BOARD OF DIRECTORS' MEETING OF 26 JULY 2018

SNCF MOBILITÉS GROUP

30 June 2018

HALF-YEAR ACTIVITY REPORT and CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT STATEMENT
FOR THE HALF-YEAR FINANCIAL REPORT

La Plaine Saint-Denis, 26 July 2018,

We attest that, to the best of our knowledge, the half-year consolidated financial statements have been prepared in accordance with the applicable accounting principles and give a true and fair view of the assets and liabilities and the financial position of the issuer as at 30 June 2018 and of the results of its operations for the year then ended, and that the accompanying half-year activity report fairly presents the related-party transactions that have taken place over the first six months of 2018, the results and financial position of the issuer and a description of its main risks and uncertainties.

The Chairman	Executive Vice-President, Performance
Guillaume PEPY	**Mathias EMMERICH**

30 June 2018

HALF-YEAR ACTIVITY REPORT

IFRS In € millions

CONTENTS

SNCF MOBILITÉS GROUP IN 2018

1 MAJOR EVENTS IN THE FIRST HALF OF 2018

1.1 RAIL SYSTEM REFORM

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

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

- Build a new SNCF Group organisation by 1 January 2020, thus transforming it into a major unified and integrated public group comprising a fully state-owned limited company (société nationale à capitaux publics), SNCF, and two national companies, SNCF Mobilités and SNCF Réseau with the following duties:
    - SNCF Mobilités operates, either directly or through its subsidiaries, rail transport services and conducts the other activities set forth in its bylaws;
    - The state-owned SNCF defines the organisation of the public group that it comprises with its subsidiaries to fulfil the following duties;
    - The public group as a whole is responsible for (i) operating and developing, in a fair and transparent manner, the national rail network in accordance with the public service principles in order to promote rail transport in France, (ii) operating and developing, in a fair and transparent manner, passenger train stations and other service facilities relating to the national rail network, (iii) fulfilling transversal duties essential to the proper operation of the national rail system for the benefit of all the players in this system, particularly to secure the safety of persons, assets and the rail network and (iv) guarantee national and international passenger and freight transport services;
    - SNCF Réseau is responsible for guaranteeing, in a fair and transparent manner, directly or through its subsidiaries, in accordance with public service principles and in order to promote rail transport in France with a view to sustainable development, regional planning and economic and social efficiency, and specifically (i) access to the rail infrastructure of the French national rail network, including the allocation of capacities and the pricing of this infrastructure and (ii) operational management of the traffic on the French national rail network.
- The French State will own the entire share capital of SNCF, whose securities will be non-transferable. SNCF will own the entire share capital of SNCF Mobilités and SNCF Réseau. The capital of these two companies will be non-transferable. SNCF, SNCF Réseau and SNCF Mobilités will be subject to the legal provisions applicable to corporations (whose initial bylaws will be determined by decree in the Conseil d'État and then amended according to the rules stipulated in the French Commercial Code).
- Passenger station management activities will be centralised in an SNCF Réseau subsidiary with organisational, decision-making and financial independence.
- Amend the salary organisation while ceasing, as from 1 January 2020, to recruit personnel with railway worker status. Current employees may continue to benefit from this status. At the same time as this transformation, negotiations will be conducted in connection with the railway division.
- Secure the continuity and improve the quality, efficiency and performance of French passenger rail transport public services and guarantee its opening to competition, particularly by granting passenger rail transport public service contracts in accordance with advertising and competition rules. Accordingly, under the New Railway Pact, the French rail network can be opened to competition depending on the activity between 3 December 2019 and 24 December 2023. For example, between these two dates:

- for passenger rail transport services, Île-de-France Mobilités may award public service contracts relating to these services in accordance with advertising and competition rules;
- the French State may award public service contracts relating to French national passenger rail transport services in accordance with advertising and competition rules; and
- the regions may award public service contracts relating to French regional passenger rail transport services in accordance with advertising and competition rules; and

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

1.2 IMPAIRMENT LOSSES

Impairment reversal for the TGV France and Europe CGU

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

Impairment reversal for the Gares & Connexions CGU

SNCF Gares & Connexions drafted a new 2019-2028 strategic plan that contributes to the SNCF Mobilités Group's general strategic plan. As this strategic plan revealed an improved financial trajectory for the Gares & Connexions CGU, an impairment test was carried out as at 30 June 2018, resulting in the reversal of the residual impairment for €107 million.

The impairment reversals for the TGV and Gares & Connexions CGUs were recognised under "Impairment losses" in the consolidated income statement. Additional information is presented in Notes 1.2.3 and 4.2 to the condensed half-year consolidated financial statements.

1.3 DECISION OF THE PARIS APPEAL COURT

On 31 January 2018, the Paris Appeal Court ruled against EPIC SNCF Mobilités with respect to claims filed by former employees. The Group decided not to appeal. SNCF Mobilités paid these penalties in March 2018 and recognised an expense that impacted H1 2018 gross profit. At the same time, the provision previously set aside for the litigation was reversed in the 30 June 2018 financial statements. The net impact on the income statement was immaterial (see Note 4.3.2 to the condensed half-year consolidated financial statements).

1.4 INDUSTRIAL ACTION

On 22 March 2018, certain employees of SNCF Mobilités launched strike action, with two days of strike action every five days from 3 April until 28 June 2018 in protest at the plans to reform the French rail system. This industrial action had major impacts for SNCF Group customers and financial repercussions within certain group activities. Besides the Group's substantial revenue losses, management announced exceptional measures to reimburse and indemnify passengers in order to compensate for the strike disruptions.

1.5 DISPOSAL OF FONCIÈRE VESTA

The SNCF Mobilités Group has undertaken to sell its real estate subsidiary, Foncière Vesta, which is wholly owned by ICF Novedis.

As at 30 June 2018, and pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations," the assets and liabilities of this subsidiary were reclassified to "Assets classified as held for sale" and "Liabilities associated with assets classified as held for sale" in the consolidated statement of financial position. Detailed information is presented in Note 4.1.5. to the condensed half-year consolidated financial statements.

1.6 NEW SEGMENT BREAKDOWN

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

- The creation of a "Daily Mobilities" business unit that breaks down into two operating segments, SNCF Transilien and TER, and Keolis. Transilien and TER were previously combined within the SNCF Transilien, TER, Intercités business unit. Keolis was presented as a separate business unit and segment.
- The creation of a "Long-distance" business unit comprising the "Voyages SNCF" operating segment that was formerly presented as a business unit and the Intercités operating segment that was previously included in the "SNCF Transilien, TER, Intercités" business unit.

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

- Daily Mobilities
- Long-distance
- SNCF Gares & Connexions
- SNCF Logistics

2 KEY FIGURES

In € millions	30/06/2018	30/06/2017
Revenue	15,252	15,761
Gross profit	649	1,179
Current operating profit/(loss)	101	509
Operating profit/(loss) after share of net profit of companies consolidated under the equity method	3,493	687
Finance cost	-126	-131
Net profit/(loss) for the year attributable to equity holders of the parent	3,202	338
Recurring net profit/(loss) for the period attributable to equity holders of the parent	-90	294
Cash from operations	380	817
Net investments (1)	-952	-1,010
Total investment (2)	-1,594	-1,508
Free cash flow (3)	-71	284
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	118	534
ROCE (4)	5.7%	7.5%
Employees	200,853	200,499

(1) Net investments are calculated by adding up (in € millions):	30/06/2018	30/06/2017
cash flow statement line items:		
Purchases of intangible assets and property, plant and equipment	-1,061	-1,112
Investment grants received	161	52
New concession financial assets	-505	-367
Cash inflows from concession financial assets	481	445
finance-leased investments described in Note 4.1 to the condensed half-year consolidated financial statements	-27	-29
Total net investments	-952	-1,010

(2) Total investments are calculated by adding up (in € millions):	30/06/2018	30/06/2017
cash flow statement line items:		
Purchases of intangible assets and property, plant and equipment	-1,061	-1,112
New concession financial assets	-505	-367
finance-leased investments described in Note 4.1 to the condensed half-year consolidated financial statements	-27	-29
Total investments	-1,594	-1,508

(3) Free Cash Flow is calculated by adding up (in € millions):	30/06/2018	30/06/2017
cash flow statement line items:		
Cash from operations after net borrowing costs and taxes	380	817
Purchases of intangible assets and property, plant and equipment	-1,061	-1,112
Investment grants received	161	52
Disposals of intangible assets and property, plant and equipment	103	152
New concession financial assets	-505	-367
Cash inflows from concession financial assets	481	445
Impact of change in working capital requirement	526	373
the change in tax WCR included in "Taxes paid (collected)" in the cash flow statement	-148	-77
dividends received from entities consolidated under the equity method included in "Dividends received" in the cash flow statement	21	29
finance-leased investments described in Note 4.1 to the condensed half-year consolidated financial statements	-27	-29
Free cash flow	-71	284

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

In € millions	**30/06/2018**	**31/12/2017**
Net debt	8,167	7,914

3 SUBSEQUENT EVENTS

The main subsequent events are as follows:

3.1 ARAFER'S OPINION ON THE 2018-2020 *DOCUMENT DE REFERENCE DES GARES* (DRG)

ARAFER's opinion on the 2018-2020 *Document de Référence des Gares voyageurs* (DRG) filed on 16 March was published on 9 July 2018. The Authority issued a generally favourable opinion on the rates of the regulated services provided by SNCF Gares & Connexions in passenger stations for the 2018 and 2019 service timetables.

SNCF Gares & Connexions will refer to the Authority regarding the prices applicable to the 2020 service timetable no later than one year prior to the adoption of said timetable, i.e. in December 2018.

3.2 DECISION OF THE PARIS APPEAL COURT ON THE INVESTIGATION OF THE COMPETITION AUTHORITY REGARDING THE DISTRIBUTION AND EXPRESS SEGMENT

Geodis appealed the decision of the Competition Authority dated 22 January 2016. The hearing took place in March 2017 and the Paris Appeal Court handed down its decision on 19 July 2018, reducing the fine of €196 million, paid in April 2016, to €166 million (see Note 4.3.2 to the condensed half-year consolidated financial statements).

At this stage, pending the filing of an appeal by the parties, to be resolved by 19 August 2018 at the latest, the SNCF Mobilités Group did not draw any conclusions from this ruling in its 30 June 2018 financial statements.

3.3 APPROVAL FOR AN ORDER OF 100 FUTURE TGV TRAINS

An order of 100 future TGV trains with the manufacturer Alstom for €2.65 billion was approved by the Board of Directors on 26 July 2018.

3.4 DECISION OF THE CONSEIL D'ÉTAT ON THE T2 RATE

Following the appeal filed with the Conseil d'État for the calculation of the old age T2 contribution rate on 23 May 2017, an unfavourable decision was issued on 18 July 2018. The Group drew the conclusions from this ruling in its 30 June 2018 financial statements (see Note 4.3.2 to the condensed half-year consolidated financial statements).

3.5 PLANNED PARTNERSHIP FOR THE EXPANSION OF THE PARIS-NORD TRAIN STATION

A partnership project between SNCF Gares & Connexions and CEETRUS, the Auchan group property developer, for the expansion of the Paris – Nord train station was validated by the Extraordinary Board of Directors' meeting on 9 July 2018. The end of the negotiations scheduled for the end of 2018 should result in the creation of a joint venture 34% held by SNCF Mobilités and 66% held by CEETRUS.

GROUP RESULTS AND FINANCIAL POSITION

1 GENERAL OBSERVATIONS ON GROUP RESULTS

In € millions	30/06/2018	30/06/2017	Change 2018 vs. 2017	
Revenue	**15,252**	**15,761**	**-509**	**-3.2%**
Infrastructure fees	-2,045	-2,122	76	-3.6%
Purchases and external charges, excluding infrastructure fees	-6,373	-6,350	-22	0.4%
Taxes and duties other than income tax	-754	-687	-67	9.7%
Employee benefit expense	-5,595	-5,645	50	-0.9%
Other income and expenses	164	223	-59	-26.3%
Gross profit	**649**	**1,179**	**-530**	**-44.9%**
Depreciation and amortisation	-733	-701	-32	4.6%
Net movement in provisions	185	31	154	499.7%
Current operating profit/(loss)	**101**	**509**	**-408**	**-80.1%**
Net proceeds from asset disposals	51	133	-82	-61.8%
Fair value remeasurement of the previously held interest	16	31	-15	-48.5%
Impairment losses	3,309	-11	3,320	-30463.0%
Operating profit/(loss)	**3,477**	**662**	**2,815**	**425.3%**
Share of net profit/(loss) of companies consolidated under the equity method	17	25	-8	-32.4%
Operating profit/(loss) after share of net profit of companies consolidated under the equity method	**3,493**	**687**	**2,807**	**408.8%**
Net finance costs of employee benefits	4	-9	13	-148.7%
Net borrowing and other costs	-130	-122	-8	6.7%
Finance cost	**-126**	**-131**	**5**	**-4.0%**
Net profit/(loss) before tax	**3,368**	**556**	**2,812**	**506.2%**
Income tax expense	-129	-200	71	-35.6%
Net profit/(loss) from ordinary activities	**3,239**	**356**	**2,883**	**809.9%**
Net profit before tax of transferred operations	-	-	-	n/a
Net profit/(loss) for the year	**3,239**	**356**	**2,883**	**809.9%**
Net profit/(loss) for the period attributable to equity holders of the parent	**3,202**	**338**	**2,865**	**848.6%**
Net profit/(loss) for the year attributable to non-controlling interests (minority interests)	37	18	18	99.0%
Recurring net profit/(loss) for the period attributable to equity holders of the parent (1)	**-90**	**294**	-384	-130.6%

Gross profit / revenue	*4.3%*	*7.5%*
Current operating profit /revenue	*0.7%*	*3.2%*
ROCE (see definition in key figures)	*5.7%*	*7.5%*

(1) The Group discloses, internally and externally, a recurring net profit/(loss) for the period attributable to equity holders of the parent based on net profit/(loss) for the period attributable to equity holders of the parent adjusted for:

- impairment losses;
- transactions generating a P&L impact that is individually greater than €50 million in terms of absolute value and generally included in and/or divided up between "Fair value remeasurement of the previously held interest" and "Net proceeds from asset disposals";

- the Group's share in these various items recorded in companies consolidated under the equity method and included in "Share of net profit/(loss) of companies consolidated under the equity method";
- change in fair value of financial instruments included in "Net borrowing and other costs," when it exceeds €50 million in terms of absolute value;
- specific transactions involving financial instruments (restructuring, renegotiations or other) generating impacts exceeding €50 million in terms of absolute value on net borrowing costs;
- change in deferred tax assets recognised for SNCF tax consolidation entities in "Income tax expense";
- share of minority interests with regard to these various items and included in "Net profit/(loss) attributable to non-controlling interests (minority interests)".

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

In € millions	Notes (*)	30/06/2018	30/06/2017
Net profit/(loss) for the period attributable to equity holders of the parent		**3,202**	**338**
Impairment losses	4.2	-3,309	11
Included in "Fair value remeasurement of the previously held interest"		-	-
Included in "Net proceeds from asset disposals"		9	-57
Included in "Share of net profit/(loss) of companies consolidated under the equity method"		-	-
Included in "Net borrowing and other costs" (changes in fair value)		-	-
Included in "Net borrowing and other costs" (specific financial instrument transactions)		-	-
Included in "Income tax expense"		7	3
Included in "Net profit/(loss) attributable to non-controlling interests (minority interests)"		-	-
Recurring net profit/(loss) for the period attributable to equity holders of the parent		**-90**	**294**

(*) The references to the notes pertain to the condensed half-year consolidated financial statements.

1.1 COMPARABILITY OF FINANCIAL STATEMENTS

The comparability of the 2018 results with those of 2017 was impacted by the following changes:

In € millions			Impact on changes in revenue
SNCF Transilien & TER		**Change in 2017 Group structure (1)**	
		Acquisition of SNCF Combustible - indirect impact	-5
		IFRS 15 impacts	**-75**
Keolis		**Changes in 2017 Group structure (1)**	
		Acquisition of Les Kangourous / Les Coccinelles	3
		Acquisition of Alfa Park	1
		Acquisition of Parkeren Roselare	1
		Acquisition of Keolis Santé	37
		Changes in 2018 Group structure	
		Acquisition of TRAM, SATRVAM, Santa Azur, Phocéens Cars	9
		Acquisition of Mediaco-Effia Cannes	0
		Sale of Millau Cars	-1
		IFRS 15 impacts	**23**
		Exchange rate fluctuations	**-74**
Intercités		**Change in 2017 Group structure (1)**	
		Acquisition of SNCF Combustible - indirect impact	0
		IFRS 15 impacts	-1
Voyages SNCF		**Changes in 2017 Group structure (1)**	
		Acquisition of RE4A	12
		Acquisition of LOCO2	0
		Acquisition of SNCF Combustible - indirect impact	0
		Changes in 2018 Group structure	
		Loss of control of Orient Express - indirect impact	0
		IFRS 15 impacts	**-13**
		Exchange rate fluctuations	**-8**
SNCF Logistics	Geodis TFMM Ermewa & Other	**Changes in 2017 Group structure (1)**	
		Acquisition of Ateliers de Provence and Garages du Sud-Est (Ermewa)	0
		Sale of Compagnie des Conteneurs Réservoirs (Ermewa)	-3
		Acquisition of SNCF Combustible - indirect impact	-2
		Sale of STVA	-161
		Exchange rate fluctuations	**-157**
Industrial department		**Change in 2017 Group structure (1)**	
		Acquisition of SNCF Combustible - indirect impact	0
Corporate		**Changes in 2017 Group structure (1)**	
		Acquisition of SNCF Combustible	5
		Changes in 2018 Group structure	
		Loss of control of Orient Express	0
		Exchange rate fluctuations	
Total Group structure, exchange rate and IFRS 15 impacts			**-407**

(1) Operations carried out in 2017 having an impact on 2017/2018 revenue trends

1.2 2018 FIRST-HALF RESULTS

1.2.1 Revenue

Consolidated revenue of the SNCF Mobilités Group amounted to €15,252 million for the half-year ended 30 June 2018, for a decrease of €509 million (-3.2%) compared to 2017, attributable to:

- Group structure impacts and an IFRS 15 impact for -€168 million (see 1.1),
- a foreign exchange impact of -€239 million (see 1.1),
- an organic decrease of -€102 million (-0.7%) for the Group; the changes for the segments were as follows:

SNCF Transilien & TER	-€89 million	-2.6%
Keolis	+€238 million	+9.1%
Intercités	-€131 million	-28.6%
Voyages SNCF	-€127 million	-3.6%
SNCF Gares & Connexions	+€1 million	+0.4%
SNCF Logistics	+€40 million	+0.8%

1.2.2 Gross profit

Standing at €649 million in 2018, gross profit declined by €530 million, or 44.9%. Gross profit over revenue increased from 7.5% to 4.3% between 2017 and 2018.

In € millions	30/06/2018	30/06/2017	Change 2018 vs. 2017		Change 2018 vs. 2017 *on a constant Group structure, accounting standard and exchange rate basis*	
Revenue	15,252	15,761	-509	-3.2%	-102	-0.7%
Employee benefit expense	-5,595	-5,645	50	-0.9%	-57	1.0%
Purchases and external charges (excluding infrastructure fees, traction energy and fuel costs) and other income and expenses	-5,719	-5,616	-103	1.8%	-315	5.6%
Infrastructure fees	-2,045	-2,122	76	-3.6%	-6	0.3%
Traction energy and fuel prices	-489	-511	22	-4.4%	4	-0.8%
Taxes and duties other than income tax	-754	-687	-67	9.7%	-48	7.0%
Gross profit	649	1,179	-530	-44.9%	-524	-44.4%
Gross profit/revenue	*4.3%*	*7.5%*				

On a constant Group structure, accounting standard and exchange rate basis, gross profit fell by €524 million, of which €528 million relating to the strikes in the first half of 2018 (see Note 1.4 Major events in the first half of 2018). This amount could include an impact in the second half of 2018 due to the loss of Freight customers, as well as a gradual return of TGV customers for a total estimate of €50 million.

1.2.3 Current operating profit/(loss)

Current operating profit stood at €101 million, down by €408 million compared to 2017.

The revenue to current operating profit conversion rate thus fell from 3.2% in 2017 to 0.7% in 2018.

The decline in gross profit (-€530 million) is partly offset by the net movement in provisions: a net reversal of €185 million in 2018, compared to €31 million in 2017.

1.2.4 Operating profit/(loss)

Operating profit increased by €2,815 million, amounting to +€3,477 million.

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

Net proceeds from asset disposals in 2018 essentially comprised real estate disposals.

The **fair value remeasurement of the previously held interest** heading was impacted in 2018 by the loss of control of Orient Express. In 2017, this heading was mainly impacted by the takeover of RE4A that was previously consolidated under the equity method.

1.2.5 Finance cost

The 2018 finance cost did not change significantly compared to the previous year.

1.2.6 Income tax expense

Income tax expense declined by €71 million between 2017 and 2018. The tax on rail company profits (TREF) stood at €78 million, compared to €131 million for the half-year ended 30 June 2017.

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

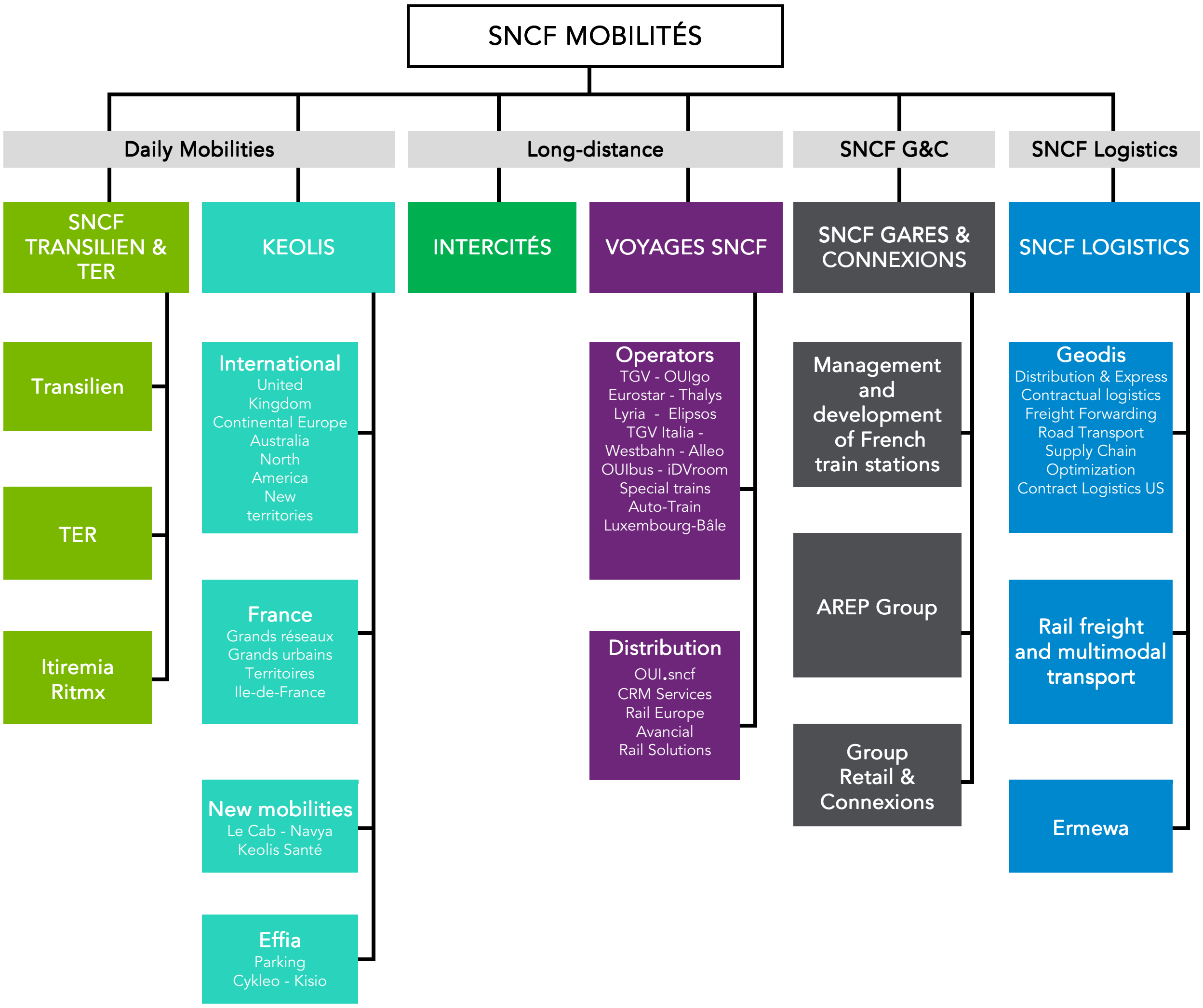
As a result of all these changes, the net profit attributable to equity holders of the parent was €3,202 million, compared to a €338 million profit in 2017, after recognition of a net income attributable to non-controlling interests (minority interests) of €37 million.

ROCE (calculated on current operating profit after share of net profit of companies consolidated under the equity method) decreased from 7.5% to 5.7%.

2 ACTIVITIES AND RESULTS BY SEGMENT

SNCF Mobilités Group's activity is organised according to four business units backed by support functions:

- Daily Mobilities which comprises the two segments SNCF Transilien & TER and Keolis;
- Long Distance which encompasses the segments Intercités and Voyages SNCF;
- SNCF Gares & Connexions which is a segment on its own;
- SNCF Logistics which is broken down into three segments: Geodis, Rail freight and multimodal transport (TFMM) and Ermewa.



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

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

In € millions	SNCF Transilien & TER	Keolis	Intercités	Voyages SNCF	SNCF Gares & Con-nexions	SNCF Logistics	Industrial Department	Cor-porate	SNCF Mobilités
External revenue	3,411	2,837	326	3,408	229	4,836	114	90	15,252
Gross profit	-3	164	-1	284	97	99	-8	18	649
Current operating profit/(loss)	-24	35	-5	101	42	7	-41	-14	101
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	-24	46	-5	100	41	13	-41	-12	118
Net investments	-196	-28	40	-363	-118	-151	-37	-98	-952

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

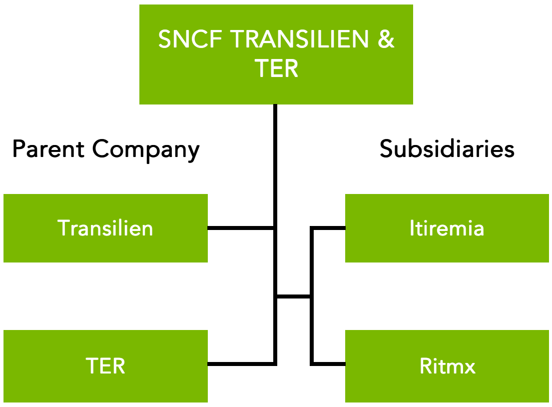
SNCF Mobilités management monitors the external revenue generated by each segment (group contribution) and not the revenue generated between each segment. The revenue presented in the analyses by segment is therefore external revenue.

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

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

2.1 DAILY MOBILITIES

2.1.1 SNCF Transilien & TER



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

In € millions	H1 2018	H1 2017	Change
External revenue	3,411	3,581	-169
Gross profit	-3	151	-154
Gross profit / revenue at SNCF Transilien & TER level	*-0.1%*	*3.9%*	
Current operating profit/(loss)	-24	64	-88
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	-24	64	-88
Net investments	-196	-238	41

Highlights

<u>Transilien</u>

- On 25 May 2018, at the Viva Technology trade fair, RATP, SNCF and Île-de-France Mobilités confirmed the gradual introduction of paperless tickets.
- In February 2018, Île-de-France Mobilités announced the roll-out of fibre optics in all Greater Paris SNCF stations. The aim is to improve train station services, such as coworking spaces, and provide passengers with more comprehensive information in real time.

<u>TER</u>

- Two new agreements were signed in the first half of 2018 with the Bourgogne Franche Comté and Occitanie regions.
- Eleven new Régio2N trains and two Régiolis trains were delivered in the first half of 2018.

2018 first-half results

Revenue

2018 revenue was down by -€169 million (-4.7%) compared to 2017. This decrease was mainly due to Group structure impacts and the adoption of IFRS 15 for -€80 million (breakdown in Note 1.1 Comparability of the financial statements).

On a constant Group structure and accounting standard basis, the revenue decline is reduced to -€89 million (-2.6%), of which a strike impact of -€318 million.

The decline at Transilien (-€86 million / -6%) was primarily due to the impact of strikes on traffic income (-€63 million) and on the contributions received from Île-de-France Mobilités (-€58 million).

TER activity was stable (-€2 million / -0.1%). The negative impact of the strikes (-€197 million) was offset by the indexation of the agreements, the transfer of Intercités lines, the reinvoicing of the wages tax and the counter-effect of a 2017 legal dispute.

Gross profit

Gross profit for SNCF Transilien and TER declined by -€154 million (-101.9%) between 2017 and 2018. The impact of the first-half 2018 strikes on gross profit was estimated at -€146 million. Transilien gross profit declined by €87 million (of which a strike impact of €63 million). TER gross profit declined by €69 million (of which a strike impact of €84 million). Excluding the strike impact, TER gross profit was impacted by favourable items, mainly relating to the renegotiation of seven agreements.

Current operating profit/(loss)

Current operating profit declined by €88 million. The decrease in operating profit was attenuated for €64 million by the net movement in provisions: a net reversal of €62 million over the period (settlement of litigation and disputes), compared to a net charge of €2 million as at 30 June 2017.

Net investments

The net investments of SNCF Transilien and TER dropped by €41 million compared to 2017, of which €142 million for TER: numerous grants for the acquisition of new equipment were received in advance over the period. Conversely, the net investments of Transilien rose by €99 million: gross investments in new rolling stock increased considerably and were partly offset by a slight decline in grants received.

2018 second-half outlook

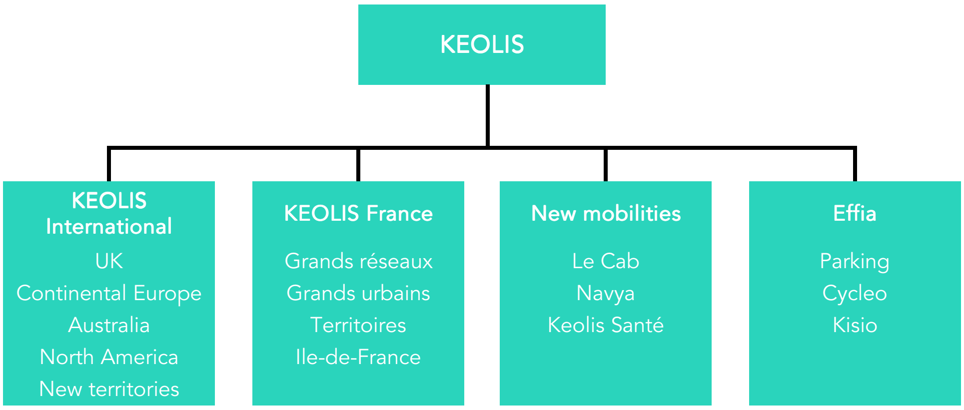
Transilien

- In the autumn of 2018, tests using a Smartphone to purchase and validate tickets in the Paris region transport system.

TER

- Significant contractual challenge with the negotiation of future agreements for Brittany, Hauts-de-France and Nouvelle Aquitaine.
- Commercial challenges to invigorate traffic following the strikes in the second quarter of 2018.

2.1.2 Keolis



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

In € millions	H1 2018	H1 2017	Change
External revenue	2,837	2,599	238
Gross profit	164	149	14
Gross profit /revenue at Keolis level	*5.7%*	*5.6%*	
Current operating profit/(loss)	35	31	4
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	46	51	-4
Net investments	-28	-133	104

Highlights

- Keolis won its largest ever contract in Wales. On 4 June 2018, the joint venture KeolisAmey was entrusted with the operation, maintenance and renovation of the entire Wales and Borders rail network for a period of 15 years. The transfer of operations is scheduled for 14 October 2018. It represents revenue of €5.7 billion over the contractual term.
- In the first half of 2018, several major agreements were renewed in France and internationally, particularly in Lille (renewal for 7 years), Besançon (7 years) or Las Vegas (5 years).

2018 first-half results

Revenue

2018 revenue was up by €238 million (+9.2%) compared to 2017.

On a constant Group structure, accounting standard and exchange rate basis, Keolis revenue rose by +€238 million (+9.1%). The Group structure and accounting standard impacts amounted to €74 million (breakdown in Note 1.1 Comparability of the financial statements), while the exchange rate impact totalled -€74 million.

Growth was primarily driven by international activity (+€211 million) following new contract wins in Australia, Continental Europe, the United States and the United Kingdom and the ongoing recovery plans for onerous contracts.

Gross profit

Keolis gross profit rose by €14 million due to international activity (+€22 million), particularly the new Yarra Trams contract in Australia and the Boston contract.

Current operating profit/(loss)

Keolis current operating profit improved by €4 million; the gross profit increase was partly offset by the €7 million rise in depreciation and amortisation.

Net investments

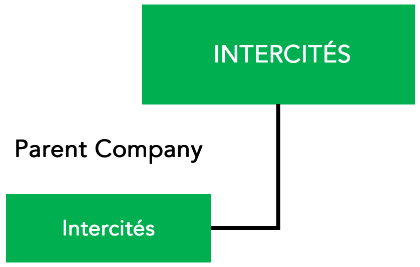
Investments declined by €104 million. This decrease was attributable to exceptional cash inflow during the period of €96 million relating to the Lille contract (takeover of assets upon contract renewal).

2018 second-half outlook

- Continuing development of Keolis Santé through acquisitions.
- Responses to calls for tenders expected in eight networks in the Grands Urbains sector: 6 defensive tenders in Tours, Orléans, Brest, Nîmes, Angers and Aix en Provence and 2 aggressive tenders in Chambéry and Nancy.

2.2 LONG-DISTANCE

2.2.1 Intercités



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

In € millions	H1 2018	H1 2017	Change
External revenue	326	458	-132
Gross profit	-1	17	-18
Gross profit /revenue at Intercités level	*-0.3%*	*3.3%*	
Current operating profit/(loss)	-5	-2	-3
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	-5	-2	-3
Net investments	40	96	-56

Highlights

- Intercités set up an organisation focusing on a more standardised product and a new services project, “INTERCITÉS 2020”.

2018 first-half results

Revenue

2018 revenue was down by -€132 million (-28.9%) compared to 2017. On a constant accounting standard basis, revenue declined by 28.6%. Traffic fell by 31% with the negative impact of the strikes in the first half of 2018 and the transfer of lines to TER.

Gross profit

Gross profit for Intercités declined by -€18 million (-106.9%) between 2017 and 2018. The strikes in the first half of 2018 had a negative impact on gross profit for €21 million.

Current operating profit/(loss)

Current operating profit declined by €3 million. The level of gross profit was offset by the net movement in provisions: net reversal of €6 million as at 30 June 2018 compared to a net charge of €3 million as at 30 June 2017; depreciation and amortisation decreased by €6 million.

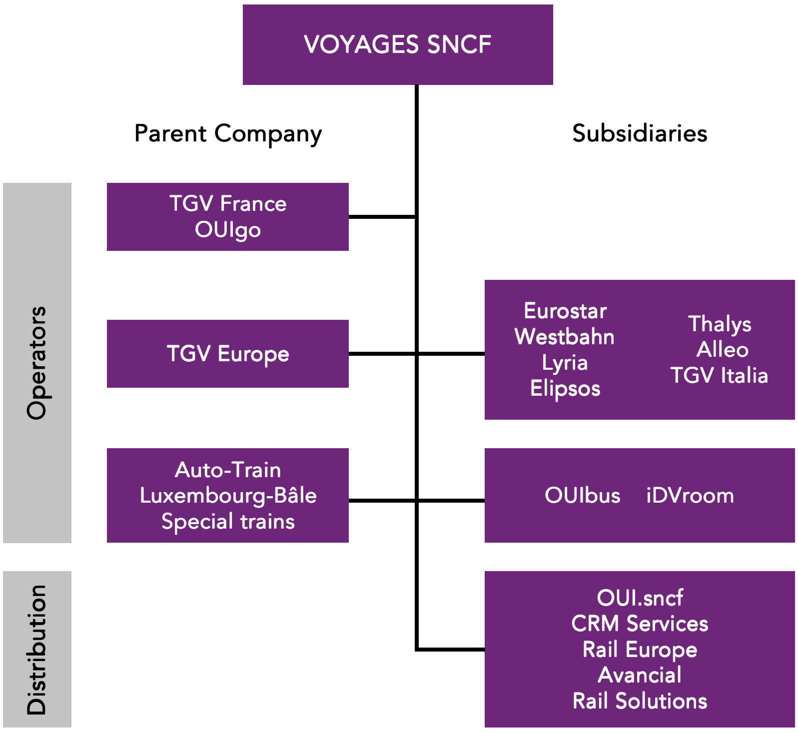
Net investments

The net investments of Intercités rose by €56 million compared to 2017. This increase was attributable to the investment in new rolling stock relating to the order of 30 Régiolis trains. The gap increased due to the lower number of grants received for rolling stock (delay in the collection of Régiolis grants).

2018 second-half outlook

- Finalisation of work on the Trains d’Équilibres du Territoire (TET) operating agreement.
- Resumption of sales and marketing initiatives to promote the recovery of activity following the first half-year strikes.

2.2.2 Voyages SNCF



Voyages SNCF offers its customers:

- door-to-door passenger transport services in France and Europe through its TGV, OUIgo, Eurostar, Thalys, Lyria, OUIbus and iDVroom activities;
- travel-related products: train and airline tickets, car rental and hotel accommodation in particular.

In € millions	H1 2018	H1 2017	Change
External revenue	3,408	3,543	-135
Gross profit	284	488	-204
Gross profit / revenue at Voyages SNCF level	*7.8%*	*12.7%*	
Current operating profit/(loss)	101	319	-217
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	100	320	-220
Net investments	-363	-349	-14

Highlights

- Blablacar and OUIbus, the car sharing and coach transport leaders in France, joined forces to meet the very significant demands of passengers on strike days by sharing certain transport offers on their respective platforms. Blablacar extended its transport services by including OUIbus seats on very busy major routes (Paris-Lyon, Paris-Toulouse, Paris-Caen, Paris-Orléans).
- OUIbus joined forces with Alsa, in Spain and Portugal, National Express in the UK and Marino Bus in Italy. With this business alliance, operators will combine their networks to create the largest coach network in Europe, thus facilitating travel for passengers to 300 destinations in 10 countries.
- At the end of April, the first train fully customised in the colours of TGV InOUI ran on the Paris-Toulouse line.
- A direct rail link between London and Amsterdam by Eurostar was launched in the first half of 2018.

2018 first-half results

Revenue

Voyages SNCF revenue declined by -€135 million (-3.8%). This was partly attributable to:

- a Group structure and accounting standard impact of -€1 million (see Note 1.1 Comparability of the financial statements);
- a foreign exchange impact of -€8 million.

At constant Group structure, accounting standards and exchange rates, Voyages SNCF revenue declined by -€127 million (-3.6%). The impact of the strikes in the first half of 2018 totalled -€372 million. Grande Vitesse France declined by -€143 million, as the momentum in the first quarter (ramp-up of OUIgo, opening of new Atlantique lines) only partially offset the impact of the strikes. Europe increased by +€28 million due to Eurostar and Thalys.

Gross profit

Gross profit declined by -€204 million, of which a strike impact of -€247 million. The solid momentum of traffic income (excluding the strike impact) and the decline in the regional solidarity tax did not absorb the impact of the labour conflicts and the increase in the infrastructure fees of the South Europe-Atlantique and Bretagne-Pays de la Loire high speed lines.

Current operating profit/(loss)

The decline in current operating income of Voyages SNCF (-€217 million) was primarily due to the decrease in gross profit.

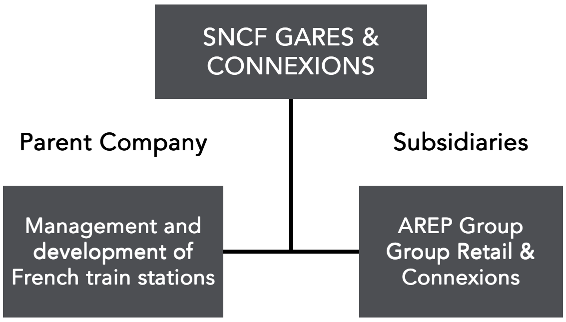
Net investments

Net investments amounted to €363 million in 2018, compared to €349 million in 2017. The increase was mainly driven by the acquisitions of rolling stock by Eurostar and attenuated by the lesser industrial work carried out by Voyages EPIC on rolling stock.

2018 second-half outlook

- New departures from Parisian stations are planned for OUIgo: Gare de l'Est in July and Gare de Lyon in December.
- Continued deployment of inOUI, on the Paris-Lyon and Eastern lines in September and the Paris-PACA and Paris-Lille lines in December.

2.3 SNCF GARES & CONNEXIONS



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

In € millions	H1 2018	H1 2017	Change
External revenue	229	228	1
Gross profit	97	93	3
Gross profit / revenue at SNCF Gares & Connexions level	*13.5%*	*15.3%*	
Current operating profit/(loss)	42	41	1
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	41	40	1
Net investments	-118	-119	1

Highlights

- The first half of 2018 was marked by the inaugurations of the Clermont-Ferrand train station, the Les Vallées train station in Île-de-France and the Laval multimodal exchange hub.
- The French rail reform law, enacted on 28 June 2018, announced the centralisation of station management activities in a subsidiary with organisational, decision-making and financial independence attached to SNCF Réseau as from 1 January 2020 (see Note 1.1 Major events in the first half of 2018).
- As at 30 June 2018, the balance provision for asset impairment was reversed considering the forecast improvement in the financial trajectory of SNCF Gares & Connexions (see Note 1.2 Major events in the first half of 2018).

2018 first-half results

Revenue

SNCF Gares & Connexions revenue rose by €1 million (+0.4%) mainly in line with the increase in concession income, partly offset by the impact of strikes in the first half of 2018 (decline in development services for SNCF Réseau).

Gross profit

Gross profit increased by €3 million between 2017 and 2018. The increase was driven by the business concession activity.

Current operating profit/(loss)

Current operating profit increased by €1 million; added to the increase in gross profit is that of the net movement in provisions; net reversal of €10 million over the period, compared to a net reversal of €3 million for the half-year ended 30 June 2017). However, depreciation and amortisation rose by €9 million.

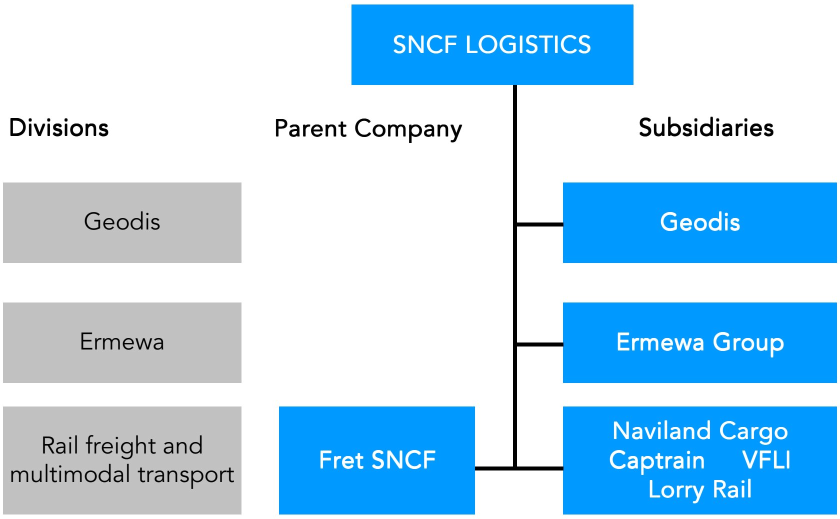
Net investments

There were no major changes in the net investments of SNCF Gares & Connexions.

2018 second-half outlook

- Start of work regarding the rail reform roll-out.
- Relaunch of commercial momentum for station concessions and fees.

2.4 SNCF LOGISTICS



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

In € millions	H1 2018					H1 2017	Chg.
	Geodis	TFMM	Ermewa	Other	Total		
External revenue	3,953	719	165	0	4,836	5,118	-282
Gross profit	134	-145	112	-3	99	190	-91
Gross profit / revenue at SNCF Logistics level					*2.0%*	*3.7%*	
Current operating profit/(loss)	78	-116	47	-3	7	60	-53
Current operating profit/(loss) after share of net profit of companies consolidated under the equity method	79	-114	51	-3	13	61	-48
Net investments	-51	-25	-76	-0	-151	-192	41

Highlights

<u>Geodis</u>

- On 7 February 2018, Geodis obtained a Skal certification for organic produce storage at its Venlo warehouse in the Netherlands. This certification ensures that this produce is securely stored in accordance with organic standards.
- Geodis has boosted its coverage in East Africa by opening a new office in Kampala, Uganda. This new office expands the Group's global network and will focus initially on the logistics of industrial projects that are now rapidly developing in this African region.
- The dynamic growth of Geodis continued in the first half of 2018, particularly in industrial (General Electric, Siemens, ABB and Alstom), automotive (Peugeot, Delphi and Volkswagen) and high-tech markets. The retail market (H&M and ADEO customers) is still the largest in terms of business volume and continues to post solid growth.

<u>TFMM</u>

- On 16 April 2018, the French Prime Minister announced a Rail Freight recovery plan.
- A joint venture between Naviland Cargo and the ports of Le Havre and Fos-Marseille was set up to launch a combined transportation service to Switzerland.

Ermewa

- The SGTL workshops in Villeneuve-le-Roi and the Ateliers de Provence in Miramas were acquired in the first half of 2018.
- Ermewa reported substantial commercial activity in wagons and containers.

2018 first-half results

Revenue

2018 revenue was down by -€282 million (-5.5%) compared to 2017. It was affected by:

- a Group structure impact for -€165 million, which is described in Note 1.1 Comparability of the financial statements,
- a foreign exchange impact for -€157 million.

On a constant Group structure and exchange rate basis, revenue rose by 0.8% (+€40 million).

Geodis reported growth of €93 million (+2.3%). All business lines are posting growth, with the exception of Supply Chain Optimization, following the downwards renegotiation of the IBM contract.

The Rail Freight and Multimodal Transport division declined by €53 million (-6.9%), with a decrease for Fret SNCF (-€64 million / -16%), offset by the growth of other Rail Transport Operators (+€8 million / +2.6%) and Multimodal Transport (+€3 million / +4%).

Ermewa revenue was stable.

Gross profit

Gross profit fell by -€91 million, primarily due to the impact of the strikes in the first half of 2018 (-€81 million).

Current operating profit/(loss)

Current operating profit decreased by €53 million; the decrease in gross profit was offset by the net movement in provisions (net reversal of €51 million in 2018, compared to €20 million in 2017) and the €7 million decline in depreciation and amortisation between 2017 and 2018.

Net investments

SNCF Logistics investments declined by €41 million compared to 2017, amounting to €151 million. The decline involved Geodis, Ermewa and rail motorways.

2018 second-half outlook

Geodis

- Set-up of a new organisation within Geodis as from 1 May 2018 in order to promote synergies between business lines within strategic geographical locations with the creation de four regions: Northern & Continental Europe, Western Europe Middle East Africa, Asia-Pacific and America.

TFMM

- Strive to restore confidence among customers following the period of strikes to limit the full-year impacts.
- Drive productivity plans to partly compensate for the decline in gross profit in the first half of 2018.

Ermewa

- Sales strategy permitting, as was the case in 2017, growth in the Eurotainer fleet and the renewal of the Ermewa fleet.
- Commercial roll-out of the connected wagon and the Ermewa digital strategy.

3 NET INVESTMENTS AND NET DEBT

3.1 NET INVESTMENTS

In € millions	30/06/2018	30/06/2017	Change	
Net investments	-952	-1,010	58	-6%
Disposals	103	152	-49	-33%
Investments, net of disposals	**-849**	**-858**	**9**	**-1%**

Net investments stood at -€952 million as at 30 June 2018, a decrease of €58 million compared to 2017. More than half of investments involve rolling stock acquisitions, particularly Francilien trains, tram-trains, Régiolis and Regio2N trains and Océane high-speed trains.

Disposals in the first half of 2018 declined by €49 million compared to 2017 and mainly involved real estate.

3.2 GROUP NET DEBT

In € millions	30/06/2018	31/12/2017	Change
Non-current debt	14,479	14,608	-129
Non-current receivables	-4,004	-4,037	33
Net non-current debt used to calculate net debt	**10,475**	**10,571**	**-95**
Current debt	3,584	4,693	-1,110
Current receivables	-5,893	-7,350	1,458
Net current debt used to calculate net debt	**-2,309**	**-2,657**	**348**
Net debt	**8,167**	**7,914**	**253**
Gearing (Net debt / Equity)	*1.0*	*1.5*	

Net debt stood at €8,167 million as at 30 June 2018, for a gearing (Net debt / Equity) of 1.0 (1.5 as at 31 December 2017). Net debt as a percentage of gross profit increased from 2.9 as at 31 December 2017 to 3.7 as at 30 June 2018.

Net debt was impacted by the following movements in the first half of 2018:

Opening net debt	**7,914**
Cash from operations	-380
Net investments	952
Disposals	-103
Dividends received from companies consolidated under the equity method	-21
Group structure transactions	21
Change in operating WCR	-526
Dividends paid	193
Change in fair value, amortised cost, translation difference	12
Change in tax WCR	148
Other	-44
Closing net debt	**8,167**

3.3 FINANCING SOURCES AND DEBT MANAGEMENT

Non-current and current debt decreased by €129 million and €1,110 million, respectively.

These changes were essentially due to:

- the decrease in cash and cash equivalents for -€959 million;
- the repayment of bonds for -€169 million;

Non-current and current debt rose by €1,458 million and €33 million, respectively.

These changes mainly stemmed from the increase in cash and cash equivalents for +€1,358 million.

EPIC SNCF Mobilités is responsible for managing most of the Group's net debt, carrying 90% of the Group's external debt at the year-end.

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

	Long-term rating	Outlook	Report date
Standard & Poor's	AA-	Stable	29-June-18
Moody's	Aa3	Stable	29-Sept.-17
Fitch Ratings	A+	Stable	13-Jul.-18

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

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

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

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

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

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

4 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND RATIOS

In € millions	30/06/2018	31/12/2017
Goodwill	2,351	2,339
Intangible assets	1,763	1,776
Property, plant and equipment	16,402	13,546
Non-current financial assets	5,557	5,474
Equity investments	683	671
Deferred tax assets	961	969
Non-current assets	**27,717**	**24,775**
Operating assets	7,906	7,588
Current financial assets	950	1,074
Cash and cash equivalents	5,024	6,394
Current assets	**13,880**	**15,056**
Assets classified as held for sale	576	1
TOTAL ASSETS	**42,173**	**39,831**
Share capital	3,971	3,971
Consolidated reserves	879	188
Net profit/(loss) for the year	3,202	1,136
Equity attributable to equity holders of the parent	**8,053**	**5,295**
Non-controlling interests (minority interests)	138	134
Total equity	**8,191**	**5,428**
Non-current employee benefits	1,529	1,572
Non-current provisions	991	1,164
Non-current financial liabilities	16,048	15,883
Deferred tax liabilities	376	373
Non-current liabilities	**18,945**	**18,991**
Current employee benefits	99	97
Current provisions	156	175
Operating payables	11,196	10,446
Operating liabilities	**11,452**	**10,717**
Current financial liabilities	3,584	4,693
Current liabilities	**15,035**	**15,410**
Liabilities associated with assets classified as held for sale	2	1
TOTAL EQUITY AND LIABILITIES	**42,173**	**39,831**
Gearing (Net debt / Equity)	*1.0*	*1.5*
Net debt / Gross profit	*3.7*	*2.9*

The Group's statement of financial position recorded the following major changes in the first half of 2018:

- A €2,856 million increase in net property, plant and equipment primarily due to:
  - o acquisitions, net of disposals, for +€1,010 million;
  - o depreciation, amortisation and impairment, net of reversals, for +€2,463 million, of which impairment reversals of +€3,193 million for the France and Europe CGU and +€107 million for the Gares & Connexions CGU (see Note 1.2 Major events in the first half of 2018);
  - o reclassification of the property, plant and equipment of the real estate subsidiary Foncière Vesta to "Assets held for sale" for -€571 million (see Note 1.5 Major events in the first half of 2018).
- An increase in equity attributable to equity holders of the parent, which mainly includes the net profit for the period (€3,202 million), the dividend paid to EPIC SNCF (-€186 million), the change in fair value of cash flow hedges (-€1 million), the actuarial gains and losses on post-employment benefit plans (€31 million) and the change in translation differences (€22 million).
- A breakdown of financial assets and liabilities is shown in Note 5 to the condensed half-year consolidated financial statements.

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

SNCF Mobilités receives:

- public service orders (as is the case with any public service agent or supplier to the French State and local authorities) in a monopoly legislative and regulatory framework;
- operating and investment grants primarily for the activities of SNCF Transilien, TER and Intercités.

5.1 PUBLIC SERVICE ORDERS

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

In € millions	30/06/2018	30/06/2017	Change
Asset maintenance	64	60	4
Work	23	18	5
Other services	2	2	-1
Total SNCF Réseau	**88**	**81**	**8**
Compensation for regional rates	34	262	-228
Services for the Organising Authorities	2,424	2,262	162
Total Regions and Île-de-France Mobilités	**2,458**	**2,524**	**-66**
Socially-motivated prices	0	0	0
Defence	64	73	-9
Trains d'Equilibre du Territoire (TET)	134	157	-23
Total French State	**197**	**230**	**-33**
TOTAL	2,744	2,835	-91

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

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

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

In € millions	30/06/2018	30/06/2017	Change
Operating grants	22	18	4
Payments received for concession financial assets	481	445	35
Investment grants relating to intangible assets and PP&E	161	52	109
Total	664	516	148

Payments received for concession financial assets and investment grants received:

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

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

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

6 EMPLOYEE MATTERS

6.1 WORKFORCE

	30/06/2018	30/06/2017 restated (1)	30/06/2017 published	Change vs 30/06/2017 restated		Change on a constant Group structure basis vs 30/06/2017 restated	
SNCF Transilien & TER	**45,094**	45,247	41,366	-0.3%	-153	-0.3%	-153
Keolis	**61,629**	59,326	55,637	+3.9%	2,303	+0.9%	532
Intercités	**2,841**	3,084	2,871	-7.9%	-243	-7.9%	-243
Voyages SNCF	**23,546**	24,295	22,262	-3.1%	-749	-3.4%	-824
SNCF Gares & Connexions	**4,068**	4,063	3,744	+0.1%	5	+0.1%	5
SNCF Logistics	**50,421**	50,492	50,315	-0.1%	-71	+3.7%	1,852
Including the Geodis division	*39,455*	*38,453*	*38,481*	*+2.6%*	*1,003*	*+2.6%*	*1,003*
Industrial department	**11,811**	12,614	11,986	-6.4%	-803	-6.4%	-803
Corporate	**1,442**	1,378	2,542	+4.6%	64	+5.3%	73
TOTAL	**200,853**	200,499	190,723	+0.2%	354	+0.2%	440

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

Changes in Group structure over the year that significantly impacted the change in the average workforce were as follows:

- SNCF Logistics: sale of STVA -1,931;
- Keolis: acquisitions of Keolis Santé +1,613.

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

	H1 2018	*2017 restated (1)*	*2016 restated (1)*	*2016 published*	*2015*	*2014*	*2013*
Parent company	90,443	92,178	94,680	87,615	90,429	154,272	155,371
Subsidiaries	110,410	109,638	106,873	106,103	105,723	91,491	89,200
TOTAL	**200,853**	**201,816**	**201,553**	**193,718**	**196,152**	**245,763**	**244,570**

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

6.2 MAIN AGREEMENTS SIGNED IN THE FIRST HALF OF 2018

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

- Agreement covering electronic voting for the elections of employee representatives in the Works Council and employee representatives within the Public Rail Group (17/01/2018)
- Collective agreement relating to the renewal of the Luncheon Vouchers system for Public Rail Group employees (18/04/2018)
- Collective agreement promoting the employment of disabled workers in the Public Rail Group (30/04/18)
- Amendment to the collective agreement promoting professional equality between men and women and gender diversity in the Public Rail Group (30/04/2018)
- EPIC SNCF Mobilités 2018-2020 profit-sharing agreement (26/04/18).

CHALLENGES AND OUTLOOK

SNCF Mobilités delivered an excellent Q1 2018 performance in all activities (+9% in TGV traffic at the end of March) and reported substantial H1 2018 growth in international activities driven by Keolis and Geodis, as well as by non-rail activities.

The strike that began on 22 March and lasted 37 days severely hampered this momentum.

Without this strike, business would be in line with expectations at the end of June, with +4.8% growth compared to H1 2017.

In H2 2018, SNCF Mobilités will boost its aggressive sales policy to regain the sharp growth achieved at the start of the year. At the same time, as part of the roll-out of the French rail reform, SNCF Mobilités is preparing for the opening of the Passenger rail market in France to competition and is pursuing its efforts on service quality, productivity gains and cost reduction to better satisfy the needs of its customers.

Breakdown by business line (H2 2018 outlook)

At Voyages SNCF, the transformations continue with the division of the offering into two products: inOUI, with the development of TGV inOUI on all lines, sequenced over the year, and the introduction of a new more comfortable, more customised and more connected TGV passenger experience; and OUIGO, with a virtual doubling of the offer and departures from Paris train stations.

At TER, a commercial recovery plan to boost traffic after the Q2 2018 strikes is being set up. Resumption of Intercités lines in Hauts-de-France is scheduled for 1 January 2019 and the future Bretagne, Hauts-de-France and Nouvelle Aquitaine agreements are being negotiated.

At Transilien, tests using a Smartphone to purchase and validate tickets in the Paris region transport system will be conducted in the autumn of 2018, and a new RER D timetable will be rolled out at the end of December 2018.

At Intercités, the review clause for the TET operating agreement with the French State is being finalised, and work is continuing with TER on new line transfers (Normandy and Hauts-de-France). Sales and marketing initiatives have also been undertaken to boost post-strike recovery.

At SNCF Gares & Connexions, following the publication of the opinion on the *Document de Référence des Gares* (DRG) 2018/2019, basic services can be invoiced in the second half of 2018 at the rates approved by ARAFER. The roll-out of the French rail reform at SNCF Gares & Connexions has begun, and concession sales momentum has been relaunched to offset the impact of the strikes.

Numerous calls for tenders **at Keolis** are under way for eight networks in Grands Urbains (6 defensive: Tours, Orléans, Brest, Nîmes, Angers, Aix-en-Provence and 2 offensive: Chambéry and Nancy), for CDG Express in Ile-de-France and numerous municipal and inter-municipal calls for tenders in the Territoires. The company is getting organised for the Doha and Wales & Borders contracts, while focusing on the recovery of the Continental Europe platform.

At SNCF Logistics, **Geodis** continues to develop, sustained by the set-up of a new organisation by region since 1 May 2018 that will promote synergies between business lines and within geographical areas.

Ermewa plans to roll out a connected wagon sales offering in the second half of 2018, and external growth transactions will also continue in order to boost wagon and container activities.

For the **TFMM division**, it is a matter of restoring customer confidence and regaining a normal level of business following the first-half 2018 strikes, rolling out productivity plans, and continuing to ramp up rail motorways with the launch of Calais – Orbassano in September.

For **Fret SNCF**, traffic recovery is expected and work will begin on the three-year plan levers, particularly the preparation of the initial 2019 roll-out of capacity management, both in terms of production and sales.

30 June 2018

SNCF Mobilités GROUP CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL

IFRS – In € millions

9, rue Jean-Philippe Rameau 93212 Saint-Denis Cedex

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CONSOLIDATED INCOME STATEMENT

In € millions	Note	30/06/2018	30/06/2017
Revenue	3	15,252	15,761
Purchases and external charges	3	-8,418	-8,472
Employee benefit expense		-5,595	-5,645
Taxes and duties other than income tax		-754	-687
Other operating income and expenses		164	223
Gross profit		**649**	**1,179**
Depreciation and amortisation	4.1.3	-733	-701
Net movement in provisions		185	31
Current operating profit/(loss)		**101**	**509**
Net proceeds from asset disposals	4.1.4	51	133
Fair value remeasurement of the previously held interest		16	31
Impairment losses	4.2	3,309	-11
Operating profit/(loss)		**3,477**	**662**
Share of net profit/(loss) of companies consolidated under the equity method		17	25
Operating profit/(loss) after share of net profit of companies consolidated under the equity method		**3,493**	**687**
Net borrowing and other costs	5	-130	-122
Net finance costs of employee benefits		4	-9
Finance cost		**-126**	**-131**
Net profit/(loss) before tax from ordinary activities		**3,368**	**556**
Income tax expense		-129	-200
Net profit/(loss) from ordinary activities		**3,239**	**356**
Net profit/(loss) from discontinued operations, net of tax		0	0
Net profit/(loss) for the year		**3,239**	**356**
Net profit/(loss) for the period attributable to equity holders of the parent		**3,202**	**338**
Net profit/(loss) for the year attributable to non-controlling interests (minority interests)		37	18

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

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In € millions	30/06/2018	30/06/2017
Net profit/(loss) for the year	**3,239**	**356**
Other comprehensive income:		
Change in foreign currency translation	21	-92
Tax on change in foreign currency translation	-1	-4
	20	*-96*
Change in fair value of cash flow hedges	1	67
Tax on change in fair value of cash flow hedges	-5	-3
	-3	*64*
Change in fair value of hedging costs	-9	0
Tax on change in fair value of hedging costs	3	0
	-6	*0*
Change in value of available-for-sale assets	0	0
Tax on change in value of available-for-sale assets	0	0
	0	*0*
Share of recyclable other comprehensive income of companies consolidated under the equity method	1	-6
Total recyclable other comprehensive income/(loss)	**12**	**-38**
Actuarial gains and losses arising from employee defined benefit plans	46	-32
Tax on actuarial gains and losses arising from defined benefit plans	-11	0
	35	*-32*
Tax on change in value of equity instruments at fair value through equity	0	0
Share of non-recyclable other comprehensive income of companies consolidated under the equity method	0	0
Total non-recyclable other comprehensive income/(loss)	**36**	**-32**
Total comprehensive income/(loss) for the period	**3,287**	**286**
Total comprehensive income/(loss) attributable to equity holders of the parent	**3,250**	**273**
Total comprehensive income/(loss) attributable to non-controlling interests (minority interests)	36	12

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED ASSETS

In € millions	Note	30/06/2018	31/12/2017
Goodwill		2,351	2,339
Intangible assets		1,763	1,776
Property, plant and equipment	4.1	16,402	13,546
Non-current financial assets	5	5,557	5,474
Equity investments		683	671
Deferred tax assets		961	969
Non-current assets		27,717	24,775
Inventories and work-in-progress		680	682
Operating receivables		7,225	6,906
Operating assets		**7,906**	**7,588**
Current financial assets	5	950	1,074
Cash and cash equivalents	5	5,024	6,394
Current assets		13,880	15,056
Assets classified as held for sale	4.1.5	576	1
Total assets		42,173	39,831

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED EQUITY AND LIABILITIES

In € millions	Note	30/06/2018	31/12/2017
Share capital		3,971	3,971
Consolidated reserves		879	188
Net profit/(loss) for the year attributable to equity holders of the parent		3,202	1,136
Equity attributable to equity holders of the parent		8,053	5,295
Non-controlling interests (minority interests)		138	134
Total equity		8,191	5,428
Non-current employee benefits		1,529	1,572
Non-current provisions	4.2	991	1,164
Non-current financial liabilities	5	16,048	15,883
Deferred tax liabilities		376	373
Non-current liabilities		18,945	18,991
Current employee benefits		99	97
Current provisions	4.2	156	175
Operating payables		11,196	10,446
Operating liabilities		**11,452**	**10,717**
Current financial liabilities	5	3,584	4,693
Current liabilities		15,035	15,410
Liabilities associated with assets classified as held for sale		2	1
Total equity and liabilities		42,173	39,831

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In € millions	Share capital	Actuarial gains and losses arising from employee defined benefit plans	Equity instruments at fair value through equity	Group translation reserves	Cash flow hedge	Hedging costs	Debt instruments at fair value through equity	Available-for-sale assets	Reserves before taxes of transferred operations	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests (minority interests)	Total equity
Equity published as at 31/12/2016	**3,971**	**-358**	**-**	**-138**	**-204**	**-**	**-**	**3**	**0**	**1,178**	**4,453**	**130**	**4,582**
Net profit/(loss) for the year	-	-	-	-	-	-	-	-	-	338	338	18	356
Other comprehensive income/(loss)	-	-34	-	-84	60	-	-	-0	-	-6	-64	-6	-70
Total comprehensive income/(loss)	**-**	**-34**	**-**	**-84**	**60**	**-**	**-**	**-0**	**-**	**332**	**273**	**12**	**286**
Dividends paid	-	-0	-	-	-	-	-	-	-	-110	-110	-	-110
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-18	-18
Capital transactions	-	-	-	-	-	-	-	-	-	0	0	2	2
Changes in scope, non-controlling interests and non-controlling interest purchase commitments	-	1	-	-1	-0	-	-	-0	-	-15	-16	5	-12
Other changes	-	-0	-	-	7	-	-	-	-	-7	0	0	0
Equity published as at 30/06/2017	**3,971**	**-392**	**-**	**-223**	**-137**	**-**	**-**	**3**	**0**	**1,378**	**4,600**	**131**	**4,730**
Equity published as at 31/12/2017	**3,971**	**-375**	**-**	**-269**	**-146**	**-**	**-**	**13**	**-**	**2,101**	**5,295**	**134**	**5,428**
Impact of changes in accounting method	-	-	-64	-	**3**	-	-0	-13	-	**75**	**1**	**0**	1
Equity restated as at 01/01/2018(*)	**3,971**	**-375**	**-64**	**-269**	**-143**	**-**	**0**	**-0**	**-**	**2,176**	**5,296**	**134**	**5,430**
Net profit/(loss) for the year	-	-	-	-	-	-	-	-	-	3,202	3,202	37	3,239
Other comprehensive income/(loss)	-	31	0	22	-1	-6	-0	-	-	1	48	-0	47
Total comprehensive income/(loss)	**-**	**31**	**0**	**22**	**-1**	**-6**	**-0**	**-**	**-**	**3,204**	**3,250**	**36**	**3,286**
Dividends paid	-	-	-	-	-	-	-	-	-	-186	-186	-	-186
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-19	-19
Capital transactions	-	-	-	-	-	-	-	-	-	0	0	0	0
Changes in scope, non-controlling interests and non-controlling interest purchase commitments	0	-0	-	-0	0	-	-	-	-	-279	-279	-13	-291
Other changes	-	-0	0	-	-0	-	-	-	-	-29	-29	0	-29
Equity published as at 30/06/2018	**3,971**	**-344**	**-63**	**-247**	**-144**	**-6**	**-0**	**-0**	**-**	**4,886**	**8,053**	**138**	**8,191**

(*) Restated for the changes outlined in Note 1.3.2

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In € millions	Note	30/06/2018	30/06/2017
Net profit/(loss) for the year	**IS[1]**	**3,239**	**356**
Eliminations:			
share of net profit/(loss) of companies consolidated under the equity method	IS[1]	-17	-25
deferred tax expense (income)		-1	-20
depreciation, amortisation, impairment losses and provisions		-2,755	698
revaluation gains/losses (fair value)		-15	-24
net proceeds from disposals and gains and losses on dilution		-71	-169
Cash from operations after net borrowing costs and taxes		**380**	**817**
Eliminations:			
current income tax expense (income)		131	217
net borrowing costs		147	145
dividend income		-2	-2
Cash from operations before net borrowing costs and taxes		**656**	**1,177**
Impact of change in working capital requirement		526	373
Taxes paid (collected)		-279	-294
Dividends received		23	31
Cash flow from operating activities		**926**	**1,287**
Acquisitions of subsidiaries, net of cash acquired		-12	-8
Disposals of subsidiaries, net of cash transferred		6	5
Purchases of intangible assets and property, plant and equipment	4.1	-1,061	-1,112
Disposals of intangible assets and property, plant and equipment		103	152
New concession financial assets		-505	-367
Cash inflows from concession financial assets	3.3	481	445
Purchases of financial assets		-5	-4
Disposals of financial assets		-8	12
Changes in loans and advances		-4	33
Changes in cash assets		76	289
Investment grants received		161	52
Cash flow used in investing activities		**-768**	**-503**
Cash from equity transactions		16	-6
Issue of debt instruments		94	1,642
Repayments of borrowings net of inflows from the SNCF Réseau and Public Debt Fund (PDF) receivables (3)		-215	-219
Net borrowing costs paid		-263	-256
Dividends paid to Group shareholders	Chg. in eq.[2]	-186	-110
Dividends paid to non-controlling interests	Chg. in eq.[2]	-7	-4
Increase/(decrease) in cash borrowings		-959	-742
Cash flow from/(used in) financing activities	**5**	**-1,520**	**305**
Effects of exchange rate fluctuations		-2	-16
Impact of changes in accounting policies		1	0
Impact of changes in fair value		-1	1
Increase (decrease) in cash and cash equivalents		**-1,364**	**1,074**
Opening cash and cash equivalents		6,132	4,297
Closing cash and cash equivalents		4,768	5,371

(1) Consolidated income statement

(2) Consolidated statement of changes in equity

(3) Of which cash inflows of €0 million for the SNCF Réseau receivable (€0 million in the first half of 2017) and €0 million for the PDF receivable (€0 million in the first half of 2017).

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

Notes 1 to 7 are an integral part of the condensed half-year consolidated financial statements.

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

1 ACCOUNTING STANDARDS BASE

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

The condensed consolidated financial statements for the half-year ended 30 June 2018 were approved by the Board of Directors on 26 July 2018.

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

1.1 APPLICATION OF IFRS

The accounting policies used for the preparation of the SNCF Mobilités Group condensed consolidated financial statements for the half-year ended 30 June 2018 are those adopted for the year ended 31 December 2017 and adapted to new standards and interpretations approved by the European Commission and applicable or applied in advance to financial periods beginning on or after 1 January 2018.

The 2017 consolidated financial statements were prepared in accordance with IFRS (International Financial Reporting Standards), as adopted in the European Union.

The condensed consolidated financial statements for the half-year ended 30 June 2018 were prepared in accordance with IAS 34, "Interim Financial Reporting." Therefore, they do not include all the information and notes required by IFRS for the preparation of the annual consolidated financial statements but only the material events for the period. They should be read in conjunction with the 2017 consolidated financial statements.

The basis of preparation for the condensed half-year consolidated financial statements detailed in the following notes is the result of:

- standards and interpretations of mandatory application for financial periods commencing on or before 1 January 2018;
- elected accounting options and exemptions applied in the preparation of the financial statements for the half-year ended 30 June 2018. The options and exemptions are described in Note 1.1.3 and the valuation methods specific to interim reporting periods in Note 1.2.

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

The amendments to standards and interpretations as well as those new standards published and applicable as of 1 January 2018 that specifically concern the Group's condensed half-year consolidated financial statements are as follows:

Standard or interpretation	Summarised description	Expected impacts 2018	Date of adoption (period beginning as of)
IFRS 15 "Revenue from contracts with customers"	This new standard proposes a single revenue recognition model applicable to all types of customer contracts, regardless of the entity's business segment. This model, which follows five key steps, is based on the transfer of control which may be continuous or at a point in time. The notion of the transfer of risks and rewards is no longer predominant. Revenue is recognised on the promised supply of goods or services for the amount of the consideration expected in exchange.	see Note 1.3	IASB: 01/01/2018 EU: 01/01/2018 Group: 01/01/2018
IFRS 9 "Financial instruments"	The purpose of the revised standard is to replace the current IAS 39 on financial instruments. The three topics covered are the classification and measurement of financial instruments, a methodology for the impairment of financial assets and hedge accounting.	see Note 1.3	IASB: 01/01/2018 EU: 01/01/2018 Group: 01/01/2018

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

The Group has not opted for the early application of the other standards and interpretations that must be applied to fiscal years starting on or after 30 June 2018, regardless of whether they were adopted by the European Commission.

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

Standard or interpretation	Summarised description	Expected impacts	Date of adoption (period beginning as of)
IFRS 16 "Leases"	This new standard covers the recognition of leases and will replace the current IAS 17. It establishes principles for the recognition by lessees of all leases with a term of 12 months or more as finance leases by offsetting a non-current asset (right-of-use asset) against a lease liability. Accounting by lessors remains similar to that set forth in IAS 17.	Analysis and identification ongoing. Simplified retrospective method adopted. Preponderance of property leases.	IASB: 01/01/2019 with possible early adoption as at 01/01/2018 EU: 01/01/2019 Group: 01/01/2019

Regarding IFRS 16, the Group identified the lease categories, revealing a preponderance of property leases followed by rolling stock leases. The year 2018 will be devoted to the deployment of a lease monitoring tool in accordance with the standard, the adaptation of information collection and reporting processes, the valuation of impacts and change management for the persons involved.

1.1.3 Description of accounting options adopted

The accounting options adopted are described in the corresponding notes to the 2017 consolidated financial statements. They apply in exactly the same manner to the condensed consolidated financial statements for the half-year ended 30 June 2018, with the exception of the tax on rail company profits (TREF), which is subject to valuation methods specific to interim reporting periods for income taxes as described in Note 1.2.

1.2 VALUATION METHODS SPECIFIC TO INTERIM REPORTING PERIODS

1.2.1 Employee benefits

The net provision relating to employee benefits is updated based on the most recent actuarial valuations available on the closing date of the previous period. With EPIC SNCF Mobilités being the main group contributor, the actuarial assumptions relating to its obligations were reviewed in full as at 30 June 2018.

Following this review, the EPIC's obligations decreased by €30 million in the first half of 2018. This decline was mainly due to the rise in the discount rate from 1.23% as at 31 December 2017 to 1.59% as at 30 June 2018, and the inflation rate from 1.75% as at 31 December 2017 to 1.90% as at 30 June 2018.

The actuarial gain arising from changes in the discount and inflation rates totalled €43 million and impacted net finance cost for €16 million ("Finance cost of employee benefits" with regard to long-term benefits) and non-recyclable reserves for €27 million with regard to post-employment benefits.

The increase in the T2 contribution rate integrated as at 30 June 2017 generated an actuarial loss of €6 million; the other experience adjustments generated an actuarial loss of €5 million, of which €4 million recorded in net finance cost and €1 million in other non-recyclable reserves.

1.2.2 Income tax expense

Income tax expense for the half-year is calculated by applying the best known estimate for the effective tax rate of the period for each tax group entity to the pre-tax profit or loss of consolidated companies.

The financial trajectories were prepared using the PRG's current legal scope and did not take into account the legal and tax restructuring that will occur beginning in 2020, and for which several scenarios are being drawn up with the French State.

The various scenarios under review have highlighted that the improved trajectories could give rise to additional deferred tax assets of between €0.2 billion and €1 billion. As there is no preferred scenario at this stage of the discussions with the French State shareholder, the Company deemed that it was unable to recognise any additional amount.

1.2.3 Impairment losses

1.2.3.1 General principles

The Group performs impairment tests in interim reporting periods only if indications of impairment loss or reversal are identified during the period.

1.2.3.2 Contextual factors

At the end of December 2017, SNCF Mobilités management incorporated several defining economic and financial assumptions for the preparation of its financial trajectory and its impairment tests in the 2017-2026 strategic plan, in a situation where it was difficult to assess the impacts of these new challenges facing the Group.

Following the impairment tests, no impairment losses and impairment loss reversals were recorded for the TGV France and Europe (excluding Eurostar and Thalys) and Eurostar CGUs.

Regarding the TGV France and Europe (excluding Eurostar and Thalys) CGU and the Eurostar CGU, Notes 4.3.1.4 and 4.3.2.2 to the 2017 consolidated financial statements specify that actual values and certain future assumptions relating to the provisions covering these CGUs could differ significantly compared to estimates.

Regarding the Gares & Connexions CGU, Note 4.3.2.3 to the 2017 consolidated financial statements specified that the Group had considered that the 2017 results, the 2018 budget and the draft DRG 2018-2019 regarding regulated activity, which is still under discussion, did not call into question the financial trajectory in the 2017-2026 strategic plan as used in the impairment test performed at the end of 2016. Therefore, in the absence of an identified indication of impairment loss or reversal, no test was performed as at 31 December 2017.

Detailed information is provided in Notes 2.1.3, 4.3.2.1 to the 2017 consolidated financial statements.

As from 2017, the French State initiated discussions and work to design a new railway agreement in an environment open to competition. This new railway agreement mainly involves:

- A law enacted on 27 June 2018 by the French President, the terms and conditions of which will be specified in orders and decrees; it provides for an end to the recruitment of personnel with the status of railway workers and the allocation of unified train station management to SNCF Réseau in the form of a subsidiary as at 1 January 2020;
- A company strategic project, drafted by the Public Rail Group at the request of the French State, in order to improve the company's performance by proposing a new common labour framework for the public rail group;
- A new division agreement for rail transport by 2020.

In May 2018, in agreement with ARAFAR, the French State announced limitations on TGV and Freight (Open access) infrastructure price hikes with respect to inflation.

Accordingly, the SNCF Mobilités Group prepared a 2019-2028 strategic plan and its financial trajectory by incorporating various scenarios involving the arrival of rail competition that were presented to the supervisory authorities. Discussions with the French State are ongoing; the plan and its financial trajectory should be presented for approval to the Board of Directors and the supervisory authorities in the autumn of 2018.

1.2.3.3 Indications identified during the period

In the aforementioned context, Management updated the TGV strategic plan approved by the Board of Directors on 23 February 2018 in order to incorporate the above changes.

This plan's new financial trajectory takes into account the new pegging of infrastructure fees to the Consumer Price Index, the scenarios involving the arrival of rail competition, additional performance gains and the new projection of CST/TREF tax deductions in line with the expected changes in Intercités activity.

The TGV 2019-2028 strategic plan was approved by the Board of Directors on 26 July 2018. The new aforementioned items, and more specifically the new infrastructure fee indexation, have a significant impact on TGV gross profit and represent indications of impairment reversal for the TGV France and Europe (excluding Eurostar and Thalys) CGU .

The DRG 2018-2019 was filed for review with ARAFER on 16 March 2018 as well as the DRG 2020 for information purposes. ARAFER issued a favourable opinion on this DRG 2018-2019 on 9 July 2018, thereby approving the rates for this period and the main principles of the new SNCF Gares & Connexions economic and pricing model.

SNCF Gares & Connexions will refer to the Authority regarding the prices applicable to the 2020 service timetable no later than one year prior to the adoption of said timetable, i.e. in December 2018.

Furthermore, the law on the new railway agreement enacted on 27 June 2018 confirms the transfer of the train station manager to SNCF Réseau, in the form of a subsidiary as of 1 January 2020, with organisation, decision-making and financial independence (Articles 1 of the Law and L.2111-9 of the French Transportation Code).

Considering these items, and in connection with the creation of a general SNCF Mobilités Group strategic plan, a new 2019-2028 strategic plan and its financial trajectory was drafted for SNCF Gares & Connexions. In addition to the incorporation of the new pricing framework, this trajectory reflects:

- development of a commercial premise leasing activity,
- increased investment,
- greater productivity gains.

The management of SNCF Gares & Connexions and SNCF Mobilités consider that, for the current scope of SNCF Gares & Connexions assets, this new trajectory can be transposed and applied to the future operating framework of Gares & Connexions in the form of a SNCF Réseau subsidiary.

Compared to the previous strategic plan drafted in 2016, this new trajectory includes indications of impairment reversal for the Gares & Connexions CGU, particularly in terms of revenue and gross profit.

As the activities and entities with goodwill (mainly Thalys, Eurostar, Keolis and Geodis) did not present any indications of impairment, no tests were conducted at the end of June.

Furthermore, no indications of impairment or impairment reversal were identified for the other CGUs.

1.3 CHANGES ADDED TO THE FISCAL PERIOD AND COMPARATIVE FISCAL PERIODS

Excluding the changes in standards outlined below and the specific accounting options used for 30 June (see Note 1.1.3), the accounting principles adopted for the condensed consolidated financial statements for the half-year ended 30 June 2018 are identical to those applied to the consolidated financial statements for the year ended 31 December 2017.

Data reconciliations before and after adoption of the new standards for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the consolidated cash flow statement are presented below.

The changes in accounting treatment concern the adoption as of 1 January 2018 of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" (see Note 1.3.3).

The transition methods used by the Group to adopt these two new standards are outlined below.

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

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

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

The main impacts on the condensed half-year consolidated financial statements are listed hereunder:

Points identified	Accounting treatment	Impacts
Variable considerations allocated to customers	Certain variable considerations allocated to customers, particularly under Voyages guarantees, are recorded as an adjustment to revenue following the adoption of IFRS 15. These items were previously presented under operating expenses.	Presentation impact on revenue in the amount of –€13 million as at 30 June 2018 offset by a reverse impact on Purchases and external charges. No impact on gross profit or opening equity.
Considerations payable to customers	Certain amounts paid to customers were previously recorded in operating expenses. Pursuant to IFRS 15, should these amounts not be representative of a distinct service received from the customer, they shall be treated as a reduction in the sale price of the services provided by the Group and deducted from revenue.	Presentation impact on revenue in the amount of –€77 million as at 30 June 2018 offset by a reverse impact on Purchases and external charges. No impact on gross profit or opening equity.
Rebilling of expenses	Pursuant to IAS 18, Keolis entities have offset taxes rebilled to the OA in the income statement, and presented a net impact in "Taxes and duties other than income tax." Under IFRS 15, the entity is considered as the "principal" in its relationship with the French tax authorities. The expenses incurred for the tax payable to the French tax authorities are presented in "Taxes and duties other than income tax." As an offset, the income from the rebilling of taxes is recognised in "Revenue."	Presentation impact on revenue in the amount of +€19 million as at 30 June 2018 offset by a reverse impact on Taxes and duties other than income tax. No impact on gross profit or opening equity.

1.3.2 Adoption of IFRS 9 "Financial instruments"

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

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

- With regard to the measurement and impairment of financial instruments, the Group opted not to restate the comparative data from previous years, as authorised by the standard. As at 1 January 2018, the transition impacts were therefore recognised directly in equity.
- With regard to the accounting treatment of hedging costs, the Group adopted the new provisions prospectively.
- For the most part, the hedging relationships observed pursuant to IAS 39 as at 31 December 2017 remained qualified as at 30 June 2018 in accordance with the criteria set out in IFRS 9.

The adoption of IFRS 9 had no major impact on the accounting principles applied by the Group to the condensed half-year consolidated financial statements. The main impacts are listed below:

Points identified	Accounting treatment	Impacts
Classification and measurement of loans and receivables	The loans and receivables held by the Group were analysed with regard to their contractual characteristics and how they are managed (business model). For the most part, these assets are considered as SPPI (solely payment of principal and interest) and covered by the "Hold to Collect" business model. They continue to be measured at amortised cost. The loans convertible into shares held by Keolis were reclassified as financial assets at fair value through profit or loss since they are not considered as SPPI.	Presentation impact in the net indebtedness table (see Note 5): Reclassification of loans convertible into shares from "financial assets at amortised cost" to "financial assets at fair value through profit or loss" for €4 million. No impact on opening equity. At the transition date, the nominal value of the convertible loans represents a reasonable estimate of their fair value. Impact on the finance cost for the period in the amount of +€2 million following the change in their value.
Classification and measurement of unconsolidated securities	IFRS 9 sets out two methods for measuring equity instruments. Measurement by default consists in valuing them at fair value through profit or loss. As part of a permanent exemption under the standard, they may be measured at fair value through equity. A method is chosen for each security. Under IAS 39, unconsolidated securities were classified as "available-for-sale assets," and measured at fair value through recyclable equity. Pursuant to IFRS 9, unconsolidated securities held by the Group over the long term and not for sale are measured at fair value through non-recyclable equity. The other unconsolidated securities held by the Group are measured at fair value through profit or loss. This choice is mainly based on the management guidance and intentions adopted for each portfolio.	Presentation impact in the net indebtedness table (see Note 5): Reclassification on the transition date of unconsolidated securities from "Available-for-sale assets" to "Investments in equity instruments at fair value through profit or loss" for €49 million and to "Investments in equity instruments at fair value through equity" for €180 million. Impact of the reclassification within opening equity from recyclable reserves to retained earnings for +€17 million and to non-recyclable reserves for -€4 million. Impact on the finance cost for the period in the amount of €11 million.
Classification and measurement of shares in venture capital funds	The shares held by SNCF Participations in venture capital funds (FPCI and FCPR) and classified as "available-for-sale assets" under IAS 39 are considered as debt instruments pursuant to IAS 32. In accordance with IFRS 9, these fund shares were measured at fair value through equity as they did not meet the SPPI criteria.	Presentation impact in the net indebtedness table (see Note 5): Reclassification on the transition date of the venture capital fund shares from "Available-for-sale assets" to "Debt securities at fair value through profit or loss" for €22 million.

Classification and measurement of financial liabilities	The measures adopted for the classification and measurement of financial liabilities in accordance with IAS 39 remain unchanged following the application of IFRS 9. The impact relating to the change in the accounting treatment of renegotiated financial liabilities was not recognised in the condensed half-year consolidated financial statements as it is immaterial.	No impact. The classifications and measurement methods adopted pursuant to IAS 39 are maintained following the application of IFRS 9: measurement at amortised cost or under the fair value through profit or loss option (see Note 5).
Impairment of trade receivables	The Group's trade receivables include receivables with public authorities or institutions that present a negligible credit risk. Furthermore, the Group has estimated the expected losses on trade receivables, using the simplified model set out in IFRS 9 (estimate of losses at maturity). The estimate is based on the ratio between losses on irrecoverable receivables and revenue at the transition date over a five-year period, reflecting a normal operating cycle for the Group's activities.	The impact, deemed as immaterial, was not recognised in the condensed half-year consolidated financial statements.
Impairment of other loans and receivables	Other loans and receivables held by the Group mainly comprise the Public Debt Fund receivable, EPIC SNCF and SNCF Réseau receivables, former lease receivables and loans related to the employers' contribution to building and constructions investments. These loans and receivables fall under the general impairment model set forth in IFRS 9 that consists in estimating the expected losses in one year. To assess the level of expected losses on these financial assets, the Group set up a monitoring process based on counterparty ratings, past repayment data or the estimated level of risk according to the CDS or legal status.	The analyses carried out by the Group resulted in an immaterial impact due to a counterparty credit risk deemed as negligible.
Impairment of unconsolidated securities	Under IFRS 9, equity instruments can no longer be impaired. Impairment losses recognised in previous years were reclassified to non-recyclable equity in respect of the instruments for which this valuation method was adopted.	Impact of the reclassification within opening equity from "retained earnings" to "non-recyclable reserves" for €80 million.

Accounting treatment of hedging costs	Pursuant to IFRS 9, the accounting treatment of hedging costs has changed. For designated instruments, changes in fair value of hedging costs are now recognised in recyclable equity instead of net finance cost under IAS 39 regarding fair value hedges. The date for recognition in profit or loss is determined in line with the hedged item. At Group level, the hedging costs impacted by this new treatment are foreign currency basis spread (FCBS), covered by cross currency swaps matched to foreign currency financing, as well as the time value of the options. As this treatment was adopted prospectively, no accounting entry was recorded on the transition date for this new treatment. As of the adoption date, changes in value of FCBS and the time value of the options are recognised in recyclable equity and their actual cost is recognised in profit or loss consistently over the term of the hedging relationship (time period related approach).	Impact on closing equity of + €5 million as at 30 June 2018 for the hedging costs relating to fair value hedging transactions. The hedging cost relating to cash-flow hedging transactions, already recognised in recyclable reserves in IAS 39, totalled -€14 million.

1.3.3 Reconciliation of published data and data prepared under former standards

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

The impacts arising from the adoption of IFRS 9 mainly resulted in a reclassification within equity as at 1 January 2018 and were identified in the consolidated statement of changes in equity in the condensed half-year consolidated financial statements.

In € millions	Published financial statements 30/06/2018	IFRS 15 impacts	Financial statements for the half-year ended 30/06/2018 under the former standards
Revenue	15,252	71	15,323
Purchases and external charges	-8,418	-90	-8,508
Employee benefit expense	-5,595		-5,595
Taxes and duties other than income tax	-754	19	-735
Other operating income and expenses	164		164
Gross profit	649	0	649

2 MAJOR EVENTS

2.1 MAJOR EVENTS IN THE FIRST HALF OF 2018

2.1.1 Rail system reform

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

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

- Build a new SNCF Group organisation by 1 January 2020, thus transforming it into a major unified and integrated public group comprising a fully state-owned limited company (société nationale à capitaux publics), SNCF, and two national companies, SNCF Mobilités and SNCF Réseau with the following duties:
    - SNCF Mobilités operates, either directly or through its subsidiaries, rail transport services and conducts the other activities set forth in its bylaws;
    - The state-owned SNCF defines the organisation of the public group that it comprises with its subsidiaries to fulfil the following duties;
    - The public group as a whole is responsible for (i) operating and developing, in a fair and transparent manner, the national rail network in accordance with the public service principles in order to promote rail transport in France, (ii) operating and developing, in a fair and transparent manner, passenger train stations and other service facilities relating to the national rail network, (iii) fulfilling transversal duties essential to the proper operation of the national rail system for the benefit of all the players in this system, particularly to secure the safety of persons, assets and the rail network and (iv) guarantee national and international passenger and freight transport services;
    - SNCF Réseau is responsible for guaranteeing, in a fair and transparent manner, directly or through its subsidiaries, in accordance with public service principles and in order to promote rail transport in France with a view to sustainable development, regional planning and economic and social efficiency, and specifically (i) access to the rail infrastructure of the French national rail network, including the allocation of capacities and the pricing of this infrastructure and (ii) operational management of the traffic on the French national rail network.
- The French State will own the entire share capital of SNCF, whose securities will be non-transferable. SNCF will own the entire share capital of SNCF Mobilités and SNCF Réseau. The capital of these two companies will be non-transferable. SNCF, SNCF Réseau and SNCF Mobilités will be subject to the legal provisions applicable to corporations (whose initial bylaws will be determined by decree in the Conseil d'État and then amended according to the rules stipulated in the French Commercial Code).
- Passenger station management activities will be centralised in an SNCF Réseau subsidiary with organisational, decision-making and financial independence.
- Amend the salary organisation while ceasing, as from 1 January 2020, to recruit personnel with railway worker status. Current employees may continue to benefit from this status. At the same time as this transformation, negotiations will be conducted in connection with the railway division.
- Secure the continuity and improve the quality, efficiency and performance of French passenger rail transport public services and guarantee its opening to competition, particularly by granting passenger rail transport public service contracts in accordance with advertising and competition rules. Accordingly, under the New Railway Pact, the French rail network can be opened to competition depending on the activity between 3 December 2019 and 24 December 2023. For example, between these two dates:

- for passenger rail transport services, Île-de-France Mobilités may award public service contracts relating to these services in accordance with advertising and competition rules;
- the French State may award public service contracts relating to French national passenger rail transport services in accordance with advertising and competition rules; and
- the regions may award public service contracts relating to French regional passenger rail transport services in accordance with advertising and competition rules; and

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

2.1.2 Impairment losses

Impairment reversal for the TGV France and Europe CGU

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

Impairment reversal for the Gares & Connexions CGU

SNCF Gares & Connexions drafted a new 2019-2028 strategic plan that contributes to the SNCF Mobilités Group's general strategic plan. As this strategic plan revealed an improved financial trajectory for the Gares & Connexions CGU, an impairment test was carried out as at 30 June 2018, resulting in the reversal of the residual impairment for €107 million.

The impairment reversals for the TGV and Gares & Connexions CGUs were recognised under "Impairment losses" in the consolidated income statement. Additional information is presented in Notes 1.2.3 and 4.2 to the condensed half-year consolidated financial statements.

2.1.3 Decision of the Paris Appeal Court

On 31 January 2018, the Paris Appeal Court ruled against EPIC SNCF Mobilités with respect to claims filed by former employees. The Group decided not to appeal. SNCF Mobilités paid these penalties in March 2018 and recognised an expense that impacted H1 2018 gross profit. At the same time, the provision previously set aside for the litigation was reversed in the 30 June 2018 financial statements. The net impact on the income statement was immaterial (see Note 4.3.2 to the condensed half-year consolidated financial statements).

2.1.4 Industrial action

On 22 March 2018, certain employees of SNCF Mobilités launched strike action, with two days of strike action every five days from 3 April until 28 June 2018 in protest at the plans to reform the French rail system. This industrial action had major impacts for SNCF Group customers and financial repercussions within certain group activities. Besides the Group's substantial revenue losses, management announced exceptional measures to reimburse and indemnify passengers in order to compensate for the strike disruptions.

2.1.5 Disposal of Foncière Vesta

The SNCF Mobilités Group has undertaken to sell its real estate subsidiary, Foncière Vesta, which is wholly owned by ICF Novedis.

As at 30 June 2018, and pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations," the assets and liabilities of this subsidiary were reclassified to "Assets classified as held for sale" and "Liabilities associated with assets classified as held for sale" in the consolidated statement of financial position. Detailed information is presented in Note 4.1.5. to the condensed half-year consolidated financial statements.

2.1.6 New segment breakdown

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

- The creation of a "Daily Mobilities" business unit that breaks down into two operating segments, SNCF Transilien and TER, and Keolis. Transilien and TER were previously combined within the SNCF Transilien, TER, Intercités business unit. Keolis was presented as a separate business unit and segment.
- The creation of a "Long-distance" business unit comprising the "Voyages SNCF" operating segment that was formerly presented as a business unit and the Intercités operating segment that was previously included in the "SNCF Transilien, TER, Intercités" business unit.

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

- Daily Mobilities
- Long-distance
- SNCF Gares & Connexions
- SNCF Logistics

2.2 SUBSEQUENT EVENTS

The main subsequent events are as follows:

2.2.1 ARAFER's opinion on the 2018-2020 *Document de Référence des Gares* (DRG)

ARAFER's opinion on the 2018-2020 *Document de Référence des Gares voyageurs* (DRG) filed on 16 March was published on 9 July 2018. The Authority issued a generally favourable opinion on the rates of the regulated services provided by SNCF Gares & Connexions in passenger stations for the 2018 and 2019 service timetables.

SNCF Gares & Connexions will refer to the Authority regarding the prices applicable to the 2020 service timetable no later than one year prior to the adoption of said timetable, i.e. in December 2018.

2.2.2 Decision of the Paris Appeal Court on the investigation of the Competition Authority regarding the Distribution and Express segment

Geodis appealed the decision of the Competition Authority dated 22 January 2016. The hearing took place in March 2017 and the Paris Appeal Court handed down its decision on 19 July 2018, reducing the fine of €196 million, paid in April 2016, to €166 million (see Note 4.3.2 to the condensed half-year consolidated financial statements).

At this stage, pending the filing of an appeal by the parties, to be resolved by 19 August 2018 at the latest, the SNCF Mobilités Group did not draw any conclusions from this ruling in its 30 June 2018 financial statements.

2.2.3 Approval for an order of 100 future TGV trains

An order of 100 future TGV trains with the manufacturer Alstom for €2.65 billion was approved by the Board of Directors on 26 July 2018.

2.2.4 Decision of the Conseil d'Etat on the T2 rate

Following the appeal filed with the Conseil d'État for the calculation of the old age T2 contribution rate on 23 May 2017, an unfavourable decision was issued on 18 July 2018. The Group drew the conclusions from this ruling in its 30 June 2018 financial statements (see Note 4.3.2 to the condensed half-year consolidated financial statements).

2.2.5 Planned partnership for the expansion of the Paris-Nord train station

A partnership project between SNCF Gares & Connexions and CEETRUS, the Auchan group property developer, for the expansion of the Paris – Nord train station was validated by the Extraordinary Board of Directors' meeting on 9 July 2018. The end of the negotiations scheduled for the end of 2018 should result in the creation of a joint venture 34% held by SNCF Mobilités and 66% held by CEETRUS.

3 GROSS PROFIT

3.1 SEGMENT REPORTING

3.1.1 Determination of segments presented

SNCF Mobilités Group reviewed the breakdown of its operating segments as from 1 January 2018 in line with the changes in its organisation. The Group is now organised into four business units and eight segments: "Daily Mobilities" comprising two segments SNCF Transilien & TER and Keolis; "Long distance" comprising two segments Intercités and Voyages SNCF; "SNCF Gares & Connexions" as a separate business units and "SNCF Logistics" made up of three segments Geodis, TFMM and Ermewa Group.

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

- SNCF Transilien and TER: local transport services, rail transport regulated services (TER, Transilien), and additional services covering passenger transport (Itiremia, Ritmx).
- Keolis: in charge of mass transit in sixteen countries worldwide. Its expertise covers all modes of transportation (train, bus, car, metro, tramway, ferries, bicycles), and the management of interconnection points (stations, airports) and parking.
- Intercités: medium-distance transport activities in France.
- Voyages SNCF: door-to-door passenger transport services in France and Europe (TGV, OUIgo, Eurostar, Thalys, Lyria, OUIbus, iDVROOM, etc.) and distribution of travel-related products.
- SNCF Gares & Connexions: dedicated to the development and operation of all stations and the non-discriminatory welcome of all operators.
- SNCF Logistics comprising:
    - Geodis: a European operator with a worldwide scope that proposes management solutions covering all or part of the logistics chain (Supply Chain Optimization, Freight Forwarding - air and sea, Contract Logistics, Distribution & Express, Road Transport, Contract Logistics US).
    - Rail freight and multimodal transport: activities of rail transport operators, combined transport operators and freight forwarders carried out by several companies (Fret SNCF, VFLI, Naviland Cargo, Captrain and Lorry Rail).
    - Ermewa Group: long-term management, maintenance, repair and leasing of rail transportation equipment (specialised wagons, tank containers, locomotives, mainline locomotives or shunters).

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

3.1.2 Segment indicators

The main balance sheet and income statement indicators monitored by Management for each segment are as follows:

- external revenue, after elimination of all transactions with the Group's other segments.
- gross profit
- Net investments comprising cash flows relating to concession financial assets and acquisitions of intangible assets and property, plant and equipment (less investment grants), plus new finance-leased assets.

The accounting methods adopted for the preparation of financial data for each segment are those used in the preparation of the consolidated financial statements. The internal revenue presented below is made up of transactions between segments, eliminated in an Inter-business unit line item for purposes of reconciliation with the Group consolidated financial statements.

3.1.3 Information by segment

30/06/2018

In € millions	External revenue	Internal revenue	Revenue	Gross profit	Net investments
SNCF Transilien & TER	**3,411**	**369**	**3,780**	**-3**	**-196**
Keolis	**2,837**	**55**	**2,892**	**164**	**-28**
Intercités	**326**	**64**	**390**	**-1**	**40**
Voyages SNCF	**3,408**	**245**	**3,653**	**284**	**-363**
SNCF Gares & Connexions	**229**	**485**	**714**	**97**	**-118**
Geodis	3,953	27	3,980	134	-51
TFMM	719	46	765	-145	-25
Ermewa Group	165	35	200	112	-76
Other	0	0	0	-3	0
Intra-business unit eliminations	0	-52	0	0	0
SNCF Logistics	**4,836**	**56**	**4,892**	**99**	**-151**
Industrial department	**114**	**694**	**809**	**-8**	**-37**
Corporate	**90**	**321**	**411**	**18**	**-98**
Inter-business unit	**0**	**-2,289**	**-2,289**	**0**	**0**
Total	**15,252**	**0**	**15,252**	**649**	**-952**

30/06/2017

In € millions	External revenue	Internal revenue	Revenue	Gross profit	Net investments
SNCF Transilien & TER	**3,581**	**312**	**3,893**	**151**	**-238**
Keolis	**2,599**	**49**	**2,648**	**149**	**-133**
Intercités	**458**	**49**	**507**	**17**	**96**
Voyages SNCF	**3,543**	**310**	**3,853**	**488**	**-349**
SNCF Gares & Connexions	**228**	**382**	**610**	**93**	**-119**
Geodis	4,018	27	4,045	124	-70
TFMM	766	37	803	-42	-36
Ermewa Group	167	36	203	105	-83
STVA	168	0	168	4	-2
Other	0	0	0	-1	0
Intra-business unit eliminations	0	-61	-61	0	0
SNCF Logistics	**5,118**	**39**	**5,157**	**190**	**-192**
Industrial department	**140**	**754**	**895**	**42**	**-49**
Corporate	**93**	**291**	**384**	**49**	**-27**
Inter-business unit	**0**	**-2,186**	**-2,186**	**0**	**0**
Total	**15,761**	**0**	**15,761**	**1,179**	**-1,010**

3.2 REVENUE

SNCF Mobilités Group generates its revenue from contracts with customers. It corresponds to all compensation (transaction price) collected from business transactions carried out in connection with its main standard and recurring operating activities. SNCF Mobilités Group revenue is generated from the following main sources:
- long-distance passenger transport activities,
- passenger transport activities in connection with regulated activities,
- freight transport and logistics activities,
- station management activities,
- other real estate and maintenance activities.

The transaction price mainly comprises:
- fixed contractual compensation agreed to with the customer,
- variable consideration corresponding to a right subject to the realization of recurring future events that can be reliably estimated using predictive methods. This mainly involves discounts and rebates granted to customers, penalties and indemnification following failure to meet contractual specifications and gains or losses regarding the performance of contractual objectives,
- consideration payable to customers corresponding to cash paid or payable that is deducted from the transaction price when it does not correspond to distinct services received from the customer.

For the most part, guarantees are granted to customers in connection with passenger and freight transportation. They may be used to provide assurance that services sold meet contractual specifications (assistance guarantee, guarantee for damages, etc.). In this case, costs are provided for in accordance with IAS 37. When they correspond to a penalty incurred because a certain level of performance has not been met, they are deducted from revenue as a variable consideration of the transaction price (punctuality guarantee, travel vouchers issued due to disruptions, etc.). Finally, when they correspond to an additional service provided to the customer, they are recognised in revenue as a performance obligation pursuant to IFRS 15.

The Group recognises revenue in its consolidated financial statements once control over the service is transferred to the customer:
- Under the multi-year agreements with the Transport Organising Authorities, the Group operates a transportation service for the OA, considered as the unique customer. The service obligation consists in maintaining access to the transport public service to users. The transaction price is determined on a yearly basis, according to the estimated operating costs and the criteria for achieving certain contractually defined performance objectives. Given the direct relationship between the parameters used to calculate compensation and the expected level of performance in completing the service over the same period, the annual compensation received is allocated directly to the annual services to which it corresponds. The transfer of control is therefore considered as over-time in a short term insofar as the Transport Organising Authority benefits from the advantages of the service as and when the Group performs it, resulting in an annual invoicing right, and a revenue recognition on the same basis.
- Regarding the other passenger transport activities, control is transferred as soon as the travel service is provided. Payment of the transaction price is due once the customer receives the service,
- Regarding freight transport and logistics services, control over the service is transferred over-time in a short period and revenue can be recognised, given the very short duration, at a point in time (departure or arrival of the good),
- Services for which control is transferred over a long period primarily correspond to certain real-estate activities and certain station management activities.

SNCF Mobilités Group generates revenue from services provided at a point in time or over time to public or private individuals under the following main service lines:

In € millions	30/06/2018	30/06/2017(*)	Change	Segments
Revenue generated from passenger transport within Voyages activities	3,163	3,303	-139	Voyages SNCF
Revenue generated from freight transport activities	3,382	3,534	-152	SNCF Logistics
Other related transport activities	1,355	1,478	-123	Voyages SNCF, SNCF Logistics
Compensation collected from the Transport Organising Authorities in connection with regulated activities	6,353	6,470	-118	SNCF Transilien&TER, Keolis, Intercités
Revenue generated from station management	233	228	5	SNCF Gares & Connexions
Real estate leasing revenue (excluding rental payments generated by stations)	80	87	-7	SNCF Logistics, Voyages SNCF, Corporate
Transport equipment leasing revenue	164	155	8	SNCF Logistics, SNCF Transilien&TER, Keolis
Upkeep and maintenance services	107	114	-7	All segments
Other revenue	417	392	24	All segments
Revenue by main service line	**15,252**	**15,761**	**-509**	
Public sector customers (government authorities)	6,445	6,535	-90	
Private individuals	3,243	3,401	-158	
Private sector companies	5,564	5,824	-260	
Revenue by customer type	**15,252**	**15,761**	**-509**	
Immediate or one-day transfer	4,082	4,189	-107	
Over-time transfer in a period of less than one year (logistics, freight transport and compensation from OA)	10,619	11,153	-534	
Over-time transfer in a period of more than one year (real estate activities, certain station management activities, etc.).	550	419	131	
Revenue by recognition rate	**15,252**	**15,761**	**-509**	

(*) The Group has adopted IFRS 15 since 1 January 2018 using the simplified transition method. The comparative information shown was not restated (see Note 1.3.1)

3.3 OTHER GROSS PROFIT ITEMS

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

In € millions	30/06/2018	30/06/2017(*)	Change
Sub-contracting	-2,831	-2,925	94
Infrastructure fees payable to SNCF Réseau	-1,631	-1,843	212
Eurotunnel and other infrastructure fees	-414	-278	-136
Purchases and external charges	-3,052	-2,914	-139
Traction energy and fuel	-489	-511	22
Purchases and external charges	**-8,418**	**-8,472**	**54**

(*) The Group has adopted IFRS 15 since 1 January 2018 using the simplified transition method. The comparative information shown was not restated (see Note 1.3.1).

3.4 TRANSACTIONS WITH TRANSPORT ORGANISING AUTHORITIES

Pursuant to IFRS 15 "Revenue from contracts with customers," since 1 January 2018, SNCF Mobilités Group has presented passenger revenue from regulated activities as revenue from transport organising authorities and not from private individuals.

The comparative information as at 30 June 2017 was restated to take into account:

- Changes relating to IFRS 15 that include passenger revenue as compensation from the OA,
- Integration of Keolis regulated activities.

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

In € millions	30/06/2018	30/06/2017	Change
Services with OA	5,009	4,669	340
Revenue generated from passenger ticket sales	1,192	1,625	-433
Services with the French state as OA of the Trains d'Équilibre du Territoire	129	152	-23
Interest income arising from concession financial assets	23	24	-1
Impacts on revenue (*)	**6,353**	**6,470**	**-118**
New concession financial assets	-505	-367	-138
Cash inflows from concession financial assets	481	445	35
Investment grants relating to intangible assets and PP&E	161	52	109
Impacts on cash flow used in investing activities	**136**	**131**	**6**
(*) of which Keolis revenue	*2,643*	*2,468*	*175*
of which Epic SNCF Mobilités revenue	*3,710*	*4,002*	*-293*

In € millions	30/06/2018	31/12/2017	Change
Concession intangible assets	57	56	1
Concession non-current financial assets	1,317	1,195	122
Impacts on non-current assets	**1,375**	**1,252**	**123**

4 OPERATING ASSETS AND LIABILITIES

4.1 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

4.1.1 Property, plant and equipment

Property, plant and equipment break down as follows by category:

In € millions	30/06/2018 Gross	30/06/2018 Depreciation and impairment	30/06/2018 Net	31/12/2017 Gross	31/12/2017 Depreciation and impairment	31/12/2017 Net
Land and buildings	11,417	-5,882	5,534	11,940	-5,982	5,958
Industrial and technical plant and other assets (ITP)	4,095	-2,522	1,573	3,965	-2,570	1,396
Transportation equipment	32,931	-20,761	12,170	32,633	-23,564	9,069
Property, plant and equipment in the course of construction	1,191	-2	1,189	1,202	-5	1,197
TOTAL excluding grants	**49,633**	**-29,167**	**20,466**	**49,740**	**-32,120**	**17,620**
Investment grants	-8,960	4,896	-4,064	-8,788	4,715	-4,074
TOTAL	**40,673**	**-24,271**	**16,402**	**40,952**	**-27,406**	**13,546**

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

In € millions	Land and buildings	ITP	Transportation equipment	Property, plant and equipment in the course of construction	Investment grants	**Total net of grants**
Net carrying amount as at 31/12/2017	**5,958**	**1,396**	**9,069**	**1,197**	**-4,074**	**13,546**
Acquisitions	23	45	613	361	-182	860
Disposals	-11	-4	-13	-3	1	-31
Depreciation, net of grants released	-186	-130	-532	0	191	-657
Impairment	127	163	3,018	2	0	3,311
Change in scope	0	2	2	0	0	5
Exchange differences	0	1	-3	0	0	-3
Other changes	-376	101	15	-368	0	-628
Net carrying amount as at 30/06/2018	**5,534**	**1,573**	**12,170**	**1,189**	**-4,064**	**16,402**

The movements recorded for impairment correspond to impairment reversals recognised for the following CGUs (see Note 2.1.2):

- The TGV CGU for €3,193 million
- The Gares & Connexions CGU for €107 million

The other changes mainly stemmed from the reclassification of €571 million property, plant and equipment to "Assets held for sale" following the transfer of the Foncière VESTA subsidiary (see Note 4.1.5).

4.1.2 Investments

Capital expenditure flows break down as follows:

In € millions	30/06/2018	30/06/2017
Intangible assets	-85	-96
Property, plant and equipment	-1,041	-1,073
Total acquisitions	**-1,126**	**-1,168**
incl. non-current assets under finance lease	*-27*	*-29*
Acquisitions excluding finance-leasing	**-1,099**	**-1,140**
Investment working capital	38	27
Intangible assets and PP&E capital expenditure flows	**-1,061**	**-1,112**

Capital expenditure for the period primarily comprised:

- software developed in-house, either already brought into service or still under development, of which €41 million for the parent company EPIC SNCF Mobilités,
- acquisitions and upgrades to stations and buildings totalling €274 million (including acquisitions and upgrades to stations and buildings, the extension or adaptation of maintenance workshops for Régiolis, Régio2N, and upgrades to Paris Montparnasse station),
- acquisition and renovation of rail and road equipment totalling €613 million (including the acquisition of TGV Duplex and Eurostar trains, new Transilien trains (NAT), EOLE and Océanes trains, new generation Tram-Trains, wagons, transcontainers, renovation of TGVs and electrical railcars).

Asset-financing grants received totalled €182 million, including €54 million for rail equipment and €127 million for fixed installations.

4.1.3 Depreciation and amortisation

Depreciation and amortisation break down as follows:

In € millions	30/06/2018	30/06/2017	Change
Amortisation of intangible assets	-133	-133	0
Depreciation of property, plant and equipment	-848	-796	-52
Grants released to profit or loss	191	170	22
Reversal of liabilities relating to concession assets excluded from the scope of IFRIC 12	57	59	-2
Depreciation and amortisation	**-733**	**-701**	**-32**

4.1.4 Net proceeds from asset disposals

Asset disposals had the following impacts on profit or loss:

In € millions	30/06/2018	30/06/2017	Change
Disposals of intangible assets	0	-2	2
Disposals of property, plant and equipment	44	123	-78
Disposals of financial assets	6	12	-6
Net proceeds from asset disposals	**51**	**133**	**-82**

As at 30 June 2018, net proceeds from the disposal of assets primarily concerned the sales of various complexes and properties by EPIC SNCF Mobilités for €42 million.

4.1.5 Assets and liabilities classified as held for sale

In € millions	30/06/2018	31/12/2017
Assets classified as held for sale	576	1
Liabilities associated with assets classified as held for sale	2	1
Net impact on balance sheet	574	0

Foncière VESTA, a wholly-owned real estate company currently being sold by the Group, was considered as a "Group of assets held for sale" as at 30 June 2018.

The main categories of assets and liabilities reclassified in accordance with IFRS 5 as at 30 June 2018 are as follows:

In € millions	30/06/2018
Intangible assets and property, plant and equipment	571
Operating receivables	3
Cash and cash equivalents	2
Assets classified as held for sale	576

In € millions	30/06/2018
Operating payables	2
Liabilities associated with assets classified as held for sale	2

4.2 IMPAIRMENT TESTS FOR NON-CURRENT ASSETS

The impacts on the income statement are as follows: They mainly involve the TGV France and Europe (excluding Eurostar and Thalys) and Gares & Connexions CGUs.

In € millions	30/06/2018	30/06/2017	Change
Intangible assets and property, plant and equipment	3,309	-11	3,320
Goodwill	0	0	0
Provisions for liabilities and charges	0	0	0
Impairment losses	3,309	-11	3,320

The values presented in the tables below for the assets tested are net of losses or reversals recognised in prior years and acquisitions and losses of control over the year.

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

In the aforementioned context of the rail reform and the related financial measures announced by the French State, with the reduced pegging of infrastructure fees to the Consumer Price Index, management updated the TGV strategic plan that was approved by the Board of Directors on 26 July 2018.

This plan's new financial trajectory takes into account the new pegging of infrastructure fees, the scenarios involving the arrival of rail competition, additional performance gains and the new projection of CST/TREF tax deductions in line with the expected changes in Intercités activity.

The new aforementioned items, and more specifically the new infrastructure fee indexation, have a significant impact on TGV gross profit and represent indications of impairment reversal.

At the end of June 2018, management therefore conducted an impairment test that resulted in a value in use that was substantially higher than the net carrying amount of the TGV France and Europe (excluding Eurostar and Thalys) CGU's assets. The impairment recorded in previous years that had a residual value of €3,193 million, of which €3,160 million for the Voyages SNCF segment and €33 million for Corporate support assets, was fully reversed as at 30 June 2018.

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

	30 June 2018	2017
Segment	Voyages SNCF	Voyages SNCF
CGU	TGV France and Europe (excluding Eurostar and Thalys)	TGV France and Europe (excluding Eurostar and Thalys)
Assets tested	€2,097 million	€2,102 million
Base used for the recoverable amount	Value in use	Value in use
Source used	10-year plan and indefinite projection of a normative year	10-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	6.7% - 7.6%	6.7% - 7.6%
Long-term growth rate	1.90%	1.80%

The main commercial and operational assumptions underlying the cash flow forecasts are as follows:

- moderate growth in traffic revenue - excluding new lines - over the next 10 years to take into account the macro-economic assumptions and the step-up in the development of multimodal competition;
- a scenario involving the gradual arrival of rail competition once the market is opened;
- a pricing policy geared towards low prices designed to generate considerable traffic growth;
- an infrastructure fee trajectory now pegged to the Consumer Price Index (1.8% in 2020 and 1.75% as from 2021);
- a gross profit rate reflecting the impact of transversal industrial performance plans;
- a gradual decline in the tax on rail company profits and the territorial solidarity tax, assuming the latter tax is reduced to zero as from 2023;
- an investment level for fleet renewal taking into account performance plans relating to the optimised utilisation of trains and including the order of 100 TGV2020 trains;

Several of these assumptions are surrounded by major uncertainties, particularly those depending on external factors that may impact the fulfilment of economic and financial projections:

- the timetable for the arrival of competition and its impact,
- the assumption of falling CST and TREF taxes in line with Intercités activity as well as the underlying tax provisions,
- the implementation of a certain number of levers arising from the rail reform, particularly with the future sector-specific agreement.

The sensitivity of the main assumptions was measured and analysed as follows:

- a ± 20 bp change in the growth of domestic TGV traffic income, excluding the new lines, would have an impact of around ± €950 million on the recoverable amount;

- a ± 50 bp change in the activity's gross profit rate in a normative year would have an impact of ± €260 million on the recoverable amount;
- a change of €10 million in the amount of investments forecast in a normative year would have an impact of ± €70 million on the recoverable amount;
- a ± 50 bp change in the discount rate would results in a change in the recoverable amount by around ±€770 million;
- a ± 20 bp change in the normative year growth rate over the entire period would have an impact of around ± €190 million on the recoverable amount;
- a return to the CST/TREF trajectory in the previous strategic plan (validated on 23 February 2018) would result in a change in the recoverable amount by around -€473 million.

Considering the recoverable amount determined as at 30 June 2018, none of the above sensitivity analyses, taken individually, would call into question the impairment reversal for the assets of the TGV France and Europe (excluding Eurostar and Thalys) CGU.

4.2.2 Gares & Connexions CGU

In the first half of 2015, the decisions and opinions issued by ARAFER challenged the return on capital invested used by SNCF Gares & Connexions in the calculation of regulated service fees, which had an impact on the CGU's gross profit.

In this context, SNCF Gares & Connexions began to examine possible changes to its business and pricing model, based on open discussions with the various stakeholders (partners, organising authorities, supervisory authorities, regulatory authorities, etc.), and a strategic plan for the 2016-2025 period incorporating its target vision of the new pricing model was also drafted.

Considering these items, an impairment test was performed as at 30 June 2015 for the Gares & Connexions CGU, resulting in the recognition of a €450 million impairment loss. The strategic plan and impairment test were surrounded by contingencies and uncertainties relating to the pricing model under negotiation.

As at 31 December 2015, in the absence of an indication of impairment loss or reversal, no test was performed. The new business and pricing model and its possible changes were still being discussed with the various stakeholders.

In 2016, the management of SNCF Gares & Connexions launched a public consultation on its new pricing model incorporating new changes. Considering the reactions of the various stakeholders summarised in October 2016 following this consultation, this pricing model was still being discussed and adapted. The decisions of ARAFER challenging the level of return on capital invested were also confirmed by the Conseil d'État in October 2016.

In connection with the drafting of the ten-year performance contract between the French State and SNCF Mobilités and its financial trajectory, approved by the SNCF Mobilités' Board of Directors on 16 December 2016, the SNCF Gares & Connexions 2016-2025 strategic plan was modified, particularly regarding the forecast profitability and investment levels. The ensuing 2017-2026 strategic plan however continued to be based on the target vision of the pricing model and did not incorporate all the changes proposed as part of the consultation.

This new strategic plan, establishing the performance contract's financial trajectory, led management to perform an impairment test on the assets of the Gares & Connexions CGU as at 31 December 2016, resulting in an impairment reversal of €273 million. The impairment reversal essentially covered property, plant and equipment.

In addition, the French Government's report on the development of passenger rail station management to the French Parliament, as provided by the rail reform law of 4 August 2014 within a period of two years following its publication, was still pending at the end of 2016. In July 2016, ARAFER published a study on the matter including several scenarios for station transfer and management, including a planned removal of SNCF Gares & Connexions from the SNCF Mobilités scope.

In March 2017, the French Government released its report for the French Parliament on the development of passenger rail station management. This report set out several scenarios regarding changes in governance for the SNCF Gares & Connexions activity and appeared to confirm the principle that this activity would exit the SNCF Mobilités scope in the future, but without providing details.

Furthermore, in early July 2017, ARAFER notified a generally favourable opinion for the 2017 DRG.

Finally, SNCF Gares & Connexions pursued its ideas and discussions on its new economic and pricing model, and launched a public consultation in May 2017. The results of this public consultation were analysed in the autumn of 2017. As at 31 December 2017, discussions and negotiations continued with the ARAFER departments on the future economic and pricing model and the DRG 2018-2020. The Group considered that the 2017 results, the 2018 budget and the draft DRG 2018-2020 regarding regulated activity, which is still under discussion, did not call into question the financial trajectory in the 2017-2026 strategic plan as used in the impairment test performed at the end of 2016, whether in terms of revenue, investments or profitability. In the absence of an identified indication of impairment loss or reversal, no test was performed as at 31 December 2017.

In the absence of goodwill and intangible assets with indefinite useful lives, the impairment loss mainly concerns property, plant and equipment and can therefore be reversed.

Having identified indications of impairment reversal (see Notes 1.2.3.2 and 1.2.3.3), management conducted an impairment test on the assets of the Gares & Connexions CGU as at 30 June 2018. As the value in use determined from this test exceeded the net carrying amount of the CGU's assets, the residual previous recorded impairment loss was fully reversed as at 30 June 2018, i.e. €107 million.

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

	30 June 2018
Segment	Gares & Connexions
CGU	Gares & Connexions
Assets tested	€1,873 million
Base used for the recoverable amount	Value in use
Source used	10-year plan and indefinite projection of a normative year
Discount rate (minimum - maximum)	5.0% - 5.5%
Long-term growth rate	1.90%

The impairment test was conducted as at 30 June 2018, taking into account cash forecasts over a period of 10 years, compared to 5 years previously. This new timeframe is considered to be better adapted to the economic and financial model of SNCF Gares & Connexions to take into account factors contributing to the changes in financial trajectory as mentioned above (return on new investments, particularly in real estate, and on performance plans).

The terminal value adopted for the impairment test is predominant (82.5%) in the calculation of the recoverable amount of the CGU's assets. The main assumptions adopted in a normative year are as follows:

- A gross profit margin equivalent to that of 2028,
- Investments corresponding to the average for the 2025-2028 period,
- Standard depreciation and amortisation reflecting the depreciation and amortisation curve trend over the duration of the test.

Furthermore, the main commercial and operational assumptions underlying the cash flow forecasts are as follows:

- The levels of regulated and commercial activity,
- The return on capital employed,
- The gross profit margin reflecting the impact of transversal industrial performance plans,
- The level of investment required to meet the trajectory.

The sensitivity tests carried out as at 30 June 2018 on:

- investments revealed that a change of €20 million in the amount forecast in a normative year would have an impact of ± €282 million on the recoverable amount;
- the activity's gross profit margin revealed that a change of ±100 bp in this rate for a normative year would have an impact of ± €242 million on the recoverable amount;
- the discount rate (±20 bp) resulted in a change in the recoverable amount for approximately ±€130 million;
- the growth rate for a normative year revealed that a change of ± 20 bp in this rate over the entire period would have an impact of ± €113 million on the recoverable amount.

4.3 PROVISIONS FOR RISKS AND LITIGATION

Movements in provisions for risks and charges break down as follows:

In € millions	01/01/2018	Charges	Reversals used	Reversals not used	Other changes	30/06/2018	of which current	of which non-current
Contractual litigation and risks	215	12	-10	-6	0	211	56	155
Tax, employee and customs risks	166	15	-111	-14	0	56	27	29
Environmental risks	702	6	-19	-16	-15	658	9	649
Restructuring costs	18	1	-6	-2	0	11	8	3
Other	238	13	-9	-31	0	211	55	155
Total provisions	1,339	47	-154	-68	-15	1,148	156	991

4.3.1 Provisions for environmental risks

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

- site decontamination: €33 million (€35 million in 2017).
- asbestos-related costs: €620 million (€661 million in 2017).

4.3.2 Provisions for contractual litigation and risks

The provision for contractual litigation and risks mainly includes risks associated with legal disputes and contract settlements in addition to contractual risks.

4.3.2.1 Litigation

Resolved litigation

- Ruling of the Paris Industrial Tribunal

The Paris Industrial Tribunal handed down its decisions on 21 September 2015 with respect to the appeals filed by former Moroccan employees. SNCF Mobilités accounted for the consequences in its financial statements based on the penalties handed down. An appeal was filed, thus suspending payment of the sums claimed. In May 2017, the first cases were argued before the Appeal Court. A ruling against SNCF was issued on 31 January 2018 and the Group was ordered to pay compensation to the former employees. The Group decided not to appeal. In the 2018 half-year financial statements, SNCF Mobilités has recorded an expense impacting gross profit and reversed the previously recognised provision. Other cases will also be argued for the first time before the Industrial Tribunal in 2018. An additional provision is set aside as and when new appeals are filed with the Paris Industrial Tribunal. The provision is recorded under "Provisions for tax, employee-related and customs risks."

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

Having identified an inconsistency in the calculation method for the T1 old age contribution rate used to finance the special retirement plan, SNCF Mobilités requested an amendment from the relevant ministries. In the absence of any response, the company brought the case before the Conseil d'État, which rejected in January 2015 the appeals covering the 2011 and 2012 rates, considering that the cases put forward were not sufficiently justified. On 20 May 2016, considering it to be vitiated by an error of law pursuant to the decree of 28 June 2007, the Conseil d'État cancelled the interministerial decree of 16 July 2014 that determined the definitive T1 components for 2013 and the provisional T1 components for 2014 and thus validated the approach put forward by the company. On 12 July 2016, the Conseil d'État also cancelled the interministerial decree of 27 July 2015 that determined the components of the definitive T1 for 2014 and the provisional T1 for 2015.

In decrees dated 2 May and 3 October 2017, the final T1 rates for 2013, 2014, 2015 and 2016 were published in the Journal Officiel. They incorporated the calculation method recommended by the Company and approved by the *Conseil d'État* in its 2016 decision.

The total income vested to SNCF Mobilités was €89 million, of which €66 million for 2013 and 2014 and €23 million for 2015 and 2016. This income was recognised in "Other exceptional income and expenses" in the income statement for €58 million in the 2016 financial statements and for €31 million in the 2017 financial statements.

Ongoing litigation

- Investigation of the Competition Authority regarding Fret SNCF

An investigation was conducted by the Competition Authority regarding Fret SNCF. In March 2012, the reporting judges transmitted a final report to the Competition Authority with a certain number of grievances, all of which were challenged by EPIC SNCF Mobilités (formerly EPIC SNCF), due to their unfounded nature and the lack of competition law infringement. Following the Competition Authority's decision (December 2012), EPIC SNCF Mobilités was ordered to pay a fine of €61 million for having conducted several practices that hindered or delayed the entry of new operators into the rail freight transport market. This fine was expensed in 2012 under "Purchases and external charges" within gross profit. The Authority also issued a judicial order regarding Fret SNCF's pricing policy and imposed that certain measures, particularly of an accounting and commercial nature, be implemented and in effect at the end of a three-year period in order to render such policy more objective. In January 2013, SNCF Mobilités appealed this decision before the Paris Appeal Court, which ruled on 6 November 2014, judging that the grievance concerning predatory pricing was unsubstantiated and the order to pay was no longer justified. It also reduced the financial penalty that SNCF Mobilités was ordered to pay to €48 million. ECR and the Competition Authority appealed in December 2014. Proceedings continued in 2015, with further pleadings by ECR and the Competition Authority, and EPIC SNCF Mobilités' observations in reply (also applicable for the appeal).

The Court of Cassation issued its ruling on 22 November 2016. The Court quashed the Paris Appeal Court decision of 6 November 2014 based on two issues: the Court i) held that the practice of predatory pricing by EPIC SNCF on the rail freight transport market using full-load trains had not been established and that the injunction was inapplicable and ii) dismissed the aggravating circumstance drawn from the reiteration. Based on these two issues, the Court referred the matter to a differently constituted Appeal Court. Furthermore, the Court of Cassation demanded the payment of €13 million corresponding to the reduction in the financial penalty arising from the November 2014 decision.

EPIC SNCF Mobilités referred to the Appeal Court on 16 January 2017 and filed its observations on 22 June 2017.

Following the order of the Court of Cassation and the request for payment by the French Treasury, EPIC SNCF Mobilités paid out €5 million in 2017.
The Competition Authority and ECR filed observations in reply on 10 October 2017 and SNCF Mobilités filed a rejoinder on 16 November 2017. The hearing took place on 14 December 2017. Deliberation should take place in November 2018.

- Investigation of the Competition Authority regarding the Distribution and Express segment

The Competition Authority investigated the Distribution and Express segment with regard to an alleged agreement on pricing adjustments for the 2005/2010 period. A notice of grievances was sent to Geodis and SNCF Mobilités in July 2014. After observations of the parties, the Competition Authority's investigation department issued a report on 22 April 2015, largely dismissing the arguments presented by the various stakeholders. Geodis and SNCF Mobilités put forward their observations in reply. The Competition Authority's board hearing was held on 30 September 2015.

The Competition Authority rendered its decision on 15 December 2015, imposing a fine of €196 million on Geodis, a Group subsidiary. EPIC SNCF Mobilités is jointly and severally liable for the fine's payment in the amount of €89 million. EPIC SNCF Mobilités and Geodis appealed the decision of the Competition Authority before the Paris Court of Appeal. The expense of €196 million recognised as at 31 December 2015 in Geodis' accounts was fully paid in April 2016. On 22 January 2016, Geodis appealed the decision and a hearing took place in March 2017. The Paris Appeal Court finally handed down its decision on 19 July 2018, reducing the fine of €196 million to €166 million. At this stage, pending the filing of an appeal by the parties, to be resolved by 19 August 2018 at the latest, the SNCF Mobilités Group did not draw any conclusions from this ruling in its 30 June 2018 financial statements (see Note 2.2.2).

- Brétigny-sur-Orge accident

Following the derailment on 12 July 2013 of Paris-Limoges intercity train no. 3657 in Brétigny-sur-Orge (Essonne) station, and after having filed the two legal expert reports requested by the investigating judges, RFF and SNCF, which became SNCF Réseau and SNCF Mobilités, respectively, on 1 January 2015, were indicted for "involuntary manslaughter and unintentional injuries through carelessness, recklessness, inattention, negligence, or failure to observe an obligation of due care or precaution" and heard by the judges.

SNCF Réseau and SNCF Mobilités firmly challenged the expert reports, cast doubt on the seriousness of the metallurgical evaluation, and requested that additional work be carried out for which the approval was notified at the end of January 2016.

As this additional work had still not provided any response to the outstanding issues, SNCF Mobilités requested an additional expert assessment on 29 February 2016. The investigating judges ruled that the conditions for opening an investigation were not satisfied. The appeal went before the investigating chamber which ordered an additional appraisal to be carried out in October 2017, later postponed by the judges until January 2018. The report has yet to be submitted.
Since the accident, EPIC SNCF Mobilités has set up a dedicated team to assist the victims and their families. Under the aegis of the coordination authority designated by the Ministry of Transport, EPIC SNCF Mobilités immediately committed to a compensation programme for the accident's human and material consequences. The liability insurer has now assumed responsibility for the compensation since the date the deductible (€3 million) was exceeded.

As a precautionary measure, on 8 October 2013, SNCF Mobilités and SNCF Réseau launched the Vigirail programme, designed to improve switching safety and upgrade track maintenance. This program includes actions that meet the recommendations issued by the French Land Transport Accident Investigation Bureau (BEA-TT) in its progress report of 10 January 2014. Following the conclusions of the final report made public by the BEA-TT on 18 September 2015, EPIC SNCF Mobilités pledged to implement three new recommendations.

- Appeal to the Conseil d'État for the calculation of the old age T2 contribution rate for the special pension plan

In a decree of 2 May 2017, the T2 rate, the other flat-rate contribution paid in discharge of liabilities to finance the special railway employee pension plan, was raised by 2 points as at 1 May 2017. Since 2 May 2017, the company has paid T2 contributions at the new rate determined by the decree. Nevertheless, on 23 May 2017, the company filed an appeal with the Conseil d'État in accordance with the decree of 28 June 2007, which provides for a revaluation mechanism based on changes in certain statutory contributions. Several additional observations and observations in reply have since been produced by the company and the French State. Following the appointment of a reporter, the Conseil d'État hearing took place on 9 July 2018 and an unfavourable decision was issued on 18 July 2018. Following this ruling, a €5.8 million provision impacting the valuation of employee commitments for personnel with qualifying status (long-service awards, time-savings accounts and gradual cessation of activity) was set aside as at 30 June 2018 (see Note 2.2.4).

- Action for damages relating to work contracts

A settlement agreement dated 19 February 2016 brought an end to the action for damages filed by SNCF, now SNCF Mobilités, against companies that were sanctioned by the French Competition Council on 21 March 2006 in regard to arrangements covering the Eole Magenta and Condorcet stations, with the exception of the non-signatory Bouygues group companies (Bouygues, Bouygues Construction and Bouygues Travaux Publics).

SNCF Mobilités' action for damages against the Bouygues group companies was rejected by the Paris Administrative Court of Appeal in a decision on 27 December 2017. SNCF Mobilités has appealed against this ruling before the *Conseil d'Etat*. At the same time, the appeal to invalidate the settlement agreement initiated by Bouygues before the Paris Administrative Court was rejected in the decision of 16 May 2018.

- Derailment of a test train in Eckwersheim

On 14 November 2015, a test train derailed on the new East European high-speed line from Paris to Strasbourg, leaving 11 dead and 42 injured. In December 2015, a legal investigation for involuntary manslaughter and unintentional injuries was opened.

On 18 and 20 December 2017, Systra (test integrator) and EPIC SNCF Mobilités (responsible for operating the train and measurements) were indicted before the "group accidents" division of the Paris Regional Court.

Since the accident, the entities involved – including SNCF Mobilités – wished to set up a scheme enabling all the victims of this group accident to receive compensation, regardless of their plan (work-related injury or statutory plan). SNCF was given the task of implementing this scheme "for the benefit of whomsoever it may concern."

From an accounting perspective, as the liabilities have not yet been ascertained, no provision for this compensation was recorded in the EPIC SNCF Mobilités financial statements for the year ended 30 June 2018.

4.3.2.2 Provisions for onerous contracts

There were no onerous contracts as at 30 June 2018.

4.3.3 Provisions for tax, employee-related and customs risks

The changes recognised in regard to provisions for tax, employee-related and customs risks stem primarily from the decisions handed down by the Paris Industrial Tribunal in connection with litigations opposing SNCF Mobilités and former employees (see Note 4.2.2, Resolved litigation).

5 CAPITAL AND FINANCING

In € millions	30/06/2018(*)	30/06/2017	Change
Net changes in fair value and hedges	17	19	-2
Gains and losses on derivative instruments	24		
Gains and losses on fair value hedged items	6		
Gains and losses on equity instruments at fair value through profit or loss	11		
Gains and losses on debt instruments at fair value through profit or loss	2		
Gains and losses on financial liabilities at fair value through profit or loss	-2		
Other fair value gains and losses	-25		
Net borrowing costs	-142	-140	-2
Of which interest income and expense on financial assets at amortised cost	*76*		
Of which interest income and expense on financial liabilities at amortised cost	*-223*		
Other interest expense and income	-5	-1	-3
Net borrowing and other costs	-130	-122	-8

(*) The implementation of IFRS 9 includes additional information in the notes on net borrowing costs (amendment to IFRS 7). The comparative information was not restated (see Note 1.3.2)

In € millions	30/06/2018	30/06/2017	Change
Interest expense	-347	-345	-2
Interest income	217	222	-6
Net borrowing and other costs	-130	-122	-8

30/06/2018				Financial instruments				Total	Fair value			
Balance sheet heading and classes of financial instruments In € millions	**Non-current**	**Current**	**Net indebtedness**	At fair value through equity	At amortised cost	At fair value through profit or loss	Derivatives qualified for hedging	Net carrying amount of the class on the balance sheet	Fair value of the class	Level 1	Level 2	Level 3
SNCF Réseau receivable	665	53	718	-	718	-	-	718	987	-	987	-
SNCF receivable	353	60	413	-	413	-	-	413	450	-	450	-
Public Debt Fund receivable	1,485	73	1,558	-	1,558	-	-	1,558	1,914	-	1,914	-
Cash collateral assets	-	496	496	-	496	-	-	496	496	-	496	-
Other loans and receivables	465	56	522	-	515	7	-	522	537	1	536	1
Concession financial assets	1,317	81	-	-	1,399	-	-	1,399	1,538	-	1,538	-
Debt securities	32	-	32	-	-	32	-	32	32	-	-	32
Sub-total debt instruments	**4,317**	**819**	**3,738**	**-**	**5,098**	**38**	**-**	**5,137**	**5,954**	**1**	**5,921**	**33**
Pension assets	13											
Investments in equity instruments	223	0	-	174	-	49	-	223	223	-	53	170
Trading instruments	-	2	2	-	-	2	-	2	2	2	-	-
Positive fair value of hedging derivatives	303	83	385	-	-	-	385	385	385	-	385	-
Positive fair value of trading derivatives	701	46	747	-	-	747	-	747	747	-	747	-
Cash and cash equivalents	-	5,024	5,024	-	-	5,024	-	5,024	5,024	4,174	850	0
Total current and non-current financial assets	**5,557**	**5,974**	**9,897**	**174**	**5,098**	**5,861**	**385**	**11,518**	**12,335**	**4,176**	**7,957**	**202**
Bonds	10,707	1,468	12,176	-	11,993	183	-	12,176	14,163	-	14,163	-
Bank borrowings	2,112	82	2,194	-	2,194	-	-	2,194	2,205	0	2,205	-
Finance-lease borrowings	620	233	853	-	853	-	-	853	850	0	850	-
Sub-total borrowings	**13,440**	**1,783**	**15,223**	**-**	**15,040**	**183**	**-**	**15,223**	**17,218**	**0**	**17,218**	**-**
of which:												
- not subject to hedging	*8,785*	*1,279*	*10,063*	-	*10,063*	-	-	*10,063*	*11,674*	*-0*	*11,674*	-
- recognised using cash flow hedge accounting	*2,341*	*447*	*2,788*	-	*2,788*	-	-	*2,788*	*3,074*	-	*3,074*	-
- recognised using fair value hedge accounting	*2,168*	*21*	*2,189*	-	*2,189*	-	-	*2,189*	*2,287*	-	*2,287*	-
- designated as fair value (*)	*147*	*36*	*183*	-	-	*183*	-	*183*	*183*	-	*183*	-
Negative fair value of hedging derivatives	472	*43*	515	-	-	-	515	515	515	-	515	-
Negative fair value of trading derivatives	568	*36*	604	-	-	604	-	604	604	-	604	-
Loans and borrowings	**14,479**	***1,862***	**16,341**	**-**	**15,040**	**787**	**515**	**16,341**	**18,336**	**0**	**18,336**	**-**
Cash borrowings and overdrafts	-	1,722	1,722	-	1,722	-	-	1,722	1,722	256	1,465	-
Amounts payable on non-controlling interest purchase commitments	1,569	-	-	1,569	-	-	-	1,569	1,569	-	-	1,569
Total current and non-current liabilities	**16,048**	**3,584**	**18,063**	**1,569**	**16,761**	**787**	**515**	**19,632**	**21,627**	**256**	**19,802**	**1,569**
Group net indebtedness	10,475	-2,309	8,167	-	13,062	-5,025	130	8,167	9,484	-3,920	13,437	-33

The Group did not designate any financial assets at fair value through profit or loss.

(*) The nominal amount of liabilities recorded under the fair value option was €149 million. These liabilities were designated at fair value at initial recognition.

31/12/2017 Balance sheet heading and classes of financial instruments In € millions	Non-current	Current	**Net indebtedness**	Financial instruments: At fair value through equity	Financial instruments: Loans, receivables, debt at amortised cost	Financial instruments: At fair value through profit or loss	Financial instruments: Derivatives qualified for hedging	Total: Net carrying amount of the class on the balance sheet	Fair value: Fair value of the class	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3
SNCF Réseau receivable	665	26	691	-	691	-	-	691	981	-	981	-
SNCF receivable	356	51	407	-	407	-	-	407	448	-	448	-
Public Debt Fund receivable	1,491	42	1,533	-	1,533	-	-	1,533	1,923	-	1,923	-
Cash collateral assets	-	573	573	-	573	-	-	573	573	-	573	-
Other loans and receivables	453	57	510	-	510	-	-	510	530	1	528	1
Concession financial assets	1,195	117		-	1,312	-	-	1,312	1,439	-	1,439	-
Sub-total loans and receivables	**4,160**	**867**	**3,715**	**-**	**5,027**	**-**	**-**	**5,027**	**5,895**	**1**	**5,892**	**1**
Pension assets	13									-	-	-
Available-for-sale assets	229	0		229	-	-	-	229	229	-	38	191
Assets at fair value through profit or loss	-	1	1	-	-	1	-	1	1	1	0	-
Positive fair value of hedging derivatives	336	91	426	-	-	-	426	426	426	-	426	-
Positive fair value of trading derivatives	736	115	852	-	-	852	-	852	852	-	852	-
Cash and cash equivalents	-	6,394	6,394	-	-	6,394	-	6,394	6,394	5,624	770	0
Total current and non-current financial assets	**5,474**	**7,468**	**11,387**	**229**	**5,027**	**7,246**	**426**	**12,929**	**13,796**	**5,626**	**7,978**	**193**
Bonds	10,878	1,598	12,476	-	12,297	179	-	12,476	14,598	-	14,598	-
Bank borrowings	2,004	95	2,099	-	2,099	-	-	2,099	2,112	0	2,111	0
Finance-lease borrowings	641	217	858	-	858	-	-	858	857	0	857	0
Sub-total borrowings	**13,523**	**1,910**	**15,433**	**-**	**15,254**	**179**	**-**	**15,433**	**17,566**	**0**	**17,566**	**0**
of which:												
- measured at amortised cost	*11,215*	*1,837*	*13,052*	-	*13,052*	-	-	*13,052*	*15,085*	*0*	*15,084*	*0*
- recognised using fair value hedge accounting	*2,162*	*40*	*2,202*	-	*2,202*	-	-	*2,202*	*2,302*	-	*2,302*	-
- designated as fair value (*)	*147*	*32*	*179*	-	-	*179*	-	*179*	*179*	-	*179*	-
Negative fair value of hedging derivatives	494	31	525	-	-	-	525	525	525	-	525	-
Negative fair value of trading derivatives	590	114	704	-	-	704	-	704	704	-	704	-
Loans and borrowings	**14,608**	**2,054**	**16,662**	**-**	**15,254**	**883**	**525**	**16,662**	**18,795**	**0**	**18,794**	**0**
Cash borrowings and overdrafts	-	2,640	2,640	-	2,640	-	-	2,640	2,640	262	2,378	-
Amounts payable on non-controlling interest purchase commitments	1,275	-		1,275	-	-	-	1,275	1,275	-	-	1,275
Total current and non-current liabilities	**15,883**	**4,693**	**19,301**	**1,275**	**17,893**	**883**	**525**	**20,576**	**22,710**	**262**	**21,172**	**1,275**
										-	-	-
Group net indebtedness	**10,571**	**-2,657**	**7,914**	**-**	**14,178**	**-6,364**	**99**	**7,914**	**9,307**	**-5,364**	**14,671**	**-1**

The Group did not designate any financial assets at fair value through profit or loss.

(*) The nominal amount of liabilities recorded under the fair value option was €145 million. These liabilities were designated at fair value at initial recognition.

The opening and closing balances of liabilities arising from financing activities and the financial assets hedging these liabilities in the consolidated statement of financial position were reconciled as follows:

In € millions	31/12/2017	Cash flow from financing activities					"Non-monetary" changes					30/06/2018
	Total	Issue of debt instruments	Repayments of borrowings	Net borrowing costs paid	Increase/(decrease) in cash borrowings	Cash from equity transactions	Changes in fair value	Exchange rate fluctuations	Change in scope	Non-monetary change in leases	Other	Total
Liabilities (A)	**20,314**	**94**	**-214**	**-128**	**-959**	**0**	**243**	**-1**	**3**	**27**	**-3**	**19,376**
Bonds	12,476	0	-169	-92	0	0	-39	0	0	0	0	12,176
Bank borrowings	2,099	79	3	1	0	0	10	-1	0	0	3	2,194
Finance-lease borrowings	858	15	-48	0	0	0	0	-1	2	27	-1	853
Cash borrowings and overdrafts	2,378	0	0	0	-959	0	47	0	0	0	0	1,466
Amounts payable on non-controlling interest purchase commitments	1,275	0	0	0	0	0	294	0	0	0	0	1,569
Negative fair value of hedging and trading derivatives	1,229	0	0	-38	0	0	-68	0	0	0	-4	1,119
Assets (B)	**3,551**	**0**	**1**	**-12**	**0**	**0**	**-71**	**0**	**0**	**0**	**-3**	**3,467**
SNCF Réseau receivable	691	0	0	27	0	0	0	0	0	0	0	718
SNCF receivable - Accrued interest	6	0	0	6	0	0	0	0	0	0	0	11
Public Debt Fund receivable	1,533	0	0	31	0	0	-6	0	0	0	0	1,558
Other loans and receivables - Accrued interest	5	0	0	1	0	0	0	0	0	0	0	5
Deposits and securities	39	0	1	0	0	0	0	0	0	0	1	41
Positive fair value of hedging and trading derivatives	1,278	0	0	-76	0	0	-65	0	0	0	-4	1,132
Financial income and expenses (C)		**0**	**0**	**-147**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Expenses		0	0	-334	0	0	0	0	0	0	0	
Income		0	0	186	0	0	0	0	0	0	0	
Financing cash flows in the CFS (A-B+C)	**16,763**	**94**	**-215**	**-263**	**-959**	**0**	**314**	**-2**	**3**	**27**	**0**	**15,909**

In € millions	31/12/2016	Cash flow from financing activities					"Non-monetary" changes					30/06/2017
	Total	Issue of debt instruments	Repayments of borrowings	Net borrowing costs paid	Increase/ (decrease) in cash borrowings	Cash from equity transactions	Changes in fair value	Exchange rate fluctuations	Change in scope	Non-monetary change in leases	Other	Total
Liabilities (A)	**19,186**	**1,642**	**-215**	**-123**	**-742**	**-4**	**-288**	**-51**	**-5**	**29**	**15**	**19,446**
Bonds	11,432	1,420	-94	-72	0	0	-159	0	0	0	0	12,527
Bank borrowings	1,845	204	-77	1	0	0	12	-46	-5	0	1	1,935
Finance-lease borrowings	860	19	-44	0	0	0	0	-2	0	29	0	861
Cash borrowings and overdrafts	2,457	0	0	0	-742	0	-32	0	0	0	15	1,698
Amounts payable on non-controlling interest purchase commitments	1,177	0	0	0	0	-4	16	0	0	0	0	1,189
Negative fair value of hedging and trading derivatives	1,415	0	0	-51	0	0	-125	-3	0	0	0	1,236
Assets (B)	**3,929**	**0**	**4**	**-12**	**0**	**0**	**-215**	**-1**	**1**	**0**	**-1**	**3,706**
SNCF Réseau receivable	697	0	0	27	0	0	0	0	0	0	0	724
SNCF receivable - Accrued interest	6	0	0	6	0	0	0	0	0	0	0	13
Public Debt Fund receivable	1,545	0	0	31	0	0	-6	0	0	0	0	1,570
Other loans and receivables - Accrued interest	4	0	0	0	0	0	0	0	1	0	-1	4
Deposits and securities	29	0	4	0	0	0	0	-1	0	0	0	32
Positive fair value of hedging and trading derivatives	1,647	0	0	-76	0	0	-209	0	0	0	0	1,362
Financial income and expenses (C)		**0**	**0**	**-145**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Expenses		0	0	-298	0	0	0	0	0	0	0	
Income		0	0	153	0	0	0	0	0	0	0	
Financing cash flows in the CFS (A-B+C)	**15,257**	**1,642**	**-219**	**-256**	**-742**	**-4**	**-73**	**-49**	**-5**	**29**	**16**	**15,740**

6 OFF-BALANCE SHEET COMMITMENTS

The main changes in commitments given since 31 December 2017 were as follows:

- Security interests rose by €100 million relating to the pledge of Siemens trains delivered to Eurostar.
- Net investment commitments for the operation of rail equipment decreased by less than €300 million:
    - o The decline stemmed from advances paid and deliveries received involving TGV 2N trains, TGV 3UFC trains, Régio2N trains at Transilien and at TER, RER NG trains, Siemens trains at Eurostar, Régiolis trains and NAT trains.
    - o The increase was mainly attributable to the new investment programme involving 32 Dualis Tram-Trains, a new purchase agreement covering 9 Regio2N trains and rolling stock modernisation and transformation agreements.
- Purchase and financing commitments for non-current assets other than rail equipment increased by €289 million, of which €158 million relating to creation and adaptation projects for the workshops that will house the new RER NG trains, €105 million relating to the revaluation of ticketing project costs, and €40 million relating to an increase in EOLE project costs.
- A €75 million increase in property operating lease commitments was primarily due to the signing of new property leases.
- Operating and financial guarantees rose by €35 million due to the signing of new contracts at Keolis.
- Commitments relating to operating and fixed asset purchase agreements declined by €86 million mainly due to the advancement in track reservation contracts for €90 million at Keolis and Eurostar.
- Firm commodity purchase commitments increased by €58 million following the renegotiation of SNCF Combustible contracts for €46 million.

The main changes in commitments received over the half-year were as follows:

- Financing commitments rose by €91 million following the revaluation of the financial guarantees covering property management contracts at Retail and Connexions.
- Net investment funding commitments receivable from the Regions for the operation of rolling stock declined by €242 million:
    - o The decrease stemmed from Régio2N trains for €230 million, NAT trains for €103 million, Régiolis trains for €145 million, OMNEO trains for €27 million and RER NG trains for €33 million.
    - o Partially offset by an increase involving grants receivable from OA for €200 million at Transilien relating to Dualis Tram-Trains and for the overhaul or transformation of rolling stock at TER for €121 million.
- Investment funding commitments receivable from the Regions for the operation of fixed assets other than rolling stock increased by €128 million following the modernisation of ticketing under the IDF Mobilités contract for €186 million, partially offset by the work progress for new TER workshops in the amount of €54 million.

In 2017, SNCF Mobilités set up a revolving factoring facility for the assignment of trade receivables in the Geodis sector. The transactions cover the entire amount of assigned receivables and can be carried out on a monthly basis. Counterparty and late payment risks and the benefits associated with the receivables are transferred to the factor. As the receivables are denominated and assigned in euros, there is no foreign exchange risk. Accordingly, the Group is deemed to have transferred virtually all the risks and rewards relating to the receivables. As this involves operating receivables, assignments led to net receipts for the Group presented in "Net cash from operating activities" on the cash flow statement. Assignments at the year-end resulted in a net receipt of €106 million being obtained in advance from the factor compared to the usual debt collection period.

7 SCOPE OF CONSOLIDATION

There were no major changes in the scope of consolidation during the period.

SNCF Mobilités

Statutory Auditors' review report on the 2018 interim financial information

For the six months ended 30 June 2018

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine
French S.A.S.

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie, Paris-La Défense 1
French S.A.S. with variable capital

Statutory Auditors' review report on the 2018 interim financial information

For the six months ended 30 June 2018

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

SNCF Mobilités
9, rue Philippe Rameau
93212 Saint Denis Cedex 02

In compliance with the assignment entrusted to us by the French Minister for the Economy, Industry and Digital Affairs on 18 April 2014 and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of SNCF Mobilités for the six months ended 30 June 2018;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I – Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As indicated in Note 1.2.2 to the condensed interim consolidated financial statements, at 30 June 2018 the Company maintained the same amount of deferred tax assets relating to Epic SNCF Mobilités on its balance sheet as at 31 December 2017. As part of the reform of the French rail sector, studies are being carried out with respect to the legal and tax reorganisation of the Group which should be implemented in 2020, and could have significant impacts on the amount of tax loss carry forwards depending on the chosen scenario. To date, in the ongoing discussions with the French State, the Company's shareholder, as no one scenario can be singled out, the Company considered that it was unable to book an additional amount of deferred tax assets, despite the improvement in its financial trajectories. As a result, we are also unable to express a conclusion on the additional amount of deferred tax assets at 30 June 2018, which, as mentioned in the Notes, would amount to at least €0.2 billion and have not been recognised.

Based on our review, and subject to the above qualification, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 – "Interim Financial Reporting", as adopted by the European Union.

Without prejudice to the conclusion expressed above, we draw your attention to:

- Notes 1.2.3, 2.1.2 and 4.2.1 to the condensed interim consolidated financial statements, which describe why an impairment test was carried out at 30 June 2018 on the assets of the TGV France and Europe (excluding Eurostar and Thalys) cash-generating unit (CGU). The test was based on the new TGV strategic plan for 2019-2028, which was approved by the Board of Directors on 26 July 2018. The financial trajectory of the plan includes the new indexation for rail infrastructure fees, as well as the changes in key assumptions taken into account for the new overall strategic plan for the SNCF Mobilités group to which it contributes, some of which depend on factors that are external to the Company. The impairment test, primarily as a result of the favourable impact of the new indexation for rail infrastructure fees, led to a reversal of the entire amount of impairment recognised in previous years, in a residual amount of €3.2 billion.

- Notes 1.2.3, 2.1.2 and 4.2.2 to the condensed interim financial statements, which set out the opinion of the French rail and road office (ARAFER) on the "Document de Référence des Gares 2018-2019", approving most of the main principles of the new business and pricing model of Gares & Connexions, and the confirmation by the French law overhauling the state rail (*nouveau pacte ferroviaire*) of the future inclusion of Gares & Connexions within SNCF Réseau as a subsidiary, as of 1 January 2020. Accordingly, a new 2019-2028 strategic plan and a financial trajectory have been drawn up for Gares & Connexions. The Management considers that this financial trajectory can be transposed and operated as a subsidiary of SNCF Réseau within the future operating framework. An impairment test was initiated at 30 June 2018 on this basis and led to a reversal of the entire amount of residual impairment (€107 million) recognised against the CGU's assets.

II – Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. With the exception of the possible impact of the matters set out in the first part of this report, we have no matters to report as to its fair presentation and its consistency with the condensed financial statements.

Neuilly-sur-Seine and Paris-La Défense, 26 July 2018

The Statutory Auditors

PricewaterhouseCoopers Audit		ERNST & YOUNG Audit	
Laurent Daniel	François Guillon	Christine Vitrac	Denis Thibon