS

PAGE 46

PUBLIC TRANSPORT

5.8
BILLION EUROS
IN TURNOVER
-25
MILLION EUROS
IN CURRENT EARNINGS

PAGE 52

INFRASTRUCTURE

4.5
BILLION EUROS
IN TURNOVER
-72
MILLION EUROS
IN CURRENT EARNINGS



6.6

BILLION EUROS
IN TURNOVER

30%

OF THE SNCF GROUP
TURNOVER

-103

MILLION EUROS
IN CURRENT EARNINGS

+11%

IN CURRENT EARNINGS

+48%

IN SUBSIDIARY
CONTRIBUTIONS

PUTTING A SMILE BACK ON OUR CUSTOMERS' FACES

That is the idea behind the vast project launched by SNCF Freight to ensure the reliability of production quality in the short term and to honour all requests for traffic. It completes the industrial transformation of the Freight plan and enables agents to master the new process. It is the great Freight rebound to regain customer trust and to confront the intense attacks from the competition.

1. Inspection
at the equipment
maintenance entity
in Metz.



23 RIV

87 SNCF

427 1790-9P

26.200m

(-26.50m -)

25.660m

A	B
---	---

S	19
---	----

24700kg

FREIGHT

30%

OF GROUP TURNOVER
FOR THE FREIGHT DIVISION

2006 A TWOFOLD REALITY

Pursuing the overall recovery of the Freight division, which makes 30% of the SNCF Group's turnover /

This amounted to 6.6 billion euros, up by 2% for a constant perimeter relative to 2005. The division's recovery notably appeared in current earnings, which improved by 11% at -103 million euros. While the subsidiaries brought in a remarkable contribution of +157 million euros, up by 48%, the results for SNCF Freight dropped sharply to -260 million euros vs. -222 million in 2005.

Results exceeding the forecasts for the subsidiaries /

The dynamism of activity outside France, accounting for 36% of the sales volume in 2006, and the continuing turnaround of money-losing units brought up overall performances.

Geodis became a partner of Thales, FedEx and Nestlé France, contributing 82 million euros to the division's current earnings.

STVA inaugurated new logistics solutions in central and eastern Europe to accompany the strategy of their automobile constructor customers, obtained ISO 14001 certification for all of their activities in France and brought their contribution to current earnings to 17 million euros.

Ermewa took advantage of the dynamic in the gas and oil sectors, winning over Europe with their farm cars and the world with their tank containers which have a very high rate of use. Their current income once again improved at 14 million euros.

Naviland Cargo reached a balance for the first time in 2006. One year after they repositioned on the combined sea transport segment and, despite highly intense intermodal competition, Naviland Cargo had filling level close to saturation on certain lines and are redeploying on Antwerp-Strasbourg, Lyon-Marseille and Lyon-Antwerp.

Emergency situation for SNCF Freight /

For the first time in 3 years, SNCF Freight did not reach the financial objectives of the Freight plan approved by the Commission of the European Union. Its current losses reached 260 million euros instead of the 43 million euros expected. SNCF Freight's brutal deviation from its turnaround trajectory is due to two main reasons.

The shock of competition, which has been total since April 2006, combined with an unsatisfactory quality of service led to a loss of 2% in turnover, i.e. 145 million euros, while the Freight plan called for a 6% increase.

Productivity was also lacking. Insufficient train filling along with a substantial drift in certain production costs, notably tolls, energy and salary costs, considerably reduced the performances of SNCF Freight and its competitiveness.

Starting at the end of August, a specialised Freight Committee, headed by Benedikt Weibel, former Chairman of the Swiss Federal Railways, was set up at the SNCF Group's Board of Directors to undertake a diagnosis and to propose strong-willed actions. It uses the expert report entrusted to Francis Taillanter, former director of Transport at SNCF, which pointed out a key weakness: the lack of accompaniment for co-workers in mastering new industrial processes. SNCF has launched an ambitious programme of actions to save freight. .../...

1. Freight trains.

2. Work at the equipment maintenance establishment in Dijon.



1.



2.

SUSTAINABLE DEVELOPMENT



300,000
FEWER LORRIES ON
THE ROADS EACH YEAR

OXYGEN ON THE ROAD

With 1,060 km, the Bettembourg-Perpignan rail motorway will be the longest in Europe. Starting in July 2007, a daily shuttle will haul 40 truck trailers 7 days a week.

The frequency of links will increase to 15 by 2012. This will mean 300,000 fewer lorries on the roads each year and 240,000 fewer metric tons of carbon dioxide in the atmosphere.

VIEWPOINT SERGE DUGAS

DIRECTOR OF PURCHASES AT THE INTERPANE GLASS FRANCE PLANT IN SEINGBOUSE, MOSELLE.

What transport demands does your activity impose on you?

S. D.: Our plant produces flat glass in continuous fire, i.e. with a furnace that operates 24/7. Sand accounts for 72% of our raw materials, at 180,000 metric tons a year. Our storage capacity on the site supplies one week of production. The hypothesis of a stock outage means at least 3 to 4 days of production stoppage, given the technical constraints for starting the furnace back up.

The losses brought about by a supply problem amounts to some 200,000 euros a day.

Why did you choose SNCF Freight over the competition?

S. D.: Three trains a week from approximately 350 kilometres away supply our site. SNCF Freight had experience with this flow rate, which it has provided to our sand supplier since 2001. The contract, which came up for renewal at the beginning of 2007, was proposed to the competition, and the weight of our industrial needs led us to manage it. The know-how at SNCF Freight and the professionalism of the measures proposed to improve the quality of service convinced us to sign a three-year contract. The SNCF Freight sales teams listened to us and proposed a simple supply solution that took our logistical needs fully into account.

Are you satisfied with your choice?

S. D.: Yes, since our rail logistics gained in performances and because this new contract is implemented through a constructive, three-party dialogue between our sand supplier, SNCF Freight and us.

HAZARDOUS & RESPONSIBLE

SNCF Freight transports 15 million metric tons of hazardous substances each year, for 14% of its traffic, and is experimenting with reinforced security: GPS

beacons have been installed on some ten Ermewa freight cars for Solvay to follow the convoy at all times. The tr@in-MD project, headed by SNCF Research, goes further: it tests the diagnosis on freight remotely (monitoring temperatures, leak detection, etc.).



FREIGHT FAMILY RIGHTS

Industrial integration has led the agents working in freight to a new transformation, which SNCF Freight will accompany step by step. In the autumn of 2007, labour negotiations will set the

conditions for employment and salaries in the new "Freight family". Specialisation in freight will be chosen and the efforts made will be recompensed. It is even possible that the employment conditions may differ from those for passenger transport. Such are the preconditions for saving freight.

2007 A REVOLUTION FOR THE CUSTOMER

Acting to be more competitive and more responsive /

SNCF Freight began mobilising all of its employees in the autumn of 2006 for a simple idea: "Putting a smile back on our customers' faces". A vast project aimed at stabilising the in-depth transformations of the production system undertaken under the Freight plan. Punctuality of the trains, guaranteed availability, optimised rotation of equipment and better customer information: the operation is backed up by expert support for the teams in the field in order to master the new processes and remove any blockages one by one. The initial results can be seen and SNCF Freight is giving itself until the end of 2007 to achieve the level of quality its customers expect.

The creation of the "Freight family" is underway. It brings together employees who work for freight (sales, production, station agents, conductors, etc.) in a specialised, responsive chain of service under the operational management of 5 Freight directors.

The insulated car service, an exclusive SNCF Freight advantage over the newcomers, is the subject of discussions with user-customers to adapt it and to ensure Day A/Day C service for those willing to pay the price, and thus to ensure viability.

Acting to offer innovative solutions to customers /

SNCF Freight is opening up dialogue with its key accounts to set up sturdy logistics solutions which will then be expanded to all interested

markets. Discussions have also been undertaken with industrial customers and the authorities in areas with low density to dynamise local service and to invent rail logistics capable of handling varying flows.

The new Partner Transport & Logistics entity brings together 22 freight subsidiaries in the Group (excluding Geodis) to round out the SNCF Freight offer and to propose transport and multimodal logistics solutions to customers. This is a decisive lever in facing the competition.

Positioning in Europe / It is now the customer's perspective, and will be SNCF Freight's, that will initiate cooperation with different rail operators. This is the case of Sibelit, which brings together SNCF, B-Cargo (Belgium), CFF-Cargo (Switzerland) and CFL (Luxembourg) to attract freight traffic from Antwerp to Basle on the left bank of the Rhine. By taking over TNT Freight Management (TFM), a worldwide actor in transport commissioning, Geodis has doubled its turnover in this activity, i.e. 1.6 billion euros, and has opened up new growth perspectives.

Innovating to develop rail freight / VFLI has become the second rail brand in the SNCF Group, specialised in short and medium distance traffic that it protects from assault from the competition. SNCF has joined forces with La Poste to create a high-speed rail freight offer that is unique in Europe. The Lorry-Rail company has inaugurated combined traffic on the rolling motorway from Bettembourg (Luxembourg) to Perpignan (France). Naviland Cargo is continuing its growth, notably with the opening of Le Havre-Paris, Le Havre-Cognac and Rotterdam-Lyon lines. /



1.



2.

1. Alpine rail motorway, platform at Bourgneuf-Aiton.

2. A shunter and an agent from the Novatrans subsidiary at the Noisy-le-Sec site.

3. The Novatrans site at Noisy-le-Sec.

MEETING

OLIVIER MAREMBAUD

EXECUTIVE VICE PRESIDENT
FOR FREIGHT

IN 2006, RAIL COMPETITION CAME TO THE FRENCH MARKET. WHAT WAS THE IMPACT FOR SNCF FREIGHT?

OLIVIER MAREMBAUD: The arrival of this competition has constituted a major element for our customers, representing an alternative for organising rail freight transport that they did not have before. This has legitimately accentuated their demands.

Newcomers have provided them with new forms of answers, notably with real competitiveness, in terms of price as well as quality. This shows the scope of the productivity efforts that we must accomplish.

We have understood all of these messages and will be taking them into account in the future. They also help to develop our strengths and have a dynamising impact on our teams. In the future, we seek to demonstrate our ability to adapt and to enable our customers to benefit from the strength of our industrial tool. Our action programme takes these observations into account. We are going to reinvent our own rail freight solutions to provide our customers with high railway flow rates through "sustainable trust" contracts.

CAN SNCF FREIGHT OVERCOME ITS COMPETITIVE HANDICAP?

O.M.: Yes, I think so. So long as, in our everyday tasks and in our strategic decisions, we constantly look for ways to optimise the use of our resources: our time, our teams, our rail cars and our locomotives. All of this focuses on a single objective – fully meeting our customers' needs. This is the challenge of the revolution for our customers that we must undertake.

It is a question of perfecting and stabilising operations and professional acts, optimising the organisation of our work, shortening and unifying decision-making circuits and ensuring gains in productivity through the redefinition of employment conditions for the personnel.

HOW ARE YOU SPECIFICALLY HANDLING QUALITY OF SERVICE?

O.M.: Quality of service is a must for our customers. Based on the analysis carried out on our production system

last autumn, we have made a twofold observation: the new production model was relevant but required actions to stabilise it. Moreover, support for the production teams concerning these changes appeared to be insufficient.

More thorough training was needed, along with better use of the new tools. Thus, at the end of 2006, we launched the "Putting a smile back on our customers' faces" operation so that, with time, we will be able to provide reliable, stable production quality. By the end of 2007, this operation will enable us to satisfy our customers better in terms of quality of service and traffic volumes.

Furthermore, we are going to redeploy our insulated car offer so as to guarantee our customers a Day A/Day C service that is competitive with road transport. This new offer is currently being defined with our customers, with their structuring flows, such as chemists and metallurgists.

"Providing our customers with high railway flow rates through 'sustainable trust' contracts."



6.2

BILLION EUROS
IN TURNOVER

27%

OF THE SNCF GROUP
TURNOVER

725

MILLION EUROS
IN CURRENT EARNINGS

73%

TGV
OCCUPANCY RATE

89.2%

REGULARITY
WITHIN TEN MINUTES
FOR A 92% OBJECTIVE

PASSENGER SERVICE FOR ALL

Long-distance Passengers France & Europe carried out a survey among its customers by following them throughout their trip. Conclusion: there are several passengers in one. Leisure or business, with the family or alone, expectations vary for the same person depending on the type of trip. Message received: the rates and services offered are changing.

↑ Crowd of passengers on a busy day at the Gare de Lyon in Paris.



**LONG-DISTANCE
PASSENGERS
FRANCE & EUROPE**

ONE GROUP, 4 DIVISIONS
LONG-DISTANCE PASSENGERS
FRANCE & EUROPE

100

MILLION
HIGH-SPEED PASSENGERS
IN FRANCE AND EUROPE

2006 AN INTENSE YEAR

Dynamic results exceeding our objectives for the Long-distance Passengers France & Europe division, which accounted for 27% of the SNCF Group's turnover / In 2006, the economic context was profitable. GDP increased by 2.4%, tourism in France had record growth and automobile traffic decreased by 1 to 2%.

Long-distance Passengers France & Europe grew by 6% in terms of traffic revenue. It was the effect of the promotional dynamics that boosted train occupation rates. TGV traffic increased by 4.5%, stimulated by the success of *iDTGV, which opened for Paris-Nice and Paris-Toulouse. Corail TéoZ deployed the new comfortable equipment on the Bordeaux-Nice transversal line and the Lunéa nighttime equipment.

Europe has the wind in its sails. Eurostar traffic increased by 5.4%. Thalys attracted 6.5 million passengers despite the increase in air competition, thanks to major promotional actions that did not weaken turnover, which was up by 8.4%.

SNCF is reaping the fruits of its commercial policy, notably the success of the "Bornes Libre Service" (Self-Service Terminals) and Voyages-sncf.com. Turnover from the web site jumped again by 33% to 1.5 billion euros.

As proof of a successful volume policy, the TGV occupancy rate reached 73%, up by 5 points over 2005. One indicator was yellow: 89.2% of trains arrived on time, for an ambitious objective of 92%.

The triple High Speed birthday celebrating all of SNCF's progress / In 25 years, the TGV has brought about a revolution in train technology, contributing to national planning and reinventing travel. Its birthday brings together all of the French: 25,000 TGV km and 25 years of TGV travel to be won, 200,000 tickets at €5 distributed in record time, and 180,000 visitors in two days at the Very Large Party for the TGV at the Trocadéro in Paris.

In June, Thalys celebrated ten years of the Paris-Brussels link and 55 million passengers, with events and a "10 years, 10 euros" promotion. The Mediterranean TGV is 5 years old and has already had over 100 million passengers. Today, 7 out of 10 people prefer it to flying between Paris and Marseille.

Preparation for the launch of the East European TGV mobilises all energies / Since June 2006, the new TGV trains have been travelling on the traditional Paris-Metz-Luxembourg line and, since December, on the Paris-Nancy-Strasbourg line. This preliminary phase has enabled customers in eastern France, who are used to the Corail train, to experience a high standard of comfort and service. Traffic increased immediately. This has also enabled SNCF's technical agents to get used to the operations of the East European Technicentre, the maintenance workshop dedicated to the East TGV.

The sales agents have put into practice the training they received at the Service University. The development of real-time information tools has accelerated, and the first "communicating station" was inaugurated at the Gare de l'Est in Paris in November 2006.

At the beginning of 2007, prices for the East European TGV were announced after a survey among customers and consultations with elected officials and consumer associations: the price levels are similar to those of the other TGVs and there are more low-priced tickets. .../...

1. Advertisement for the EcoCompareur®.

2. Visitors at the Trocadéro big party for the TGV.



SUSTAINABLE DEVELOPMENT



500
MILLION EUROS INVESTED
OVER 10 YEARS TO ENSURE
ACCESSIBILITY

ACCESS+: THE RIGHT TO TRAVEL
Welcoming handicapped customers and accompanying them from the entry to the station of departure to the exit of the station of destination: this is the free Access+ service. It is based on a call centre accessible by telephone, fax and e-mail. Its 27 agents listen and inform the customer, then coordinate the trip from station to station. Launched in 2007 in the Centre and PACA regions, Access+ will progressively be expanded everywhere.

COMMERCIAL & RESPONSIBLE

Exceeding the threshold of one billion euros, the 180 employees at Voyages-sncf.com have made a wish to go beyond the business success of the first commercial tourism site in France. They have

spontaneously become involved with expert partners. Examples of their initiatives: facilitating Internet use for the handicapped, saving paper, riding electric bicycles, drinking fair-trade coffee and increasing awareness among passengers with a system of compensation for CO₂ emissions.

VIEWPOINT DR KARL-FRIEDRICH RAUSCH DIRECTOR OF PASSENGER TRAFFIC AT DEUTSCHE BAHN AG

Can High Speed make people prefer the train over flying?

K.-F.R.: Certainly. Customers are ready to change their mode of travel if the door-to-door travel time is competitive.

On our express lines, we have two-figure growth rates.

For example, there aren't any flights between Berlin and Hamburg anymore. Between Cologne and Frankfurt, air links have become rare, with Lufthansa customers even travelling on our trains with their plane tickets, and the train has a flight number.

On the European level, you are also cooperating on the Railteam project. What is that?

K.-F.R.: The project is an association of Deutsche Bahn, SNCF, the railways in Great Britain (EUKL), the Netherlands (NS), Austria (ÖBB), Switzerland (CFF) and Belgium (SNCB). Our objective is to define common, high-level quality standards for international high-speed links. For example, information in several languages, a single ticket and the possibility for frequent travellers to use the various passenger lounges. All of this will make the train more attractive than flying.

How can rail contribute to European unification?

K.-F.R.: A successful, unified Europe needs railways. Without them, travel in Europe will not work. Express links are of utmost importance to positive economic development. And the resulting well-being for the largest number of people is indeed an objective for European unification!



ONE GROUP, 4 DIVISIONS
LONG-DISTANCE PASSENGERS
FRANCE & EUROPE

ATTRACTIVE AND GENEROUS

The new price rate structure, to be launched in October 2007, is designed to have something for everyone. It proves to all customers that SNCF is paying attention to their needs. "Pro" rates include all services for Business customers.

There are "à la carte" services and low prices for leisure customers. And for everyone, loyalty is recompensed better. Long-distance Passengers France & Europe has decided to meet the competitive challenge and to support the comparison that is now so easy on the Internet by offering great service for the money to everyone and a better trip for all.

.../... The key to passenger comfort: Equipment is innovating / 24,500 agents work in 45 establishments around France. They test new equipment, ensure maintenance for the fleet and train production. Partners in SNCF's commercial activities, they ensure availability, safety and comfort. By 2011, they will have dedicated more than 3 million hours to the metamorphosis of nearly half of the TGV fleet with a design by Christian Lacroix. A new system deployed on all long-distance trains enables controllers to signal all equipment abnormalities immediately. They can thus be treated as soon as the train arrives.

2007 THE CRUCIAL YEAR

Succeeding in Europe / Mission accomplished for Long-distance Passengers France & Europe, which completed the preparation of the East European TGV and finalised the SNCF/Deutsche Bahn joint operating corporation. On 10 April, the countdown began with the commercialisation of 5,000 seats a day at €15. On 10 June, the inaugural Paris-Strasbourg trip at 320 km/h and launch of 85% of the East European TGV offer.

In 2007, European High Speed is accelerating and breaking down all borders. On 14 November, Eurostar will inaugurate the High Speed One line, which will save 20 minutes on Paris-London (2 hrs 15 min) and Brussels-London (1 hr 51 min). This line will come into Saint Pancras International Station, much more central and intermodal than the current Waterloo Station. Other projects are on the Long-distance Passengers France & Europe agenda: extension of the High-

Speed Brussels-Amsterdam line for 2008 and the opening of Perpignan-Figueras-Barcelona in 2010. Beyond the progress made on the network, Long-distance Passengers France & Europe will launch the Railteam alliance to offer the first joint services for 7 European networks starting in 2007: tickets and rates from point to point, a single customer loyalty system, etc. An alternative to the 3 major airline alliances.

Succeeding in service / This will be the key factor for success in 2010 against the competition, including rail. Long-distance Passengers France & Europe is making progress in 3 major areas of the travel chain. Making each contact with a passenger a successful meeting is now the priority for the 25,000 agents in daily contact with the clientele and the key message in training at the Service University. Offering real-time information to everyone and everywhere is the second challenge. The deployment of new technologies (flat screens, mobiles, Internet) in the communicating stations of the East European line is the first exemplary demonstration of this. Meeting the specific needs of professional and leisure customers is the ambition of the New Price Rates and Service Offer to be launched in the autumn of 2007.

iDTGV – the traffic accelerator / Low prices for all, a choice of ambiance and encounters on board: iDTGV is inventing pleasure travel and the idea is catching on. With 1.7 million passengers and an occupancy rate of 81% in two years, iDTGV has become a formidable advantage against low-cost airlines. 70% market share on the Paris-Marseille TGV line, 9.4% of which is thanks to iDTGV, and 30% on Paris-Nice of which 3.5% is thanks to iDTGV. In 2007, the idea will be expanded to Paris-Perpignan, Paris-Hendaye and Paris-Mulhouse, with many advanced services. /

1. Station agent at Lannion station.

2. The laid-back atmosphere on the iDTGV.

3. Thalys leaving the station in Cologne.



1.



2.

MEETING MIREILLE FAUGÈRE

DIRECTOR LONG-DISTANCE
PASSENGERS FRANCE & EUROPE

HOW DO YOU ARBITRATE BETWEEN MORE SERVICE AND LOWER PRICES?

MIREILLE FAUGÈRE: We have made a lot of progress on our understanding of customer needs. They vary for a given person depending on the type of trip. The Business customer stresses fluidity of access to the station and the ability to change his ticket easily. This same customer, when travelling with his family, is more interested in services, notably for luggage, and contact with the personnel. The diversity of travel situations is behind our conviction: it is not up to us to arbitrate between price and service, that is a freedom that should be left up to the customer. With the New Price Rates and Service Offer, customers can prefer lower prices without options or choose services at a higher price. Today, we have another conviction. The wealth of our service offer contributes strongly to SNCF customer loyalty and will be a decisive advantage against the competition in 2010. And the first service expected is the quality of the relationship between our personnel and our passengers.

HOW CAN EQUIPMENT MAKE THE DIFFERENCE?

M.F.: All customer satisfaction surveys show that the time spent on board is the key to a successful trip. Equipment can make all the difference on many points. By accelerating commercial speed to reduce travel time, our TGVs are among the fastest in Europe. By guaranteeing greater regularity, thanks to a young fleet that is frequently renewed. By increasing capacities, thanks to a fleet of duplex TGVs, counting on volume and offering low prices. By optimising comfort on board with Christian Lacroix interiors, real-time information and Internet connections throughout the trip. Europe is also a challenge for equipment. It must be able to run in all countries to make the extension of the European High Speed network a relay for growth. Lastly, equipment can cover part of our social responsibility by

running cleaner and ensuring access for people with impaired mobility.

WHAT ARE THE ADVANTAGES OF FRENCH HIGH SPEED TRAINS VS THE COMPETITION?

M.F.: Above and beyond the advantages of the equipment itself, French High Speed trains have acquired sophisticated commercial expertise that enables us to optimise occupancy and revenue for each trip. Our ability to create successful contacts between our personnel and our customers will make the difference. The Service University and new, innovative teaching support this ambition. Lastly, the service innovations that we are working on will enable us to keep one step ahead. Our reflections on service are guided by moving from being the best in transportation to being the best in travel.

“It is not up to us to arbitrate between price and service, that is a freedom that should be left up to the customer.”

3.



5.8
BILLION EUROS
IN TURNOVER

25%
OF THE SNCF GROUP
TURNOVER

-25
MILLION EUROS
IN CURRENT EARNINGS

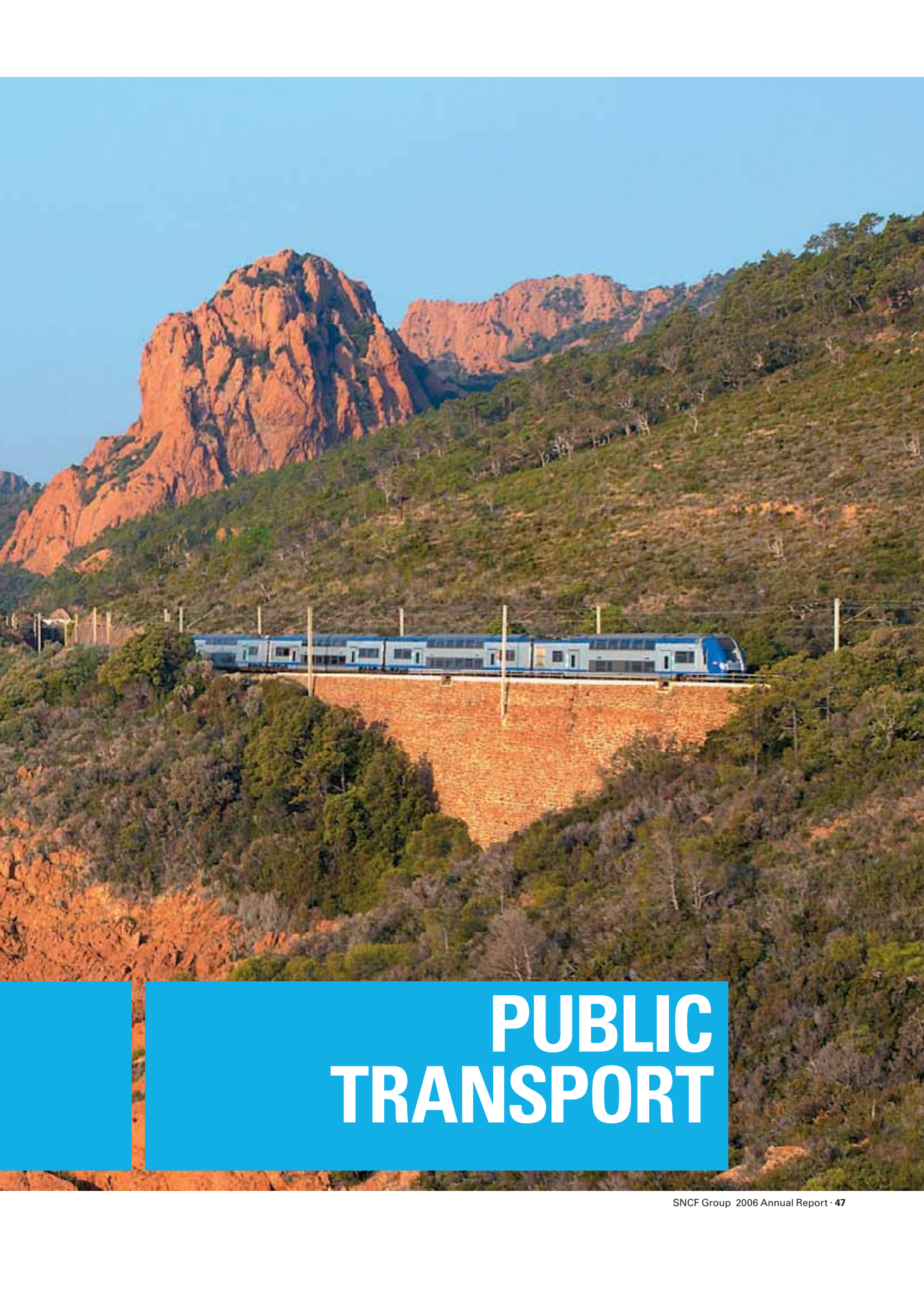
+8.6%
IN TER TRAFFIC

+4.2%
IN TRANSILIEN TRAFFIC

THE PARTNER OF THE REGIONS

Public Transport is the interlocutor for the Regional Councils that are determined to promote mass transport. The regions are now experts and are attentive to what is often their largest budget item. Rates, passenger information, ticketing: they want a customised, multimodal service offer and a committed partner.

↑ A TER train in the Esterel mountains (French Riviera).



PUBLIC TRANSPORT

70%

NEW OR MODERNISED
TER TRAINS BY 2009

2006 RECORD GROWTH

Performances confirmed in 2006 for the Public Transport division, accounting for 25% of the SNCF Group's turnover /

The French public transport market has grown by an average of 2% a year over the past five years. The TER stands out with a record growth in traffic of 8.6% vs. 6.5% in 2005. The Transilien gained 4.2% in traffic vs. 3.1% in 2005. The Corail Intercités stayed in the red, but the renewed commercial offensive in 2006 stimulated growth in turnover (+6.5%).

All companies in the Public Transport division displayed continued growth. The multimodal operator Keolis inaugurated the operation of a franchise in Kent and moved into Rhineland. Its capital is now shared between the SNCF Group (45%) and a consortium including AXA and the Caisse de Dépôt et Placement du Québec (55%). This recomposition is reassuring for Keolis' investment policy (approximately 300 million euros over five years). It stimulates its development ambition, notably in Europe and North America.

Effia has become the leader in car parks in Nantes, is conquering Aix-en-Provence and has been awarded a contract for the central multimodal information unit for the Pays-de-la-Loire.

The TER dynamic encouraged by the Regional Councils is bearing fruit /

In 2006, TER use grew by 12% in certain

regions, a success that is due to the revolution in the offer. More than 6,000 TERs cover the regions of France every day and are impressive in their level of comfort. 45% of the TERs are new or modernised, 70% will be by 2009. The price rate dynamism is stimulating the attractiveness of the TER. Nearly 60 customised rates have been implemented in the 20 regions, from the Leisure Cards with youth rates to work subscriptions. Special TER Green or TER Sea operations encourage the largest number of people to prefer the train.

New services have simplified travel. Automatic machine distribution, smart cards and home subscriptions (Tapas) fluidify access to transportation. Customer relations are diversifying with call centres and passenger information by SMS or e-mail. Multimodal information sites on the Internet provide access with just a click to the full public transport offer in the region.

Negotiations on agreements laying out the future /

Thirteen regional agreements reached their term on 31 December 2006. Ten of them gave rise to new agreements and three to extensions. Negotiations for 2006 and 2007 represent a major challenge for Public Transport. They cover 90% of the TER and Transilien activity, or approximately 25% of SNCF's turnover.

Public Transport has its strong points. An assessment of the first generation of agreements is positive: between 2002 and 2006, traffic increased by 21.5%. In five years, the organising authorities learned a lot about rail issues, in terms of techniques as well as costs and service. They now control the economic model of role sharing. Far from the simple renewal of a contract, the second-generation agreements include new demands from the regions and greater commitments from SNCF. .../...

1. Interior layout of the New Transilien Electric Railcar (NAT – Nouvelle Automotrice Transilien).

2. TER at Saint-Charles Station in Marseille.



SUSTAINABLE DEVELOPMENT



1,000
ECOSUSTAINABLE
TER STOPS
SOON TO COME

THE FUTURE TER STOP IS ECOSUSTAINABLE

For TER stops with a maximum traffic of 500 passengers a day, Public Transport is developing an innovative shelter concept. It is modular, adapting to the site configuration. Autonomous, it can be managed remotely and offers ticketing, multimodal information, Internet or video surveillance. Recyclable materials, renewable energies and rainwater retrieval... The future ecosustainable TER stop optimises impact on the environment and customer service.

TESTING BIOFUEL

In the context of the after-petroleum plan undertaken by the Poitou-Charentes region, TER trains are experimenting with B30 biofuel. It is made of 70%

diesel fuel and 30% biodiesel, produced from vegetable oils mainly extracted from rapeseed. Starting in 2007, 16 railcars and 4 service stations are switching to B30 for a two-year experiment co-financed by SNCF and the region.

VIEWPOINT JEAN-PAUL HUCHON PRESIDENT OF THE ÎLE-DE-FRANCE REGION

You are going to sign a new contract with Transilien SNCF at the end of 2007. What are your main expectations?

J.-P.H.: This contract should be part of the new transport policy implemented when I took over the presidency of the STIF (Syndicat des Transports d'Île-de-France). It should enable us to develop our offering with more detailed supervision. In terms of quality of service, we must go further with indicators which take into account user opinions, and which encourage the company, notably in terms of regularity, passenger information and accessibility for people with impaired mobility. An ambitious investment policy needs to be encouraged, along the lines of the New Transilien Electric Railcars for which the STIF is investing 1 billion euros. A better understanding of costs will be decisive for a better mastery of the financial costs while encouraging commitments.

What are the major challenges facing public transport in the Île-de-France region?

J.-P.H.: To propose attractive transportation, we have already applied considerable resources to strengthening our offer, quality of service and renewing and reconditioning rolling stock. Modernising the rates system will translate into the merger of zones beginning in 2007: "Carte Orange 6-7-8" and the launch of a time-metered ticket. The existing network needs to be modernised, notably the RER (regional express network). The contract for the 2007-2013 project should enable us to pursue the development of the network grid and new ring links. All of this presupposes providing new resources to pursue the dynamics underway.



ONE GROUP, 4 DIVISIONS
PUBLIC TRANSPORT

**MADE
IN FRANCE**

On 25 October 2006, following a European invitation to tender issued in 2002, the Board of Directors of SNCF decided to order 172 new-generation trains

from the Canadian company, Bombardier. Intended for the Île-de-France regional network, these New Transilien Electric Railcars will be produced in France at the Bombardier Transport site in Crespin (Nord), thus ensuring 15 years of work for its 1,600 employees.

.../... As of 11 December 2006, the Provence-Alpes-Côte d'Azur region opened its market by signing the first 2nd generation agreement in a 2.7 billion euro contract for the 2007-2016 period. This agreement calls for a new expansion of the TER in PACA, with the implementation of innovative services such as ticketing, intermodality and accessibility for people with impaired mobility. In return, it calls for SNCF's commitment to quality of service, regularity, security and safety which, if not met, will lead to penalties and a reduction in the regional contribution.

2007 AMBITIOUS CHALLENGES

Being the partner for territorial development / In 2007, Public Transport is pursuing renegotiations of agreements. The Transilien agreement alone accounts for 40% of turnover. All are part of a logic for increasing traffic by 30% to 50% in the next five years. All are based on logics of innovative services in ticketing, passenger information and accessibility for people with impaired mobility. All cultivate the new multimodal dimension.

Becoming the European reference multimodal assembler / The SNCF Group is the only company capable of managing all modes of urban, regional and long distance transport. It manages the interface between these modes to create intermodal organisations, which fluidify travel while optimising passenger services.

Forty percent of TERs are connected to urban transport networks and 20% to mainlines. In Alsace and Brittany, the multimodal transport plans allow travellers to go from the TER to the metro, tram or bus. The minute exchange centre in Saint-Malo provides instant correspondences between trains and buses. Multimodal information, distributed by Internet in the Pays de Loire or at kiosks at the station in Toulouse, displays the entire transport offer in the region, including air transport.

To win the intermodal battle, Public Transport is reaffirming its Group dimension and reinforcing synergies with its subsidiaries. Keolis is the leader in France in urban and interurban public transport, with one-third of the market. Effia operates coach stations and car parks and develops multimodal information systems.

To meet customer needs more fully, the SNCF Group cooperates with operators in competition with Keolis, such as Veolia in Bordeaux or Transdev in Grenoble.

Keeping all commitments by supporting internal change / The organising authorities now compare Public Transport to other operators and regional actors in neighbouring countries. The focus is on production efficiency and a new attitude toward service. All employees in the division are called upon to learn about advanced technologies and to open up to all modes of public transport. They are preparing for competition to make SNCF the transport service preferred by travellers and local authorities. /



1. Tramway in front of the station in Mulhouse.

2&3. Passengers on a TER.

MEETING

JEAN-PIERRE FARANDOU

DIRECTOR FOR
PUBLIC TRANSPORT

THE TER SYSTEM HAS UNDERGONE A REMARKABLE GROWTH IN TRAFFIC. WHAT ARE THE REASONS FOR THIS? AND IS IT SUSTAINABLE?

JEAN-PIERRE FARANDOU:

The market is growing; the use of public transport has risen by approximately 2% a year over the past five years.

The TER stands out with the even more consequential increase in its traffic, notably in 2006 when it grew by nearly 9%. The success of the TER can be explained firstly by the development policy launched by the Regional Councils: more trains that are more modern and more comfortable, a commercial and price rate dynamic, investment in customer relations and the modernisation of the TER's image. Moreover, road saturation in urban areas, the difficulties of urban parking, the price of fuel and sensitivity to environmental issues are all factors behind sustainable growth in public transport.

MULTIMODAL ASSEMBLER IS A NEW PROFESSION. CAN THE PERSONNEL KEEP UP?

J.-P.F.: With Keolis and Effia, the SNCF Group has a strategic advantage. It operates all modes of transportation,

from buses to metros and trains, and offers a range of services with ever greater intermodality.

The Group plans to make use of this potential for assembly and promoting travel from point to point without constraints.

Customers cannot imagine local transport without being able to move easily from one mode to another.

This is a chance for SNCF and its personnel and an opportunity for the Group.

By developing intermodality, we enable agents to deal with customer needs in the totality of travel and to provide answers to the central question of correspondences: how do they access the other modes of transport, who sells tickets for the other modes? The idea is not to discover a new profession, but rather to enrich the content of our own in order to offer the best service. This ambition is naturally motivating for the agents who are in contact with the customers.

FOR PUBLIC TRANSPORT, COMPETITION HAS BEEN ANNOUNCED IN TEN YEARS, AND YOU ARE CALM...

J.-P.F.: Whether or not there is competition, we are already being compared with other operators, quite classically on quality, cost and labour relations. Quality covers our fundamentals such as regularity, safety and comfort on board, safety on trains and in stations. It also includes increasingly intermodal services related to transport: information, ticketing, accessibility and exchange centre management. All of this at a cost that must be controlled. It is clear: the regions want more at a lower price.

They expect the SNCF Group to make proposals for accompanying their public transport development policies. We must have "innovative ideas", and knowing how to bring them to fruition is the best response to the competitive risk.

"Whether or not there is competition, we are already being compared with other operators."

3.



4.5
BILLION EUROS
IN TURNOVER

18%
OF THE SNCF GROUP
TURNOVER

-72
MILLION EUROS
IN CURRENT EARNINGS

SERVING THE WORLD OF RAIL

Infrastructure ensures the maintenance and management of the network for Réseau Ferré de France, serving carriers, whether SNCF or its competitors. It also contributes to the network's development. Safety, regularity, comfort and availability are unanimous demands. They are the basis of the rail system's operations and the end users' satisfaction, whether passengers or shippers.

1. Central control station for the substations at Pagny-sur-Moselle.



INFRASTRUCTURE

1.8

BILLION ADDITIONAL EUROS
IN 5 YEARS
FOR RENOVATING
THE NETWORK

2006, THE HISTORIC TURNING POINT

Performances in 2006 were very close to those of 2005 for the Infrastructure division, which accounted for 18% of the SNCF Group's turnover / Work on the East European High Speed line continues to boost turnover and the injection of an additional 110 million euros has stimulated renewal of the network. The current loss increased by 29 million euros, 20 million euros of which comes from SNCF's commitment to contribute financially to upgrading the network.

The volume of business of the Infrastructure subsidiaries increased, with some shining successes internationally. AREP inaugurated the Beijing Capital Museum and Shanghai South Station, and won the contract for the Sport City Tower in Doha (Qatar). Systra was awarded the assistance contract for the Algiers metro, an engineering contract worth 7.9 million euros with the Polish railways, and project management assistance for the high-speed line in California. SNCF International has been entrusted with a study mission for improving passenger transport in Surabaya (island of Java) and is implementing the first High Speed trains in Taiwan. The creation of the Inexia subsidiary will enable engineering to win transport infrastructure projects, whether rail or road, in the context of public-private partnerships.

Renewing the network: a new dynamic encouraged by the State / On the basis of the audit report issued in 2005 by the experts at the École Polytechnique Fédérale de

Lausanne, RFF and SNCF proposed a forceful plan of actions to the Ministry of Transportation, which took decisive measures in May 2006.

Beyond the State contribution of 2.9 billion euros in 2005, new resources have been mobilised to accelerate the renewal of the rail network. It is an additional 1.8 billion euro package over five years to 2010, which is dedicated to renovating installations. To accelerate the modernisation schedule, discussions have been undertaken with each region to include certain operations in the upcoming project contracts.

These significant investment volumes imply showcase measures: the modernisation of SNCF's maintenance methods, grouping 1,400 switching stations in some twenty control centres on the busiest part of the network.

East European LGV: keeping on schedule / In 2006, the Engineering teams supervised the laying of tracks at a rate of 1.2 km a day until the last rail was welded into place, as well as the installation of railway facilities and the construction of all connections. 5 substations and 4 computerised switching stations out of 5, including the one in Strasbourg, the largest in France, and two-thirds of the catenaries were put into service during the year. At the start of 2007, the line was powered up for testing of the GSM-R advanced telecommunication functions and the ERTMS signalling system linked to the remote control station at Pagny-sur-Moselle. Catenary powering on the 300 km of tracks from Vaires-sur-Marne to Baudrecourt marked the technical commissioning of the totality of the High Speed line. In mid-February, the last computerised switching station in Reims was inaugurated and dynamic speed trials began. .../...

1. View of the inside of Shanghai South Station.

2. Catenary agent.



SUSTAINABLE DEVELOPMENT



MORE THAN
500 km
OF TRACKS RENOVATED
IN 2006

FOR SUSTAINABLE GROWTH IN TRAFFIC

Accelerated renovation of the tracks progressively makes it possible to remove reduced speed areas and to guarantee travel times. It optimises the use of infrastructures and equipment to handle the increase in traffic. This will provide an improved offer for all SNCF customers.

VIEWPOINT

PATRICK TRANNOY

DIRECTOR OF THE EAST EUROPEAN LGV AT RÉSEAU FERRÉ DE FRANCE

What was SNCF's role in the construction of the East European LGV?

P. T.: Preliminary studies were carried out by SNCF at the start of the 1990s, when RFF did not yet exist. After 1997, RFF became the owner of the new line. SNCF pursued this project with us under different labels: carrier, future operator of the line to design an infrastructure that is easy to operate and maintain, then RFF service provider.

SNCF engineering, in open competition, was in charge of real estate assistance on the western half of the line. It was the prime contractor for three civil engineering lots and rail equipment, management of the work bases, line trials, etc. Infrastructure provided traction for some of the work trains. Lastly, connections to the existing networks and the layout of traditional lines were entrusted to the SNCF regions.

This project was an important first. What is your opinion of how it went?

P. T.: Positive, whether in our relations with the financiers, the State services, which were actors in this project, or in our work with SNCF, where we reaped the fruits of a veritable partnership. We did not always agree, but we played it "win-win" so as to carry out the best project possible in everyone's interest. On the technical level, SNCF has unquestionable know-how capital for carrying out this type of project as a prime contractor.

WEEDING WITHOUT POLLUTING

The presence of plants on the tracks is a major inconvenience. They require regular weeding, controlled by strict regulations

aimed at limiting the risk of water pollution. In 10 years, SNCF has reduced its use of phytosanitary products by 40%. The company privileges the use of "intelligent weeding trains" which detect the presence of vegetation on the tracks and preserve the ecosystem.



ONE GROUP, 4 DIVISIONS
INFRASTRUCTURE

**THERE ARE
54,000 OF THEM**

Infrastructure accounts for one-third of SNCF's employees and work in over 60 professions. Technicians specialised in tracks, signalling, catenaries or telecommunications maintain the network. Timetable compilers, switchmen and

traffic agents ensure the circulation of 13,400 trains a day. The engineers supervise major projects such as the East European LGV. The latest innovative idea: letting young hires live the life of other agents, at welcome facilities in the stations or conducting in the cab to gain a better understanding of the role of Infrastructure in the chain of service.

.../... Assessment: Engineering had finished all of its missions at the end of March in compliance with the schedule laid down more than a year ago.

As for the stations, the Architecture, Layout and Buildings Department and the AREP subsidiary delivered 7 stations between April and November 2006 out of the 18 stations on the line, including 15 to be laid out and 3 to be built (Champagne-Ardenne, Lorraine and Meuse). Delivery of the remaining stations is scheduled for 2007 with, at the top of the list, the major Paris-Est, Strasbourg and Mulhouse stations.

For train maintenance, the East European Technicentre, the ultra-modern workshop dedicated to the East TGV, was inaugurated in April and was visited by the TGV's German counterpart, the ICE, for a first demanding test.

**2007
THE FUTURE BEGINS**

Succeeding in the commercial commissioning of the East European TGV is the major challenge for Infrastructure in the short term. In mid-May, RFF turns over the keys to the High Speed line. The challenge: to be ready for the first commercial traffic on 10 June. This means organising the teams and training the 200 agents of the brand new East European Infrapôle, which will ensure the surveillance and maintenance of 300 km of tracks. This also means initiating all concerned parties to the innovations on the line: the GSM-R digital telecommunication network and the ERTMS signalling system following European standards. This

test of Infrastructure's responsiveness was closely followed by a skilled observer, Deutsche Bahn, whose ICE trains will use the East European LGV alongside the TGV.

Launching the network renovation process is a long-term challenge. 2007 is the first full year of the modernisation plan. An additional 260 million euros have been allocated by RFF to regeneration (renewing ballast, cross-ties, rails and switches) and major maintenance operations (platform sanitation, replacement of signalling equipment and catenaries, upgrading structures, etc.). In 2006, the network had a total of up to 1,580 km of reduced speed areas. Starting in 2007, Infrastructure plans to eliminate 470 of them and to avoid 200 others. This is the beginning of a long process that aims to reverse the situation and to accelerate regeneration to reduce everyday upkeep in the long term.

Testing the first worksite uniformisation and producing differently is the real revolution at Infrastructure. Starting in 2007, work periods were extended to three or even five consecutive weeks on a test section of 1,600 km of lines. In 2008, this method will be deployed on 7 major lines and one entire region, Rhône-Alpes, for a total of 4,000 km. It will be expanded to 10,000 km of lines in 2009. This mainly implies foreseeing the work to come and scheduling it reliably with RFF. This also implies reinforcing the mobile teams, modernising the machines, optimising supplies on the worksites and orchestrating everything to ensure major work projects without neglecting smaller sites. /



1. A steward and his deputy checking a suspension unit on the high-speed control TGV IRIS 320.

2. TGV on the Angles Viaduct in Avignon.

3. East European High Speed Line (Paris-Strasbourg).

MEETING PIERRE IZARD

EXECUTIVE VICE PRESIDENT
FOR INFRASTRUCTURE

HOW DO YOU PLAN TO GO ABOUT RENEWING THE NETWORK?

PIERRE IZARD: We have the burning obligation to demonstrate, alongside RFF, that we are making good use of the additional 1.8 billion euros granted by the State. The rate of interventions on the network is going to accelerate between 2007 and 2010. Our progress is easy to describe: thinking ahead and better scheduling of our work, controlling supplies in time and purchases, mobilising human resources and using reliable, modern tools. In practice, this progress will require an in-depth transformation of our production: industrialisation of infrastructure maintenance. The guiding force behind these changes is decentralisation with lighter, more pragmatic processes and simple, robust methods. The National Management sets the objectives, determines the general principles for production and provides expertise and assistance to the local level. In the regions, the Executive Vice Presidents for Infrastructure and the Establishment Directors organise maintenance production, contribute to investment operations and

manage the network on a day-to-day basis.

THE NETWORK CENTRAL CONTROL PROGRAMME SHAKES UP THE SITUATION ON THE TECHNICAL LEVEL. HOW ARE YOU GOING TO MANAGE IT?

P.I.: This is a perspective that the network audit assigned to us by pointing out the need to regenerate the switching stations. It is a considerable project: from 1,400 switching stations spread out along 15,000 kilometres of the busiest tracks, we could have 15 to 20 control sites in twenty years or so. This is an opportunity to think about different modes of organisation by looking at what is being done elsewhere, notably in Switzerland and Germany, where centralised stations control the installations on the mainlines. We are at the general design stage, under RFF contracting authority. It is a question of defining the number of sites and their location, indicating

the technological aspects, ensuring safety during the transition phase, imagining new interfaces between the railway companies and Infrastructure, and developing the project's economic equation. This is a captivating project for which we cannot make any mistakes, because it calls for the commitment of our operating methods for decades.

IS INFRASTRUCTURE FACING COMPETITION?

P.I.: Yes, of course. Infrastructure has been in competition on certain markets for several years. Contracts for building High Speed lines are awarded by invitation to tender, which was the case for the East European LGV. In our work, teams from SNCF work every day alongside teams from major public works groups specialised in rail. Our place depends on the know-how of the men and women at Infrastructure, their mobilisation and our ability to provide all of our services at competitive prices.

"This is an opportunity to think about different modes of organisation by looking at what is being done elsewhere."

HUMAN RESOURCES

SNCF GROUP CO-WORKERS AT THE HEART OF CHANGE



1.

5,900

HIRES INCLUDING
1,300 WOMEN

650

RECRUITS FROM
SENSITIVE
NEIGHBOURHOODS

EQUALITY OF CHANCES

65,000 NEW RAILWAY WORKERS IN 10 YEARS /

With 5,900 new recruits in 2006, compared with 4,600 in 2005 and 4,000 in 2004, SNCF is continuing the active renewal of its agents. Its attractiveness is confirmed by the 295,000 applications received in 2006. The commitment to promoting equality of chances is taking shape. The company has trained its recruitment personnel for diversity. There were 1,300 women recruited in 2006, for 22% of the total and 39% of the management staff hired. The integration of 167 handicapped agents exceeded the objective for the year and the figures for the previous years (136 in 2005 and 94 in 2004) brought the total number to nearly 4,300 handicapped employees.

650 RECRUITMENTS IN SENSITIVE URBAN AREAS /

ONE MAN / In January 2006, Karim Zéribi was named Advisor for the Equality of Chances. His mission was to increase the dynamism of diversity in all its dimensions, notably geographically.

12 FORUMS / To resemble the passenger it transports, SNCF has moved beyond the traditional recruitment processes. It goes looking for candidates at the heart of neighbourhoods in sensitive urban areas. In 2006, twelve Equality & Skills meetings were organised in Trappes, Évry, Lille, Strasbourg, etc. Nearly 4,000 candidates, pre-selected by the ANPE (the French unemployment agency), local missions and associations for occupation integration thus discovered SNCF. 3,400 applied, 2,400 had recruitment interviews and some 650 were hired,

including 350 directly from the Equality & Skills meetings.

ONE AMBITION / In 2007, 12 forums are scheduled to keep up with the goal of 10 to 15% of recruitments from working-class neighbourhoods.

BETTING ON ALTERNATING TRAINING

1,350 CONTRACTS SIGNED IN 2006 /

Apprenticeship is a major part of the Human Resources culture and policy at SNCF. The company at all times has approximately 2,500 training/work-experience contracts, and on average hires 70% of the apprentices at the end of their contracts. SNCF has set itself the



2.



3.

1. Freight loading operation.

2. Advertising campaign on the People at SNCF.

3. Maintenance operation at Paris-Nord.

CITIZEN PASSENGER

Electrical hazards, deadly track crossings, fraud, false alarms or graffiti on trains... For the past twenty years, volunteer railway workers have been speaking in

schools to increase awareness among children and teens about safety and citizenship in railway transport. In 2006, an agreement was signed with the Ministry of Education to expand this process. Results: nearly 130,000 young people have been met with.

objective of using training/work-experience contracts for young people under the age of 26: 1% of employees in 2006, 2% in 2007 and 3% in 2008. SNCF signed nearly 1,350 new training/work-experience contracts in 2006, for an objective of 1,300. It is organising to reach the thresholds set, which is 2,150 in 2007 and then 3,200 in 2008 throughout the country.

CHANGING FASTER

A DYNAMIC SOCIAL POLICY /

Modernisation of SNCF is based on an active contractual practice. The challenge is to make this a lever for company competitiveness. The agreement on mobility signed in October 2006 accompanies industrial adaptation.

The agreement on job desegregation and equality between men and women signed in March notably deals with recruitment and compensation. It calls for developing equipment to facilitate access for women to certain difficult jobs. A salary agreement was signed for the third consecutive year, but for the second time a majority of the trade unions rejected the employee profit sharing agreement. At the end of September 2006, the number of days lost to strikes and the number of strike notices registered reached their lowest level in fifteen years. In 2007, feedback on the "social dialogue and conflict prevention" agreement of 2004 should lead to shared recommendations for improving labour relations.

SUPPORT FOR MOBILITY /

The measures for reorganising Freight and the development of the profession of vendor, in connection with the growth

of the Internet and automatic distributors, have required job mobility for 2,300 people. A new agreement facilitates functional and geographical mobility for agents by stressing orientation toward growth sectors. SNCF is committed to providing quality professional, social and family support, and only using forced mobility as a last resort. Among the innovative measures, we should mention the creation in each region of a network of professionals specialised in reorientation, discovery sessions for new jobs and the formalisation of commitments between the agent and the company.

A CULTURE OF SKILLS /

Above and beyond the mobility question, SNCF is deploying a new, forward-looking management policy for jobs and skills in 2007. It is stimulating initial training through training/work-experience contracts and continuing adult education with the validation of experience acquired. It valorises

1&2. SNCF hired 5,900 young people in 2006.



1.



2.

More than 10,900 hires in the Group in 2006, distributed equally between SNCF and its subsidiaries

railway skills through the Trade Institute. The railway sector's opening up to competition is naturally leading the company to include non-competition or premium-training clauses in the work contracts.

BEING MORE COMPETITIVE

INNOVATIVE IDEAS AND OXYGEN /

15,869 AUTHORS OF IDEAS /

In 2006, SNCF demonstrated more than ever its ability to come up with innovative ideas for the train to deal with competition. There were more participative innovation operations: Long-distance Passengers France & Europe Meetings, the idea competition in Public Transport concerning passenger information, the Innovation Challenge in the

Engineering Division and the 25,000 Agents/25,000 Ideas Day at the Equipment Division. Result: twice as many authors of ideas and twice as many ideas as in 2005, for 22,450 ideas, half of which have been implemented. The Innov'Acteurs Trophy was awarded to the Equipment Establishment of Eastern Paris for its record rate of innovation (274 ideas for 452 agents) and its signalling installation life book.

THE TRAIN OF INNOVATIVE IDEAS /

In December, 308 railway workers from all regions and various professions got together for brainstorming during a Paris-Marseille return trip. Upon arrival, the SNCF Management welcomed them and agreed to implement 10 innovative ideas thought up during the trip.

NEW INSPIRATION / Reducing bureaucracy: that is the objective of the Oxygen process, which is reaching the Equipment and Traction fields after a successful test in the equipment and

operating establishments. Simplification of processes, reduced reporting... SNCF is gaining in responsiveness for its customers and in comfort for its agents.

THINKING OF THE GROUP

DISCOVERING ONE-THIRD OF THE GROUP'S EMPLOYEES /

There are 68,000 employees in 49 groups of companies related to the public institution. Connected to the divisions of the SNCF Group, they round out its range of skills in all modes of transport – from rail to roads, from sea to river – and its reputation in Europe and worldwide. The SNCF Participations holding company holds and manages nearly all of these companies and ensures the coherency of the whole.



3.

3. Increasing awareness among schoolchildren for safety and citizenship on railway property.

HUMAN RESOURCES
SNCF GROUP
CO-WORKERS

There are 32 collective agreements reflecting the diversity of the professions. With 5,082 new hires in 2006, SNCF Participations had for the first time a volume of recruitment equivalent to that of the SNCF Corporation. This was led by Keolis (2,240 hires) and Geodis (1,620).

TOWARD AN OVERALL HUMAN RESOURCES POLICY /

The measure of the common stakes and shared expertise stimulate the integration of the public institution and its subsidiaries, and the notion of a Group is emerging in people's minds. 1,150 railway workers are already working in the Group's companies and the system of mobility set up should accelerate this intermingling. Centralised personnel and career management is entrusted to the Human Resources Division of SNCF Participations. It is in charge of creating immediate bridges and clarifying the conditions for mobility in terms

of compensation, contract durations and modalities for returning to the entity of origin.

FIRST LEVER: THE SNCF GROUP UNIVERSITY IS BORN /

Over the past four years, SNCF has concentrated its managerial renovation on local managers. Today, it has decided to invest in the professional and personal development of the top management on the level of the public institution and the subsidiaries. Starting in 2007, the SNCF Group University will offer members of top management seminars dealing with strategy, leadership and performance. Individual development programmes include coaching, customised training and immersion in other companies. The University is accelerating synergies within the divisions and between them. It trains managers in effectively applying the new European rules of the game, openness and competition on railway markets. /

68,000

EMPLOYEES IN SNCF GROUP COMPANIES (INCLUDING COMPANIES CONSOLIDATED WITH THE EQUITY METHOD)

800

MANAGERS AT THE SNCF GROUP UNIVERSITY



1.



2.

1. Training centre for SNCF apprentices at Villeneuve-Saint-Georges.

2. Long-distance Passengers France & Europe's COLT employees (Coordination Opérationnelle de la Ligne TGV Paris-Sud-Est).

3. Equipment maintenance at Saint-Pierre-des-Corps.



**MEETING
FRANÇOIS NOGUÉ**
DIRECTOR OF HUMAN
RESOURCES

**WHAT ARE THE KEY
MOTIVATIONS FOR
YOUNG RECRUITS?**

FRANÇOIS NOGUÉ: Most of our recruits often mention job security as their leading motivation for applying. 85% of hirings concern execution and control schools. In their minds, this security is not necessarily linked to the status of railway worker, which many discover once they get here. It is more the national dimension and the missions of SNCF that give them an image of solidity and sustainability. Most young hires have an ambition to move up quickly, and SNCF can fulfil these expectations. They see it a secure perimeter within which many things are possible in terms of the diversity of positions, in-house training and career development.

Among their motivations, I should also mention the attractiveness of the public service sector, seen from the point of view of a certain ethic. New agents feel the need for harmony between their occupation and their personal values. Lastly, their attachment to the product is a central part of their motivation. The train retains a strong capacity for attraction and still generates the same passion.

**YOUNG MANAGERS:
DO THEY HAVE DIFFERENT
MOTIVATIONS?**

F.N.: For them, it is more the company's transformation that is attractive, its major technical and commercial projects, and the SNCF Group opens many possibilities to them. They are looking for managerial responsibilities and they know that SNCF gives them that very quickly.

**IS THE DEMOGRAPHIC
RENEWAL ALSO CULTURAL?**

F.N.: Bringing several thousand young people into the company each year is a major lever for change. They bring with them certain cultural features that we must integrate. I could point out access to information and network operations, the need to have meaning in their work while maintaining a certain distance from the company, the desire to invent new things and customer culture. All of these views are

levers that can be used to enrich the company and change it.

**WHAT IS YOUR MAIN
PROJECT FOR 2007?**

F.N.: We have several projects going at the same time which can be summed up in two words: development and performance. Our human resources policies are working for change. Turning Freight around is our priority. We all know that this requires more responsiveness, quality and professionalism, but also more flexibility in our organisations and our work methods. Implementing a forward-looking management system for jobs and skills, notably built on mobility and training/work-experience contracts, is our showcase project. Improving social dialogue remains a major challenge, because modernising the company and opening the markets are collective challenges that require everyone's involvement.

“We have several projects going at the same time which can be summed up in two words: development and performance.”

10 VILLES-SITES DE MATCHS À RELIER
20 EQUIPES À ACCOMPAGNER
2 MILLIONS DE SPECTATEURS À EMMENER
DES MILLIONS DE PERSONNES À ENTHOUSIASMER

GRÂCE À LA SNCF,
LES PLUS BELLES RENCONTRES
VOUS ATTENDENT CETTE ANNÉE.



ACCÉLÉRATEUR DE RENCONTRES

donner au train des idées d'avance



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