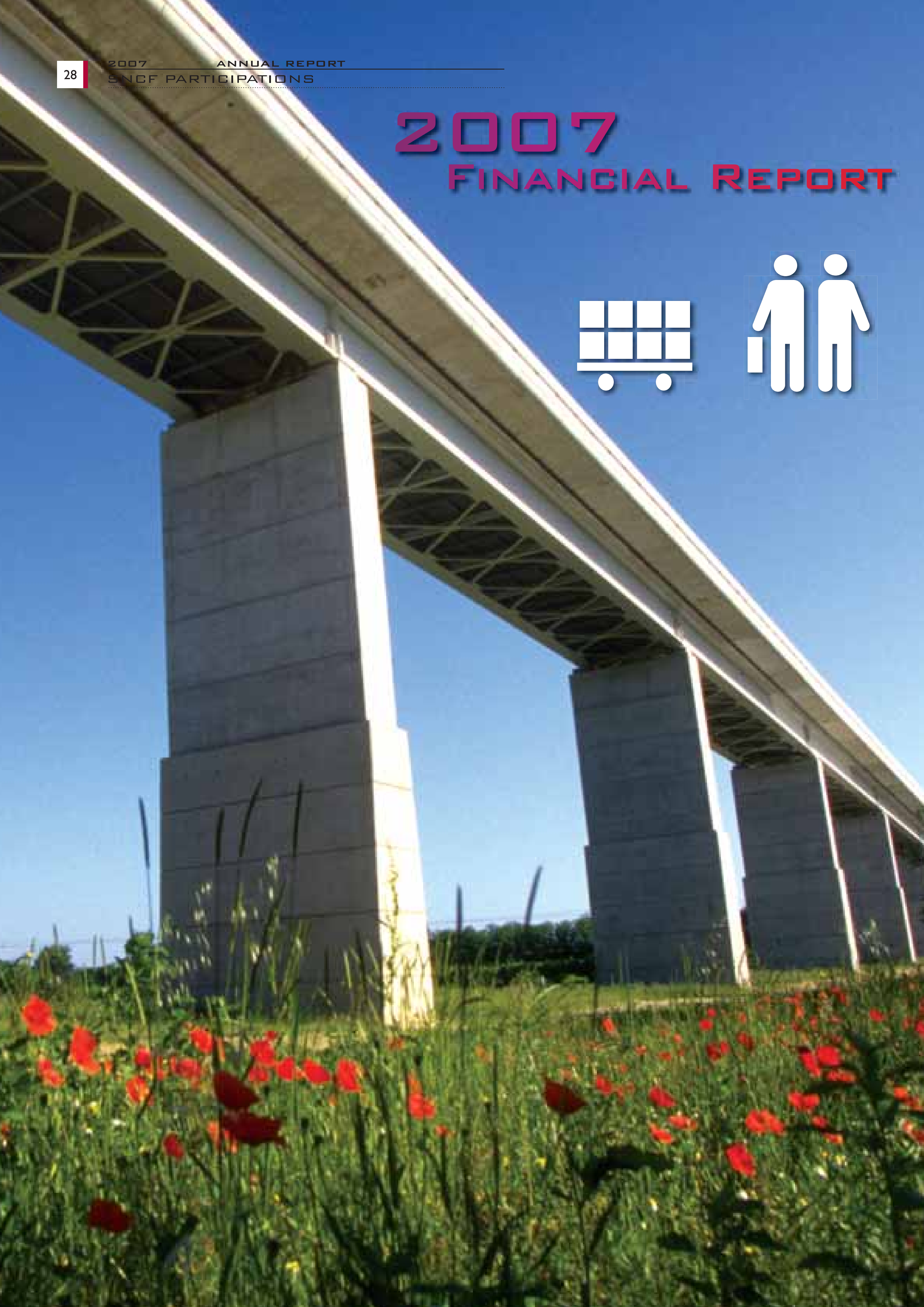
# 2007
# Financial Report



# Management discussion and analysis

## ECONOMIC ENVIRONMENT AND PERFORMANCE

In a context of depressed economic conditions in France and Europe and continued high oil prices, the Group's main entities improved their operating performance. The Group consolidated its positions in the freight sector, with Geodis acquiring TNT's Freight Forwarding business, Ermewa stabilizing its equity structure in partnership with Investors in Private Equity (IPE) and the restructuring of the Transport & Logistics division, as subsidiaries were incorporated into Transport et Logistique Partenaires, a dedicated holding company. Keolis's capital structure was stabilized by the arrival of a consortium including AXA and Caisse de Dépôt et Placement du Québec (CDPQ), capable of backing the Group's international development plans.

The Group reported net profits of €207m in 2007, in line with 2006. The group share of net profit was apparently down by €6m, standing at €163m, against €170m in 2006. Excluding exception gains from the sale of a 33.2% stake in Ermewa France in 2007 and a 59.6% stake in SHEM in 2006, **the Group share of net income is up 5% with net profits of €146m in 2007 against €139m in 2006**.

## THE YEAR'S HIGHLIGHTS

Mrs Anne-Marie Idrac was appointed Chairwoman and Managing Director of SNCF Participations on 9 May 2007. Mr Dominique Thillaud was reappointed Deputy Managing Director of SNCF Participations.

### TRANSPORT & LOGISTICS

#### GEODIS GROUP

Geodis made two major acquisitions in the international freight forwarding sector, TNT's Freight Forwarding division on 5 February 2007 and its principal partner, the German group Rohde & Liesenfeld (R&L) early in 2008.

The acquisition of TNT's division, which has been renamed "Wilson", marks a major milestone for Geodis, putting it up among the leading players in Freight Forwarding, which is the most dynamic business segment in the logistics chain. A high level of geographical complementarity allows the group to have a worldwide network. The "Wilson" network, comprising 33 companies with a total workforce of 2,300, generated turnover of €822m in 2007 (over 11 months). With the acquisition of Rohde & Liesenfeld, Geodis has strengthened its position in Freight Forwarding with openings in Germany and South Africa and denser network coverage in Latin America. Rohde & Liesenfeld generated €270m of turnover for a headcount of 710.

During the first half of 2007, Geodis reorganized itself into four business units: the Parcels division, whose French base encompasses the networks in Spain, Italy, Great Britain and Germany; the Freight Forwarding division, embodied by the Geodis-Wilson brand; the Contract Logistics division and the Road division, which are incorporated into Geodis Bourgey Montreuil.

#### TRANSPORT ET LOGISTIQUE PARTENAIRES

In April 2007, SNCF Participations transferred its freight subsidiaries to Transport et Logistique Partenaires (TLP), a holding company dedicated to freight activities, as part of the restructuring of the Transport & Logistics division, with a view to offering European industrialists streamlined logistics and transport services. This strengthening of the concept of divisions will make for better strategic and industrial steering of subsidiaries through a "business segment" approach while also optimizing resource allocation to meet set targets and forge industrial synergies with SNCF's freight activities.

#### WAGON OPERATORS

Ermewa's reconfigured structure had sanctioned the inclusion of a financial partner in the company's share capital in April 2003. Investors in Private Equity (IPE) had been selected for this move as part of a leveraged buyout (LBO). Financière Ermewa, the Swiss-registered holding company formed for the purpose, is jointly controlled by IPE (50.4% and SNCF Participations (49.6%); the railway group remains the reference industrial partner. Since the original LBO had to be undone by no later than 31 July 2007, the SNCF Group (convinced of the strong development potential of rail in Europe) and IPE decided on 30 May 2007 to organize a secondary LBO with the same percentage of their respective holdings. In order to simplify the capital structure, the Swiss Group Ermewa bought back SNCF Participations's and STVA's interests in Ermewa France (33.2%), which is now wholly owned by the Swiss entity.

France Wagons, with a remit to manage and develop assets, continued to pursue its policy of broadening its client base (excluding Fret SNCF) by developing both its rental business and that of technical management. While rationalizing its fleet and thereby building on its asset base, France Wagons is also starting to invest in replacing its equipment.

#### COMBINED TRANSPORT

Naviland Cargo is gaining ground in France and cross-border countries by opening new services linking the North Sea and Mediterranean Sea ports with economic metropolises, such as the Rotterdam–Vénissieux, Le Havre-Valenton and Le Havre-Cognac lines. Although it is back on the road to recovery, the expected increase in competition in 2008 has led the company to rethink its organization, cut costs and improve its quality of service. To that end, Naviland Cargo recruited railwaymen from the public corporation, drivers in particular, in order to achieve the required level of responsiveness and flexibility by 2008. The near-railway company was thus effectively launched in October 2007.

Novatrans's shareholders have decided to recapitalize the company to enable it to continue its expansion drive and renew its investment programme.

Autoroute Ferroviaire Alpine (AFA) carried 20,418 vehicles in 2007. The French and Italian ministries for Transport have decided to extend the experimental phase of the piggy-back road-rail service linking France and Italy until the end of 2008. A more extensive service with twenty or so daily round trips will then be launched, after a call for tenders that France and Italy are currently preparing.

The 1,000-odd kilometres of rolling motorway linking Bettembourg in the south of Luxembourg and Le Boulou near Perpignan (Lorry-Rail), came into service on 10 September 2007.

### FREIGHT FORWARDING AGENTS

Districhrono is a specialized multimodal rail-road operator. In addition to the two regular lines (Compiègne-Avignon and Rungis-Perpignan), a third one has been opened between Nancy-Avignon.

### RAIL HAULAGE CONTRACTORS

VFLI's positioning as a local railway operator is part of the SNCF's strategy to boost its capacity to better meet its clients' needs against a backdrop of markets for railway freight traffic being opened up to competition. The restructuring and development plan initiated in 2005 has allowed the company to reorganize and restructure itself thanks to the securing of new contracts. On 3 October 2007, VFLI obtained its safety certificate allowing it to use the National Rail Network (RFN). The company is thus moving away from its traditional activity (railway traction on industrial sites) and setting itself up as a "new entrant" on the railway traction market in France, already operating fifteen or so trains per week on the National Rail Network.

## SNCF PROXIMITÉS

Keolis, the largest private-sector public transport operator in France, has continued to grow sharply and has consolidated its standing as a top-ranking international operator.

Its increase in turnover in 2007 reflects the sustained stream of revenue from international passenger traffic, more particularly in England. It also reflects Keolis's commercial dynamism, as is shown in the renewals of contracts in Tours, Alès, Tarbes, Pau, Alençon, Boulogne-sur-Mer and Cherbourg, newly acquired urban network contracts in Nevers and Aix les Bains, newly conquered public interurban contracts (Meurthe et Moselle) or private-sector contracts (Areva in Normandy) and company acquisitions (Dussert, Delion, Loisirs et Voyages and TPN), which consolidate the Group's interurban business structure.

2007 also saw a marked shift in its international strategy. Keolis has consolidated its positions in the Netherlands, raising its stake in Syntus to 50%, a company that operates several multimodal networks and generates €58m of turnover for a headcount of 455 and a fleet of 97 buses and 33 trains. In Germany, Keolis sold off its German partner Rhenus, keeping two rail franchises and the Hellweg Netz railway contract it clinched in July 2006. In November 2007, Keolis was commissioned to operate the Maas Rhein Lippe regional rail network. This 16-year contract represents a total turnover of €557m (€35m per annum). In Denmark, Keolis now controls City-Trafik outright (owning 100% of its share capital). In June 2007, Keolis, through Go Via (35% Keolis and 65% Go Ahead), was selected to operate Gatwick Express, a rail shuttle serving Gatwick airport in England, a contract worth €126m that will effectively start in June 2008. In June 2007, Go Via also clinched the West Midlands railway franchise, an 8-year contract that came into effect on 11 November 2007 and is worth 5 billion euros' turnover in total. The new franchise, which has been re-dubbed London Midlands, serves Birmingham, Coventry, Wolverhampton, Liverpool and London. London Midlands is the third British franchise held by Go Via after Southern and Southeastern. Keolis also operates the Transpennine Express franchise in partnership with First Group.

3i, Keolis's majority shareholder, and the SNCF Group, its reference industrial stakeholder, jointly decided on 27 September 2006 to organize the withdrawal of 3i from Keolis's equity. On 20 April 2007, the SNCF Group and a consortium made up of AXA (through AXA Private Equity) and Caisse de Dépôt et Placement du Quebec (CDPQ) signed an agreement whereby the consortium would acquire a controlling interest (52%) and management a 2.5% stake. The SNCF Group now controls 45.4% of Keolis's equity and remains the reference industrial stakeholder. This agreement gives Keolis a stable capital structure capable of backing the Group in its international expansion plans.

Since 2004, the EFFIA group has been organized into three main lines of business: Contracts & Parking, Transport & Mobility, Advisory & IT systems.

The Contracts & Parking division has confirmed its sound position with the start-up of the Nantes Public Service Delegation (590 spaces at Nantes Gare Nord and 130 spaces at Nantes Fresche Blanc), Saint-Etienne (600 spaces), Vichy (276 spaces), Meuse TGV (66 spaces), Lorraine TGV (950 spaces), Thionville TGV (340 spaces), Champagne Ardennes (696 spaces), Reims Clairmarais (820 spaces) and TGV Haute-Picardie (580 spaces); a total of 58,379 parking spaces were administered by the division as of 31 December 2007. The Transport & Mobility division aims to facilitate passenger mobility and is becoming a major player in intermodal transport in terms of both CRM and managing its offering, with sustained business on the general TER contract and the June start-up of the self-service bicycle hire contract in Orléans. Lastly, the Advisory and IT Services division has confirmed steady development of its transport hub analysis services and services assisting project owners.

## VOYAGEURS FRANCE EUROPE (VFE)

2007 saw marked progress in its key plans to reorganize distribution channels and a noticeable increase in sales volumes.

Deutsche Bahn (DB) acquired a 10% interest in Thalys. The shareholdings now break down as follows: 62% for VFE Partenaires, 28% for SNCB and 10% for DB. VFE Partenaires holds 50% of the share capital of the new cooperative subsidiary called Alleo Gmbh, which markets the new TGV and ICE offers between France and Germany. The renovation work on stations and redevelopment of commercial areas has led the Stations division to form a company (VALGA) specifically to handle the commercial enhancement projects in the stations of Marseille Saint-Charles, Paris Gare de Lyon, Paris Austerlitz and Lyon Pardieu. SNCF, SNCB (Belgium), Deutsche Bahn (Germany), Eurostar UK (United Kingdom), NS (Netherlands), ÖBB (Austria) and CFF (Switzerland) launched Railteam, the first European railway alliance early in July, which is modelled on alliances already formed between airlines. The purpose of the alliance is to allow the various partners to jointly operate the high-speed network and facilitate travel through better connections and an interconnected booking system.

In the Distribution division, the Internet and Web Services channel continued to prosper on the European and Asian markets with the creation of new sites (continental Europe, Australia, China, Taiwan, Japan and Brazil). From January 2008, Voyages-sncf.com will offer its train ticket sales services to Internet users in eight European countries under the TGV-Europe.com brand. The Euronet ticketing system used overseas has gradually been extended to the European market. It is already up and running in Great Britain. The North American subsidiary (REG Inc) has refocused on selling railway products and has completed its internal reorganization, achieving productivity gains primarily in the call centre and systems departments. All these operations stem from its general policy of cutting commissions and increasing online sales. For the Line Management division, the Eurostar offer was extended in November 2007 with the opening of HS1, the high-speed line in England, thereby reducing travel time, and the relocation of the Eurostar terminal from Waterloo to Saint-Pancras.

## INFRASTRUCTURE/ENGINEERING

AREP is expanding significantly both in France and abroad, as several recent projects bear out: project management for the SNCF Stations projects, particularly on projects relating to the *TGV Est Européen*, the Financial Tower in Ho Chi Minh City (Vietnam) and several projects in China and India, a shopping centre project in Toulouse and alterations to the hospital in Auxerre.

The Systra group, controlled in equal proportions by SNCF and RATP, is engaged in railway and urban engineering activities, which are thriving in France. Systra is also enjoying sustained growth abroad on traditional markets in America, Asia (India and Hong Kong), North Africa, the Middle East and Europe.

Since the engineering market in France has been considerably opened up to competition since the creation of RFF in 1997, the SNCF Group needed a different structure from the public corporation in order to submit tenders. Inexia, a company formed for that very purpose in September 2006, has thus taken over SNCF's engineering activities on the competitive market and is developing them in France in the railway sector and, more generally, in that of transport infrastructures.

## COMMON FUNCTIONS AND HOLDINGS

After a sharp downturn in 2005, primarily due to a gangway incident at Calais, SeaFrance has enjoyed sharp growth since 2006 both in its freight and passenger businesses. Following its business recovery, SeaFrance had a duty to strengthen its position as a reference sea operator on the Calais-Dover route, continuing the necessary modernization of its fleet to safeguard its future. To that end, the company has purchased a new ferry which will be commissioned in summer 2008 after it has undergone the necessary alterations to adapt it to the cross-channel market.

# ACTIVITIES AND RESULTS OF GROUP DIVISIONS AND COMPANIES

## TURNOVER BY BUSINESS SEGMENT (DIVISIONS)

| in millions of euros | 2007 (detail) | 2007 | 2006 (detail) | 2006 |
|---|---|---|---|---|
| **Transport & Logistics** | | **6,034** | | **4,973** |
| GEODIS | | 4,779 | | 3,783 |
| TRANSPORT ET LOGISTIQUE PARTENAIRES | | 1,255 | | 1,190 |
| Including Wagon operators | | *334* | | *324* |
| ERMEWA | 192 | | 202 | |
| FRANCE WAGONS | 104 | | 94 | |
| CTC | 19 | | 22 | |
| Miscellaneous | 19 | | 6 | |
| Including Combined | | *133* | | *119* |
| NAVILAND CARGO | 76 | | 63 | |
| ROUCH INTERMODAL | 40 | | 34 | |
| Miscellaneous | 17 | | 22 | |
| Including Freight Forwarding | | *719* | | *668* |
| STVA | 351 | | 315 | |
| SEALOGIS | 246 | | 241 | |
| LOGISTRA | 62 | | 58 | |
| DISTRICHRONO | 28 | | 23 | |
| Miscellaneous | 32 | | 31 | |
| Including Railway Transport Agents | | *65* | | *76* |
| VFLI | 56 | | 70 | |
| Miscellaneous | 9 | | 6 | |
| Information Management | | *4* | | *3* |
| **SNCF Proximités** | | **124** | | **100** |
| KEOLIS | N/A | | N/A | |
| EFFIA | 124 | | 100 | |
| **Voyageurs France Europe** | | **529** | | **478** |
| VFE PARTENAIRES | 529 | | 478 | |
| **Infrastructure/Engineering** | | **248** | | **154** |
| AREP | 43 | | 35 | |
| SNCF INTERNATIONAL | 20 | | 17 | |
| SYSTRA | 115 | | 103 | |
| INEXIA | 70 | | 0 | |
| **Common functions and Holdings** | | **279** | | **253** |
| ORFEA | 24 | | 19 | |
| SEAFRANCE | 242 | | 224 | |
| SNEF | 9 | | 9 | |
| Miscellaneous | 4 | | 1 | |
| GROUP TURNOVER | | 7,214 | | 5,958 |

Novatrans's and Keolis's turnover figures are not included, consolidated as they are through the equity method. 49.6% of Ermewa's turnover is stated for its Swiss portion and 66.3% for its French portion up to 30 June 2007. From 1 July 2007, after Ermewa Paris's recapitalization and the secondary LBO, Ermewa's total turnover is taken into account proportionally at 49.1%. Systra's turnover has been taken into account proportionally at 50% since 1 January 2005.

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## TURNOVER BY GEOGRAPHICAL ZONE

| in millions of euros | France | International | Total |
|---|---|---|---|
| **Transport & Logistics** | | | |
| **2007** | **3,552** | **2,482** | **6,034** |
| 2006 | 3,342 | 1,631 | 4,973 |
| Geodis | | | |
| 2007 | 2,681 | 2,098 | 4,779 |
| 2006 | 2,494 | 1,289 | 3,783 |
| Transport et Logistique Partenaires | | | |
| 2007 | 871 | 384 | 1,255 |
| 2006 | 848 | 342 | 1,190 |
| Including Wagon operators | | | |
| 2007 | 254 | 80 | 334 |
| 2006 | 240 | 84 | 324 |
| Including Combined | | | |
| 2007 | 67 | 66 | 133 |
| 2006 | 65 | 54 | 119 |
| Including Freight Forwarding | | | |
| 2007 | 483 | 236 | 719 |
| 2006 | 469 | 199 | 668 |
| Including Railway Transport Agents | | | |
| 2007 | 62 | 3 | 65 |
| 2006 | 71 | 5 | 76 |
| Including Information Management | | | |
| 2007 | 4 | | 4 |
| 2006 | 3 | | 3 |
| **SNCF Proximités** | | | |
| **2007** | **124** | | **124** |
| 2006 | 100 | | 100 |
| **Voyageurs France Europe** | | | |
| **2007** | **366** | **163** | **529** |
| 2006 | 316 | 162 | 478 |
| **Infrastructure/Engineering** | | | |
| **2007** | **131** | **117** | **248** |
| 2006 | 50 | 104 | 154 |
| **Common functions and holdings** | | | |
| **2007** | **63** | **216** | **279** |
| 2006 | 29 | 224 | 253 |
| **Group** | | | |
| **2007** | **4,235** | **2,979** | **7,214** |
| 2006 | 3,837 | 2,121 | 5,958 |

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## INCOME BY BUSINESS SEGMENT

INCOME AND MANAGEMENT INDICATORS BY BUSINESS SEGMENT

| in millions of euros | Group total | Transport & Logistics | SNCF Proximités | Voyageurs France Europe | Infrastructure/ Engineering | Common functions and holdings |
|---|---|---|---|---|---|---|
| **Turnover** | | | | | | |
| 2007 | 7,214 | 6,034 | 124 | 529 | 248 | 279 |
| 2006 | 5,958 | 4,973 | 100 | 478 | 154 | 253 |
| **Operating margin** | | | | | | |
| 2007 | 503 | 394 | 22 | 37 | 20 | 30 |
| 2006 | 460 | 351 | 21 | 38 | 11 | 39 |
| **Income from operations** | | | | | | |
| 2007 | 272 | 213 | 13 | 23 | 12 | 11 |
| 2006 | 256 | 183 | 13 | 26 | 7 | 27 |
| **Consolidated net income of the whole** | | | | | | |
| 2007 | 207 | 114 | 33 | 20 | 10 | 30 |
| 2006 | 207 | 98 | 25 | 21 | 5 | 58 |
| **Consolidated net income for the Group** | | | | | | |
| 2007 | 163 | 73 | 33 | 20 | 8 | 29 |
| 2006 | 170 | 64 | 25 | 19 | 4 | 57 |
| **CFFO (cash flows from operations)** | | | | | | |
| 2007 | 471 | 286 | 21 | 44 | 16 | 103 |
| 2006 | 415 | 298 | 20 | 39 | 10 | 48 |
| **CFFO/Group debt ratio** | | | | | | |
| 2007 | 1.24 | 0.41 | 0.89 | n/s | n/s | n/s |
| 2006 | 1.42 | 0.75 | 2.50 | n/s | n/s | n/s |

*n/s : not significant*

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## TRANSPORT & LOGISTICS

### GEODIS GROUP

The turnover of Geodis, which includes Wilson (ex TFM) from 5 February 2007, rose sharply by 26.4% (4.78 billion euros against 3.78 billion euros the previous year) and 5.4% at comparable reporting scope and exchange rates. Growth was particularly sustained in the third quarter and steady in the fourth quarter.

The Parcels division's turnover (37% of the entire Group) totalled 1.76 billion euros in 2007 against 1.68 billion euros in 2006, up 5.3% (*). The parcels and express delivery business in France, driven by increases in volumes in the second half and price rises due to the impact of the cost of diesel, reported 7.2% growth (*). The other European countries were down 5.2% (*) primarily due to the discontinuation of loss-making operations in Germany and the road hauliers' strike in Italy in December.

The Freight Forwarding division, which has included Wilson since February 2007, continues to experience sustained growth (+10.3%)(*). The doubling in size of the network enabled the group to take important positions in Asia and Scandinavia and continue expanding in southern Europe. The Geodis and Wilson merger went according to plan and Wilson is now operationally integrated. The inclusion of Wilson in Geodis consolidated financial statements as from 5 February 2007 represents an additional turnover of €822m over eleven months in 2007.

The turnover of the Contract Logistics division was up 4.1%(*) thanks to the boom in automobile logistics and new contracts starting up in the second half.

The Road division's results were stable, the new contracts commencing in the second half offsetting contracts that came to an end and the falloff in volumes in the chemicals business in the first half.

Geodis's income from operations amounted to €123m in 2007 against €106m in 2006, up 15.3%, largely due to a high volume of trading in the fourth quarter 2007. The group's performance was boosted by significant gains from sales of securities (+€42.9m) (in particular the Venlo site in the Netherlands) but Geodis also bore significant restructuring costs (-€17.7m) as well as the cost of integrating Wilson (-€20.7m).

The results of the Parcels division's operating activities are comparable with those of 2006. The France parcel service is still the largest contributor to income from operating activities whereas the activities of the Europe parcel service continued to show an operating loss, in particular in Spain and Italy.

The Freight Forwarding business made progress following the consolidation of Wilson and the initial effects of the synergies arising from the newly created network, as well as the 10% increase in turnover (at comparable reporting scope and exchange rates) and the elimination of loss-making operations in Asia. The Contract Logistics division's income from operating activities was down, primarily due to Spain and the diminished contribution of the IBM contract. Lastly, the Road division showed a significant rise thanks to effective cost control, despite the soaring price of oil in the fourth quarter 2007.

Geodis's financial (non-operating) results in 2007 represented a net charge of €34.7m, against €17.6m the previous year, i.e. increased financial expenses primarily due to the financial cost of the debt arising from the Wilson acquisition.

Geodis thus reported an improvement in net profits which stood at €57m in 2007 (€24m for SNCF Participations's Group share) against €51m the previous year (€21m for SNCF Participations's Group share).

(*) *Comparable reporting scope and exchange rates.*

### TRANSPORT ET LOGISTIQUE PARTENAIRES

Transport et Logistique Partenaires's turnover was up 5.4% (1.25 billion euros in 2007 against 1.19 billion euros in 2006), and its income increased in 2007, representing a net profit of €56.6m (€49.5m for the group share) against €47.4m the previous year (€42.7m for the group share).

### WAGON OPERATORS

The turnover of the Wagon operators division in 2007 totalled €334m, against €324m the previous year, up 3.2%. Overall performance improved, with net profits of €30.1m (€28.9m for the group share) against €22.3m the previous year (€20.7m for the group share).

Ermewa's turnover in 2007 totalled €192m, against €202m the previous year, down 4.9%, primarily due to the recapitalization of Ermewa Paris, the turnover figure stated as a proportion of total turnover (49.1% from 1 July 2007 instead of 66.3% previously). Industrial wagon rentals (gas, oil, chemicals inter alia) rose sharply, and the usage rate remained high at 92.7%. On the other hand, the transport of grain fell sharply in terms of volume, prompting management to concentrate more on rentals. The small containers sector is growing thanks to numerous deliveries of new equipment and an improving usage rate. The ISO containers sector (Eurotainer) remains buoyant with sharp growth in Europe and a continued rise in the usage rate.

Ermewa performed much better in 2007, its income from operations up 37.3%, thanks to a general upturn in business, the depreciable life of containers being extended from 12 to 15 years and the falling costs of maintenance during the first half due to a shortage of axles. On the other hand, owing to the recapitalization and the secondary LBO, which contributed to poorer financial (non-operating) results (bank commissions, arrangement and consultancy commissions, high indebtedness, etc.), Ermewa's contribution to Group income in 2007 showed a profit of €7.3m but was lower than in 2006 (€9.2m).

As for CTC, the 2006/2007 grain campaign was marked by shrinking supply, particularly in France, the sharp rise in prices weighing heavily on export trade. With shrinking world harvests, the 2007/2008 campaign confirms the downturn in tonnages conveyed both within and from France and the attendant drop in turnover (€19m in 2007 against €22m in 2006). CTC's lower maintenance expenses nonetheless meant it was able to report a profit of €2.9m, albeit lower than in 2006 (€3.9m).

France Wagons's turnover in 2007 totalled €104m, against €94m in 2006, an increase primarily due to the full-period effect of turnover generated with the SGW pool. France Wagons continued its policy of broadening its customer base, seeking new rental customers for the wagons transferred from Fret SNCF. The company signed rental contracts with several new foreign customers. Thanks to a rise in turnover and controlled maintenance costs, France Wagons performed better in 2007, reporting net income of €19m, against €8.7m the previous year.

## COMBINED TRANSPORT

Turnover from combined transport rose sharply in 2007 to €133m, against €119m the previous year, showing profits of €4.5m (€4.4m for the group share) against €9.3m the previous year (€9.2m for the group share).

After its freight forwarding business was discontinued in June 2005, Naviland Cargo successfully refocused on the transport of sea freight containers, with turnover up 21% (€76m in 2007 against €63m in 2006). The four new services launched in March/April 2007 (Vénissieux-Clermont; Rotterdam-Venissieux; Le Havre-Cognac; Valenton-Le Havre), showing an average occupancy rate of only 15%, as well as the impact of the SNCF strikes in October and November 2007, adversely affected Naviland Cargo's performance, which showed a profit of €4.7m in 2007 (including capital gains from asset disposals) against €7.7m in 2006.

Rouch Intermodal's turnover rose sharply by 17.6%, primarily due to the combined transport business, which showed a significant upturn in volumes. With a steady result as in 2006, Rouch Intermodal bore the additional costs generated by industrial unrest in the railway transport sector in November 2007.

Novatrans generated a turnover of €115m, up 4.6%, thanks to sustained demand for domestic traffic and traffic on the France-Italy route. The latest changes in the transport plan (domestic and France-Italy), which failed to produce the expected growth, tension regarding the availability of wagons owing to overloaded servicing workshops, problems with spare parts supplies (wheels) throughout Europe and the SNCF strikes in October and November, all weighed heavily on its performance. Since Novatrans is reported using the equity method, its turnover has not been consolidated. Novatrans, which broke even in 2006, showed a loss of €1.2m in 2007 (a loss of €0.4m in terms of group contribution).

## FREIGHT FORWARDING AGENTS

Freight forwarding agents reported a 7.5% increase in turnover (€718m) in 2007 compared with the previous year (€668m), and profits of €29.8m (€24m for the group share) against €18.6m in 2006 (€15.5m for the group share).

The European automobile market grew slightly by 1.1%. The French market grew by 3.2% (gross figures) and 2.8% at a comparable number of days, thanks to a sharp rise in car registrations (21% in December due to people making early purchases to avoid the new CO2 emissions tax). In such an eventful context, STVA showed a sharp rise in its volume of business (+11.2%, €351m in 2007 against €315m in 2006). Rail transport rose by 16.8%, thanks to more international transport. Road transport also grew (+12.3%), despite problems in recruiting drivers and protracted delivery times due to high demand. As for the activity of the platforms, the falloff in storage services, stemming from manufacturers gearing their output to demand more efficiently, was offset by the development of services for vehicles.

STVA showed a profit of €26m in 2007 (€20.8m for the group share) against €13.5m the previous year (€10.7m for the group share). Ermewa's recapitalization led STVA to sell its 11.7% interest in Ermewa France to the Ermewa SA group. If we disregard the very significant effect of this capital gain, STVA performed excellently, reporting a 30.8% increase in earnings in 2007.

Sealogis's turnover rose by 2.0% to €246m in 2007, against €241m the previous year. The group's profits totalled €3.3m in 2007, against €2.2m the previous year. Feron de Clebsattel reported growth thanks to steady trade in freight and maritime forwarding. Challenge International also performed well thanks to freight forwarding, which remains sustained, particularly for imports.

Logistra's turnover rose by 6.8% in 2007 (€62m, against €58m the previous year). The rail business unit carried an equivalent tonnage to that of 2006 and performed well thanks to international business. Waterway transport showed sharp growth (+20%). Road transport also grew, but there was a falloff in combined transport. Logistra reported a profit of €0.5m in 2007.

Districhrono's turnover rose sharply by 21% to €28m, primarily due to the new Nancy-Avignon service. It reported a loss of €0.7m in 2007 (against a profit of €1.1m the previous year), the main reason being the cost of starting up the new Nancy-Avignon route.

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**RAIL TRANSPORT AGENTS**

The turnover of rail transport agents (€65m) fell by €11m in 2007 year on year (€76m).

The sharp fall in VFLI's 2007 turnover (down to €56m, against €70m the previous year) is primarily due to the LGV Est and Arcelor contracts, which ended respectively at the start and end of 2007.

VFLI showed a loss of €2.1m in 2007 against a profit of €1.0m the previous year. The Arcelor contract was terminated and effectively expired at the end of November 2007. The figures include the cost of the job protection plan that ensued from VFLI relinquishing this contract. VFLI also incurred significant costs in restructuring itself for entry into the National Rail Network: costs generated by the finalization of the safety certificate application, driver recruitment and training and locomotive rentals.

## SNCF PROXIMITÉS

SNCF Proximités reported a turnover of €124m in 2007, against €100m in 2006, and a sharp rise in profits (€32.7m, €32.6m for the group share) against €24.6m the previous year (€24.6m for the group share).

In 2007 Keolis continued to enjoy sustained growth and reinforced its stature as a prominent international operator. Its net turnover from outsourcing rose sharply (+ 5.3%) in 2007 to 2.76 billion euros, against 2.62 billion euros in 2006. Since Keolis is an equity-method company for reporting purposes, its turnover is not consolidated in SNCF Participations's accounts.

In France, traffic is increasing on most urban networks and Keolis continues to position itself offensively on contract renewals. Turnover from interurban transport also rose thanks to successful tenders and the integration of new acquisitions since the start of the year (Dussert, Delion, Loisirs et Voyages, Etasse, TPN). Growth outside France was primarily due to the excellent performance of the English franchises (Southern, South Eastern and Transpennine).

Keolis's net consolidated income contribution to SNCF Participations in 2007 showed a profit of €23.9m (against a profit of €15.6m the previous year). In France, Keolis performed significantly better both on the urban and interurban segments. Internationally, the best results came from the English franchises. Following the restructuring of its debt in June 2006, Keolis was able to convert an "LBO debt" into a "corporate debt", thereby benefiting from lower interest rates so as to significantly cut its financial charges, more particularly in the first half of 2007. After the departure of 3i and the controlling interest acquired by the AXA-CDPQ consortium, the refinancing put in place in June 2007 weighed down its second-half financial charges.

EFFIA's turnover totalled €124m in 2007, sharply up by 24.2% (€100m in 2006). All business segments contributed to this growth, especially with the opening of large car parks, the takeover of the bus stations of Nevers and Ermont, the upturn in automatic distribution activities, customer relations, environment, transport offer management and the opening of call centres. The Group reported profits of €8.8m in 2007 against €8.9m in 2006.

## VOYAGEURS FRANCE EUROPE (VFE)

VFE Partenaires reported an 11% increase in turnover in 2007 (€530m, against €477m the previous year).

The European rail products distribution business rose by 4.2%, despite the continued strength of the euro against the dollar and continuing tension regarding the price of oil and air transport. The Rail Europe subsidiaries benefited from growth in rail offers and the development of their online sales. The e-business subsidiaries continued to grow in 2007, reporting two-figure growth in volumes of business. Voyages-sncf.com's sales rose by 21.1% in 2007, amounting to 1.6 billion euros. The travel agency's business rose 16.6%, with sharp rises in air products and hotel sales. VSC Technologies, with the emergence of new projects, benefited from an increase in work from SNCF. The favourable economic situation was also beneficial to the subsidiaries managing the North Europe lines (Eurostar, Thalys and Lyria), whereas the southern Europe subsidiaries (Artesia and Elipsos) continue to be adversely affected by competition from the low-cost airlines. The Services segment continues to develop with CRM Services's loyalty programme and high growth in business at iDTGV. The Stations segment rose 15.3% primarily due to new work from local authorities and RFF and the planned launch of the TGV Est. VALGA was formed at the end of 2007 to develop commercial business in stations and rental management.

Profits totalled €20.5m in 2007 (€19.6m for the group share) against €20.6m the previous year (€18.9m for the group share). The underperformance of the e-business subsidiaries is down to the natural evolution of contracts entered into with SNCF's VFE division. The distribution subsidiaries performed significantly better overall. The up-scaling of the service subsidiaries iDTGV, CRM Services and Sysraildata is underway and results are improving. The Stations business with A2C, Parvis and SAM performed on a par with 2006.

## INFRASTRUCTURE/ENGINEERING

The turnover from infrastructure activities (€248m) rose sharply by 61% in 2007, primarily due to the build-up of Inexia. 2007 showed a profit of €9.8m, against €5.1m the previous year.

AREP's 2007 turnover rose sharply by 23.3% to €43m. AREP benefited from a buoyant environment both in France and abroad. AREP's profits totalled €0.4m in 2007, but its profitability (gross margin) was weighed down by financial charges incurred to finance a high working capital requirement.

Systra's 2007 turnover rose by 12.2% to €115m, against €103m in 2006. Systra reported profits of €5.9m (€4.2m for the group share) against €4.1m in 2006 (€2.9m for the group share), thanks to favourable settlement of gross margins in Europe, the Middle East and France and the cost-cutting drive it initiated at the beginning of the year.

Inexia started trading at the end of 2006. Its 2007 turnover totalled €70m, 72% of which was generated with RFF, 15% with SNCF and 13% with external customers (local and regional authorities and private clients). Its 2007 profits totalled €1.0m.

## COMMON FUNCTIONS AND HOLDINGS

SeaFrance's 2007 turnover rose by 7.9% to €242m, against €224m in 2006. SeaFrance benefited from continued growth both in the freight and in the passenger markets, on the increase for the second year running (+6.3% in 2007) after a seven-year decline.

In a year marked by growth in all business segments (Freight, Passengers and Duty-Free Sales) and by effective control of ship and land-based loads, SeaFrance showed improved net profits of €9.7m, against €7.5m in 2006.

Orfea's 2007 turnover rose sharply to €24m, against €19m the previous year. Orfea continued to scale up its operations, with 1,638 rooms rented out and 39 establishments in service. With a higher occupancy rate than in 2006 and a rise in the number of nights in alternative accommodation, Orfea's 2007 profits amounted to €1.7m, against €1.3m the previous year.

The SNEF group helps increase the value of railway land and property through its business activities, which include redevelopment, property development, advice and assistance for project owners and property transactions and rentals. SNEF performed well in 2007, reporting a profit of €3.3m, against €4.4m in 2006.

Management discussion and analysis

## INCOME AND FINANCIAL POSITION OF THE GROUP

### KEY FIGURES

| in millions of euros | 2007 | 2006 |
|---|---|---|
| Turnover | 7,214 | 5,958 |
| Net income ratio | 503 | 460 |
| Results from operations | 272 | 256 |
| Financial (non-operating) results | -4 | 45 |
| Net consolidated income of the whole | 207 | 207 |
| Net consolidated earnings per share of the whole (in euros) | 24.96 | 24.94 |
| Net consolidated Group income | 163 | 169 |
| Net consolidated Group earnings per share (in euros) | 19.69 | 20.42 |
| CFFO (Cash flows from operations) | 470 | 415 |
| Consolidated shareholders' equity of the whole | 1,488 | 1,529 |
| Consolidated Group shareholders' equity | 1,138 | 1,288 |
| Industrial capital expenditure (tangibles and intangibles) | 317 | 255 |
| Net debt | 373 | -86 (**) |
| Gearing (consolidated debt/equity ratio of the whole) | 0.25 | n/s |
| Average workforce (*) | 40,970 | 38,267 |
| Number of shares making up the capital | 8,286,977 | 8,286,977 |

*(*) Workforces are not included for companies consolidated by the equity method (Keolis and Novatrans) and included in proportion to the Group's shareholding for proportionally consolidated companies (Ermewa, Systra).*

*(**) Net debt as of 31 December 2006 after deduction of Keos's 55% piggy-back capital debt (a €409m loan taken out with Deutsche Bank).*

*n/s : not significant*

### KEY PERFORMANCE INDICATORS

| | Notes | 2007 | 2006 |
|---|---|---|---|
| Return on equity of the whole | a | 13.7% | 13.4% |
| Return on equity owned by the Group | b | 13.4% | 13.0% |
| Return on capital employed of the whole | c | 12.4% | 11.3% |
| Cash debt coverage ratio | | 124% | 142% |
| Gearing | d | 0.25 | n/s |
| Return on active assets | e | 9.4% | 9.1% |

*n/s : not significant*

a: ratio of the net consolidated income of the whole to average equity for the period.

b: ratio of the Group's share of net consolidated income to the Group's share of average equity for the period.

c: ratio of the net consolidated income of the whole to average capital employed over the period (equity of the whole + net debt).

d: debt to equity ratio.

e: ratio of operating margin to active assets employed (gross assets + working capital requirement + cash flow).

PRINCIPAL BALANCE SHEET INDICATORS BY BUSINESS SEGMENT

| in millions of euros | Group total | Transport & Logistics | SNCF Proximités | Voyageurs France Europe | Infrastructure/ Engineering | Common functions and holdings |
|---|---|---|---|---|---|---|
| **Consolidated overall equity** | | | | | | |
| **2007** | **1,488** | **517** | **12** | **60** | **23** | **876** |
| 2006 | 1,529 | 406 | 44 | 51 | 16 | 1,011 |
| **Consolidated Group equity** | | | | | | |
| **2007** | **1,138** | **181** | **12** | **56** | **13** | **876** |
| 2006 | 1,288 | 180 | 44 | 46 | 6 | 1,011 |
| **Industrial investments (tangibles and intangibles)** | | | | | | |
| **2007** | **317** | **252** | **34** | **9** | **6** | **16** |
| 2006 | 255 | 209 | 29 | 10 | 2 | 5 |
| **Long-term assets** | | | | | | |
| **2007** | **2,259** | **1,432** | **79** | **17** | **-16** | **746** |
| 2006 | 1,887 | 987 | 94 | 25 | -16 | 798 |
| including goodwill | | | | | | |
| 2007 | 511 | 502 | - | 3 | 3 | 2 |
| 2006 | 162 | 152 | 0 | 4 | 4 | 2 |
| including intangible assets | | | | | | |
| 2007 | 155 | 133 | 2 | 15 | 3 | 2 |
| 2006 | 43 | 24 | 2 | 13 | 2 | 1 |
| including tangible assets | | | | | | |
| 2007 | 1,402 | 1,024 | 104 | 9 | 11 | 254 |
| 2006 | 1,385 | 1,036 | 83 | 10 | 8 | 249 |
| including long-term financial assets | | | | | | |
| 2007 | 43 | 28 | 2 | 1 | 3 | 9 |
| 2006 | 56 | 31 | - 1 | 14 | 2 | 10 |
| including deferred tax assets | | | | | | |
| 2007 | 38 | 32 | 1 | 2 | 2 | 1 |
| 2006 | 94 | 86 | 1 | 3 | 2 | 2 |
| **Net debt** | | | | | | |
| **2007** | **378** | **696** | **24** | **-116** | **-26** | **-199** |
| 2006 | -86 | 321 | 10 | -76 | -19 | -322 |

## Management discussion and analysis

### Turnover
Group turnover totalled 7.21 billion euros against 5.96 billion euros the previous year, up 21.1%.

At comparable reporting scope and exchange rates, Group turnover was up 7.5%. Although oil prices remained high throughout the year, an improved economic situation in the euro zone enabled the Group to strengthen its positions on most business lines. The share of turnover generated abroad now stands at 41% against 36% the previous year.

### Operating margin
Operating margin rose by 9.3% to €503m, against €460m the previous year. The noticeably better performances of Geodis (+€49.1m), France Wagons (+€8.3m), STVA (+€7.2m), EFFIA, (+€1.4m), Orfea (+€4.1m) and Systra (+€5.8m) were counterbalanced by losses registered by VFLI (-€16.3m) and VFE Partenaires (-€1.0m).

Operating margin represented 7% of turnover in 2007 against 7.7% the previous year.

### Operating income
The Group's operating income rose by 6.5% in 2007, totalling €272m, against €256m the previous year.
The higher operating income of Geodis (+€17.4m), Ermewa (+€7.8m), STVA (+€5.6m), France Wagons (+€13.1m) and Systra (+€2.3m) was counterbalanced by the decreases registered by Naviland Cargo (-€5.1m), Districhrono (-€2.4m), VFLI (-€6.2m) and VFE Partenaires (-€3.2m).

Operating income represented 3.8% of turnover in 2007 against 4.3% in 2006. This relative underperformance primarily stemmed from the recording in Geodis's accounts of the cost of incorporating Wilson.

### Financial results
Financial results showed a loss of €4m in 2007 against a profit of €45m in 2006.

Financial expenses totalled €43m in 2007 against €16m the previous year, an increase of €27m. The higher rate (with the European Central Bank's main intervention rate at 4%), the debt contracted by Geodis for the Wilson buyout and the SNCF Participations's €320m dividend payout contributed to the rise in financial expenses. Conversely SNCF Participations's sound finances following the disposal of its entire 59.6% stake in SHEM on 21 December 2006 (for €504m) and the recapitalization of Keolis and Ermewa helped bring down the financial charges.

Other financial income and expenses amounted to €39m in 2007, including among others the capital gains made by SNCF Participations and STVA on the sale of their 33.2% stake in Ermewa France to Ermewa Switzerland.

### Tax expense
The tax expense fell to €91m, against €118m the previous year.

### Results of equity method companies
Companies consolidated by the equity method showed a profit of €30m, against €23m the previous year, up €6m. Keolis performed excellently, the rise in its income from operations mainly accounted for by healthy trading in France and above all, the rail franchises in England. In addition, the restructuring of Keolis's debt in June 2006 enabled it to convert an "LBO debt" into a "corporate debt", thereby entitling it to lower interest rates and significantly reducing its financial charges in the first half of 2007.

### Net income
Net consolidated income in 2007 showed a profit of €207m as in 2006. The Group share of net income showed a profit of €163m, against €169m the previous year.

## FINANCING
Cash flows from operations rose by €56m to €471m, against €415m the previous year, making up 6.6% of turnover, against 7% year on year. The main rises were reported by Geodis (+€7.7m), Naviland Cargo (+€4.3m), STVA (+€6.6m), EFFIA (+€1.6m), VFEP (+€4.5m) and SNCF Participations, leveraged by the financial restructuring of Keolis and Ermewa.

Several companies underperformed and saw a fall in their CFFO, such as Ermewa (CFFO down €17.3m mainly due to its recapitalization, the secondary LBO and a smaller stockholding of Ermewa France, now 49.1% against 66.3%) and VFLI (CFFO down €13.6m primarily owing to the cost of VFLI's exiting the Arcelor contract and the cost of training drivers).

The Group's working capital requirement rose by €21m in 2007; that of Geodis rose by €33m, primarily due to the incorporation of Wilson and a growth in the volume of business.

The Group's net debt rose sharply, amounting to €378m on 31 December 2007, against a net positive cash position (-€86m) on 31 December 2006.

The gearing ratio (net debt/equity ratio) stood at 0.25 on 31 December 2007, the Group's positive net cash position on 31 December 2006 making this ratio irrelevant on said date.

Geodis's debt on 31 December 2007 amounted to €421m, against €157m on 31 December 2006, up €264m due to the Wilson acquisition and a controlled rise in working capital requirement due to higher turnover.

The financing of the repurchase of the Ermewa France shares held by SNCF Participations and STVA and the redemption of its own shares and an exceptional dividend payout increased Ermewa's debt by €32m (€241m on 31 December 2007 against €209m on 31 December 2006).

SNCF Participations's net cash totalled €326m on 31 December 2007, against €429m on 31 December 2006, down €103m. SNCF Participations benefited firstly from the leverage effect of the secondary LBO on Ermewa and the recapitalization of Keolis, with the AXA and CDPQ consortium acquiring an interest, and secondly from TLP's capital restructuring, with the sale of its Freight subsidiary stock. Conversely its €63.4m share of the Geodis capital increase and the €320m dividend distribution to parent company SNCF lowered SNCF Participations's net cash position.

## CONSOLIDATED BALANCE SHEET

Net intangible assets (excluding goodwill) rose by €113m (€155m on 31 December 2007 against €42m on 31 December 2006), mainly comprising the intangibles from the Wilson acquisition.

Net goodwill stood at €511m on 31 December 2007 against €162m on 31 December 2006, up €349m. The goodwill from the Wilson acquisition totalled €481m, €122m of which comprises clientele and brand, making an unallocated total of €359m as stated under goodwill.

Net tangible assets represented €1,402m on 31 December 2007 against €1,385m on 31 December 2006.
Despite a very sustained investment strategy on the part of the Group's large companies, this small rise is chiefly due to the proportional decrease in the integration of Ermewa (for France), now 49.1% for the group as a whole, after the recapitalization of Ermewa's equity and the secondary LBO.

The Group's industrial investments in 2007 (€317m) mainly concerned the operating sites (€58m), road and rolling stock for freight (€138m), road and rolling stock for the transport of passengers (not included in the consolidation, since Keolis was consolidated using the equity method), sundry equipment (€91m) and intangibles (€30m).

Long-term financial assets totalled €43m on 31 December 2007, against €56m on 31 December 2006.

Equity method investments totalled €109m on 31 December 2007, against €148m on 31 December 2006, down €39m chiefly due to Keolis's capital restructuring with AXA and CDPQ.

Accounts receivable totalled €1,567m on 31 December 2007, against €1,334m on 31 December 2006, up €233m, primarily due to Wilson being incorporated into the scope of consolidation.

Further to the agreement between SNCF Participations and Deutsche Bank (DB) dated 4 October 2006, DB's additional contribution of 55% was recognized as "assets earmarked for disposal" on 31 December 2006, in exchange for a total of €409m of debt owed to DB.
Following Keolis's capital restructuring and the entry of CDPQ and AXA, the €409m piggy-back debt was repaid to DB in the first half of 2007.

Consolidated overall equity totalled €1,488m on 31 December 2007, against €1,529m on 31 December 2006, down €40m. The €320m of dividends and reserves distributed by SNCF Participations on 29 June 2007 diminished shareholders' equity, which was largely offset by the good results of most of the Group's companies in 2007.

■ Management discussion and analysis

## PROSPECTS FOR 2008

In January 2008, the US Federal Reserve (FED) lowered its main intervention rate by 125 base points to 3%. The European Central Bank (ECB) has kept its intervention rate unchanged at 4% for the time being. There is broad consensus among economists that the slowdown in the economies of Europe's major trading partners, as in those of the USA's, will inevitably affect the euro zone and growth prospects look bleak for 2008. Despite this structurally uncertain economic outlook, which threatens to erode margins, the Group's main entities are "in marching order" and should be able to maintain satisfactory returns from operating activities throughout 2008.

Geodis's core activities remain sound, the integration of Wilson is complete and the remaining loss centres in Europe should be eliminated in 2008. Keolis, which now has a stable capital structure (SNCF Participations, AXA Private Equity and Caisse de Dépôt et Placement du Québec) should accelerate its rate of growth both in France and abroad, particularly in Europe and North America. The restructuring of the Transport & Logistics division, following the attachment of subsidiaries to holding company Transport et Logistique Partenaires, means that SNCF's freight business and that of the subsidiaries can be strategically steered in a more consistent manner.

### TRANSPORT & LOGISTICS

#### GEODIS GROUP

In early January, Geodis finalized the acquisition of German group Rohde & Liesenfeld (R & L), enabling it to further consolidate its sea and air freight forwarding business and take up positions on key markets such as Germany, South Africa, the Middle East and Latin America.

#### FREIGHT FORWARDING

The new industrial organization and pricing policy implemented by Fret SNCF has resulted in a switch to road transport for certain flows. That being the case, STVA, in consultation with its customers, is thinking of overhauling its transport paradigms, the aim being to make savings. The rise in car production in Central and Eastern Europe, as well as Turkey and Russia, should be able to sustain the international transport business activities.

## FURTHER INFORMATION ON HOLDING COMPANY SNCF PARTICIPATIONS

### SUMMARY OF CORPORATE FINANCIAL STATEMENTS

| in millions of euros | 2007 | 2006 |
|---|---|---|
| Operating revenue | 27.5 | 25.7 |
| Net income after tax | 559.5 | 101.0 |
| Equity capital after net income appropriation | 1,158.80 | 659.5 |

#### ACTIVITY AND RESULTS

SNCF Participations has now taken on the task of group guidance and coordination, as is traditionally the case for a holding company.

It reported an operating loss of €10.3m, against €10.2m the previous year.

Financial (non-operating) income totalled €289.2m, against €83.6m in 2006.

Dividends paid in by the subsidiaries in 2007 rose sharply to €197.1m, against €63.4m in 2006, an increase of €84.7m. Keolis capital restructuring, with the withdrawal of 3i and the AXA and Caisse de Dépôt et Placement du Québec (CDPQ) consortium becoming the controlling shareholder with a 52% holding, led Financière Keos to partially repurchase its own shares, thereby enabling SNCF Participations to make a distributable capital gain of €70.1m.
On 30 May 2007, the SNCF Group and IPE decided to implement a secondary LBO on the capital of Ermewa, retaining the same respective percentage stakes. This capital restructuring led to Financière Ermewa paying out a bonus dividend of €22.8m, partly funded by a partial redemption of its own shares and partly by a distribution of reserves. To simplify the share capital structure, Swiss company Ermewa Group bought back SNCF Participations's (21.5%) and STVA's (11.7%) stakes in Ermewa France, thereby enabling STVA to pay out an overall dividend of €21.7m.
The higher level of dividend payouts also results from Geodis' distribution of €7.4m in 2007 (against €5.5m in 2006), EFFIA distributing €4.5m of dividends in 2007 (against €3.1m in 2006) and Orfea €1.3m in 2007 (against €0.9m in 2006). STVA's sale of its Ermewa France interest and the attendant rise in dividends for its shareholders enabled SPFRD to pay out in 2007 a €3.7m advance on 2008 dividends.

VFE Partenaires paid out €7m in advance 2008 dividends in 2007 (against €24m in 2006, €14m of which was an advance on 2007 dividends). For the first time, SeaFrance and Districhrono paid out a dividend in 2007, respectively of €1.0m and €0.3m.

SNC Monceau paid out an advance on dividends of €49m to its parent company SNCF Participations.

Prior period financial adjustments totalled €69.5m in 2007, primarily comprising reversals of provisions for impairment of investments or for risks following the sale of the Freight subsidiaries to Transport et Logistique Partenaires.

Unusual items showed income of €291.1m in 2007 against €49.8m in 2006.

SNCF Participations's sales of its Freight subsidiaries to Transport et Logistique Partenaires produced a capital gain of €263.8m. The secondary LBO on Ermewa led the Group to simplify its capital structure; it sold its 21.5% interest in Ermewa France to Swiss company Ermewa Group and made a capital gain of €28.7m.

Net income for 2007 totalled €559.5m, against €101.0m in 2006.

## FINANCIAL POSITION

SNCF Participations continued to fulfil its role as a general holding company and a pivotal entity in Group development operations.

Its investments in equity shares rose by €310.2m (€890.4m on 31 December 2007 against €580.2m the previous year). The formation of the Transport & Logistics division led SNCF Participations to sell off a total of €525.3m of equity shares in subsidiaries (a net book value of €261.5m). The financing of SNCF Participations's and SPFRD's sale of the Freight subsidiaries' shares led Transport et Logistique Partenaires to increase its liquid capital (€453.8m), which was entirely underwritten by SNCF Participations.
The secondary LBO on Ermewa led the Group to simplify its equity capital structure. SNCF Participations sold its 21.5% interest in Ermewa France to Swiss company Ermewa Group for €51.8m (a net book value of €23.1m). Financière Ermewa's capital reduction led SNCF Participations to cancel the corresponding €6.2m of equity shares.
Keolis's capital restructuring, following the withdrawal of 3i and AXA and the Caisse de Dépôt et Placement du Québec (CDPQ) consortium becoming the controlling shareholder with a 52% holding, led Financière Keos to partially repurchase its own shares, whereupon SNCF Participations cancelled the said shares for a total of €5.9m. SNCF Participations also sold its Keolis shares to Financière Keos for a net book value of €4.0m. SNCF Participations then contributed all its Financière Keos shares (€14.2m) and attached BSA shares (€68.1m) to Kureva Développement at net book value, making a total of €82.3m, and now holds shares in Kureva Développement in exchange for that contribution valued at €82.3m. The financing of the repurchase of the Wilson Freight Forwarding division led Geodis to increase its capital, which SNCF Participations subscribed to in proportion to its rights, namely €63.4m.

Provisions for impairment of investments stood at €3.8m (against €70.1m in 2006), down by €66.3m concerning the reversals of provisions on equity shares funded following the sale of the Freight subsidiaries to TLP.

Receivables linked to holdings totalled €26.5m at 31 December 2007 (against €170.9m the previous year). The capital restructuring of Keolis led Financière Keos to reimburse the €76.3m shareholders' loan (interest included) granted by SNCF Participations. SNCF Participations also contributed its Keos stock warrants to Kureva at book value, namely €68.1m.

Net trade and other receivables totalled €25.1m on 31 December 2007 (against €39m the previous year), down €13.9m. SNCF Participations had granted a cash advance of €12m to Naviland Cargo in December 2006, which was capitalized at the start of 2007.

Cash assets totalled €288.9m on 31 December 2007 (against €305.6m the previous year). SNCF Participations benefited firstly from the leveraging effect of the secondary LBO on Ermewa and Keolis's capital restructuring with the arrival of the AXA CDPQ consortium as major shareholders, and secondly from TLP's capital restructuring, with the sale of shares in Freight subsidiaries. Conversely the €63.4m contribution to Geodis's capital increase and the €453.8m one to TLP's, the €320m dividend payout and a €22m corporate income tax payment to parent company SNCF, contributed to a reduction in SNCF Participations's net cash assets.

Equity capital, after appropriation of net income and possible distribution of reserves, totalled €1,019.1m (against €659.5m year on year), making an increase of €359.6m. The sale of equity shares in Freight subsidiaries to TLP, as well as the capital restructuring of Keolis and Ermewa, enabled SNCF Participations to report big profits and a net income of €559.5m in 2007. The 2007 net income appropriation proposed by the Board of Directors includes a dividend payout of €60.0m.

■ Management discussion and analysis

Contingent liability totalled €1.4m on 31 December 2007 (against €12.6m year on year), down €11.2m. Financière EOLE's calling in the liability guarantee clause relating to the Keolis LBO led SNCF Participations to fund a contingency provision of €7.3m in 2005. Keolis's capital restructuring with the arrival of the AXA CDPQ consortium as shareholders led SNCF Participations to pay €7.0m as liability guarantee in 2007 while reversing the provision funded for the purpose in 2005.

With a net cash surplus of €285.4m on 31 December 2007 (against €302.8m the previous year), SNCF Participations has now totally cleared all its debts.

## APPROPRIATION OF NET INCOME

| in euros | |
|---|---|
| Prior unappropriated earnings | 134,805.35 |
| Net income from period | 559,451,508.38 |
| **Total unappropriated amount** | **559,586,313.73** |
| Legal reserve | 3,950,931.00 |
| Other reserves | 495,526,635.72 |
| Undistributed earnings | 111,033.58 |
| Dividends (€7.24 x 8,286,977 shares) | 59,997,713.43 |

In 2004, SNCF Participations made an exceptional distribution taken from the share premiums for a value of €200m. In December 2005, SNCF Participations also made an exceptional distribution taken from the share premiums for a value of €55m. In 2006, SNCF Participations distributed dividends totalling €147,604,814.10 (€17.9 x 8,246,079 shares) and exceptionally distributed reserves for a value of €87,408,437.40 (€10.60 x 8,246,079 shares), making a total of €235,013,251.80. In 2007, SNCF Participations paid out a total of €96,128,933.20 (€11.6 x 8,286,977 shares) in dividends and made an exceptional distribution from the "share premium" account of €223,748,379.0 (€27 x 8,286,977 shares), making a total of €319,877,312.20.

## EXCERPT FROM THE FINANCIAL STATEMENTS OF HOLDING COMPANY SNCF PARTICIPATIONS

### SUMMARY INCOME STATEMENT

| in millions of euros | 2007 | 2006 |
|---|---|---|
| **Turnover** | **26.7** | **24.5** |
| Purchases and external charges | -14 | -13.6 |
| **Value added** | **12.7** | **10.9** |
| Payroll expense | -22 | -20.3 |
| Taxes | -1 | -1.2 |
| **Gross operating income** | **-10.3** | **-10.6** |
| Amortization and provisions | - | 0.4 |
| **Operating income** | **-10.3** | **-10.2** |
| Financial income | 289.2 | 83.6 |
| **Current income** | **278.9** | **73.4** |
| Exceptional income | 291.1 | 49.8 |
| Profit-sharing | -0.2 | -0.2 |
| Company taxes | -10.3 | -22 |
| NET INCOME | 559.5 | 101.0 |

## SUMMARY BALANCE SHEET AT 31 DECEMBER 2007

| in millions of euros | 2007 | 2006 |
|---|---|---|
| Intangible assets | 0 | 0 |
| Tangible assets | 3.9 | 4.3 |
| Investments | 913.4 | 681.2 |
| Accounts receivable | 25.1 | 39.0 |
| Cash assets | 288.9 | 305.6 |
| TOTAL ASSETS | 1,231.3 | 1,030.1 |

| in millions of euros | 2007 | 2006 |
|---|---|---|
| Equity capital | 1,218.8 | 979.4 |
| Contingent liability | 1.4 | 12.6 |
| Financial debts | 3.5 | 2.8 |
| Accounts payable | 2.8 | 6.0 |
| Non-trade payables | 4.8 | 29.3 |
| TOTAL LIABILITIES | 1,231.3 | 1,030.1 |

## SUMMARY CASH FLOW STATEMENT

| in millions of euros | 2007 | 2006 |
|---|---|---|
| CFFO (cash flows from operations) | 198.9 | 44.9 |
| Changes in working capital requirements | -30.8 | -22.5 |
| **Cash flows from operating activities** | **168.1** | **22.4** |
| **Cash flows from investing activities** | **138.8** | **379.0** |
| **Cash flows from financing activities** | **-319.9** | **-227.7** |
| CASH FLOW | 13.0 | 173.7 |

# Corporate governance and internal control

## PRELIMINARY NOTE

The law of 26 July 2005 made a report on internal monitoring compulsory only for public-sector companies issuing public offerings. SNCF Participations wishes nonetheless to continue issuing this report in the interests of transparency and good governance and will help disseminate this good practice throughout the Group.

This report was prepared at the request of General Management by the company's Department of Legal Affairs and the Finance Department.

## 1. CORPORATE GOVERNANCE AND OPERATION OF THE BOARD OF DIRECTORS OF SNCF PARTICIPATIONS

The composition of the Board of Directors, its powers and the organization of General Management remain unchanged and are set out in Appendix 1 hereto.

### 1.1 Operation of the Board and the Audit & Risks Committee during the year

The Board of Directors convened six times in 2007:

On 27 February 2007, the Board examined and discussed the following matters:

- approval of the 2006 consolidated and individual financial statements and the convening of a joint General Meeting;
- formation of subsidiary SNCF Conseil for the purpose of providing SNCF and its subsidiaries with consultancy services;
- SNCF, EFFIA and Keolis's joint creation of GIE Inter'Actions for the purpose of developing initiatives and campaigns aimed at coordinating and promoting intermodal transport;
- Ermewa's capital restructuring (approval of an agreement and sundry documents).

On 4 April 2007, the Board examined and discussed the following matters:

- formation of a holding company called Transport et Logistique Partenaires incorporating the Transport & Logistics division and the Freight subsidiaries;
- transfer of the agreements relating to the warehouse on boulevard Macdonald to Geodis.

On 9 May 2007, the Board approved an agreement and documents relating to the Ermewa capital restructuring.

On 19 June 2007, the Board examined the R1 2007 revised forecast and discussed the planned disposal of the warehouse on boulevard Ney.

On 28 August 2007, the Board examined the consolidated and individual financial statements for the first half of 2007 and approved a contribution in connection with the capital restructuring of Keolis.

On 17 December 2007, the Board examined the R3 2007 revised forecast and approved the 2008 budget. It also discussed the following matters:

- formation of a subsidiary to market the Group's maintenance know-how externally;
- take-up of a repurchase option on the Levallois-Perret building.

SNCF Participations's Audit & Risks Committee convened twice:

- on 21 February 2007, its members examined the individual and consolidated financial statements closed on 31 December 2006;
- on 27 August 2007, the Committee examined the consolidated interim (half-year) statements.

### 1.2 Training for the directors of SNCF Participations and its subsidiaries

A training seminar for twenty or so new Group managers and directors was organized in May 2007 by SNCF Participations and IFA (Corporate Directors Training Institute). It covered governance, risks, responsibilities and the interpretation of financial documents.

Another session of this seminar was organized in January 2008 on the same topics as well as a module on drawing up Business Plans. Further sessions will be arranged when the number of new directors so warrants.

The scope of internal control was broadened in 2006 to include environmental protection issues, with seminars on regulations in this field.

This training programme, which is aimed at company lawyers and managing directors in the subsidiaries, continued in 2007.

## 2. CONTROL ENVIRONMENT AND PROCEDURES

### 2.1 Objectives of internal control

The aims of the internal control procedures in place at SNCF Participations are as follows:

- firstly, to ensure that management actions or operations, and the behaviour of personnel, come within the framework defined by the guidelines on corporate activities specified by the corporate bodies, applicable laws and regulations, and by the company's internal values, standards and rules;

• secondly, to verify that the financial, accounting and management information given to the company's corporate bodies accurately reflects its activities and circumstances.

One of the objectives of internal control is to avert and control risks resulting from the company's activities and the risks of error or fraud, more particularly in the areas of accounts and finance. Like any control system however, it cannot provide an absolute guarantee that such risks will be completely avoided.

## 2.2 Controls on the use of privileged information

Aware of the need to reinforce internal controls of insider trading or misuse of privileged information, SNCF Participations has set up appropriate procedures to ensure that managers and staff abide by the legal obligations of discretion and abstention. This process consists in raising their awareness and obtaining an unequivocal commitment from them to abide by the said obligations.

## 2.3 Changes in governance and risk management in the SNCF Group

The branch steering principle has been asserted since 1997.

The Branches have been given the responsibility for the economic, financial and strategic steering of the subsidiaries attached to them. However, the economic and financial steering of the subsidiaries of the Transport & Logistics, Voyageurs France Europe, SNCF Proximités and Infrastructure/ Engineering divisions has been delegated to SNCF Participations.

SNCF's FAST department is responsible for consolidating Group accounts.

SNCF Participations is responsible for ensuring that there are improvements in Group governance and that directorship appointment procedures are duly followed.

The Management Committee holds a weekly briefing (CODIR, see appendix 1, § 1.4) on the subsidiaries' Board and Audit committee meetings of the following two weeks, which must be attended by the directors of SNCF Participations, who also attend management cycle meetings.

In addition, SNCF Participations provides shared services to subsidiaries in connection with cash management, human resources management, accounting assistance, legal assistance, M&A (Merger and Acquisition) operations, legal training schemes and the circulation of information with the subsidiaries.

As stated earlier (point 1.2), seminars are periodically organized for the subsidiaries' lawyers and managing directors. They primarily aim to raise the awareness of Group companies regarding the various legal risks they may incur, more particularly with regard to the environment and sustainable development.

## 2.4 Risk management in SNCF Participations and the Group

SNCF Participations formed its Audit & Risks Committee in September 2004.

On the initiative of the Chairwoman and Managing Director, Group companies of a significant size were invited to set up Audit & Risk Committees by 31 December 2004, in addition to any already in place in certain subsidiaries or holdings.

In 2007, such committees were thus duly formed in the following companies: Geodis, Keolis, Ermewa, VFLI, Naviland Cargo, VFE Partenaires, SeaFrance, EFFIA, Logistra, Sealogis, Systra, Novatrans, AREP, SNCF International, France Wagons, Fret International and Inexia.

The role of these committees was defined within the scope of their internal regulations, which are based on the proposal drawn up by SNCF Participations.

The Chairpersons of these Audit and Risk Committees meet regularly to share their main observations and recommended good practices. In 2006, they met for this purpose on 20 November and invited to their meeting the Chairman of the Audit and Risk Committee of SNCF's Board of Directors.

SNCF Participations is associated by the Department of Audit and Risks (DAR) with its risk management process in such a way as to deploy it at SNCF Group level. SNCF Participations provides its knowledge about the activities of its subsidiaries and supports the work of operational entities in their processes, risks and control measures.

The DAR maps risks according to a breakdown of the company's activities into major processes, as well as information from a questionnaire, interviews with management, analysis of documents and tests.

Risks were thus charted in ten subsidiaries during the course of 2006; this process included action plans agreed with the managements of the subsidiaries.

The DAR also produces warning sheets, which briefly summarize the potential risks subsidiaries are exposed to.

This process continued in 2007:

• risks were charted in four subsidiaries:
  - Ecorail
  - Freight Europe UK
  - STSI
  - Sealogis (Feron de Clebsattel et Challenge)
• a warning grid was produced for Ecorail.

Corporate governance and internal control

## 2.5 Delegation of powers within the parent company

The system in place for delegating powers in SNCF Participations, which is embodied by the register of authorized signatures, is based on the following chain of command:

- The Managing Director delegates to functional managers the authority to commit the company for services charged to their departments within the limits of their budgets;
- The functional managers may in turn delegate this authority to their staff, subject to individual thresholds and types of commitment being defined.

Banking powers are regularly updated and granted to a limited number of persons. It should be noted that an audit of cash procedures was conducted in 2005.

## 2.6 Internal control procedures relating to the main operational issues

During the process of drawing up this report, a review of the main corporate processes revealed the key issues of internal control for the SNCF Participations Group.

### LEGAL, ECONOMIC AND FINANCIAL MONITORING OF SUBSIDIARIES

The legal, economic and financial monitoring procedures SNCF Participations follows to monitor its subsidiaries did not undergo any noteworthy changes in 2007. The procedures continue to be applied according to the terms set out in Appendix 2 hereto.

### HUMAN RESOURCES MANAGEMENT

The SNCF Participations Group has 68,000 employees (including Keolis) and, in conjunction with the human resources departments of the main subsidiaries, ensures quality is maintained in industrial relations and that policies in this area are consistent. SNCF Participations's Human Resources Department also monitors managerial staff on secondment to the main Group subsidiaries.

### MONITORING SIGNIFICANT INVESTMENTS AND EQUITY TRANSACTIONS

Dossiers on investments made by subsidiaries are sent to SNCF Participations's General Management before any commitments to a formal negotiation process with third parties.

This procedure applies to all subsidiaries in which the SNCF Group has a controlling interest (over 50% of their equity); this is in addition to the procedure introduced for non-budgeted investments in excess of €10m under consideration by subsidiaries in which the Group has a majority stake.

After examination, the dossier is submitted where required to the competent bodies for approval.

## 2.7 Internal control procedures governing the preparation of financial and accounting information

Financial and accounting information for the SNCF Participations Group is prepared by SNCF's FAST department. FAST's consolidation service coordinates the financial statements of the subsidiaries, and is assisted by the accounting and financial services of the subsidiaries and sub-groups. The consolidation tiers organize their timetable internally within the processes and deadlines imposed by SNCF Participations.

The subsidiaries use "Magnitude" consolidation software with a standard reporting format based on the Group's accounting procedures manual. Inter-company transactions are controlled via a dedicated Internet portal and specific reconciliation procedure.

## 2.8 The main audit engagements conducted in subsidiaries

During the course of 2007, the DAR carried out audits in the following subsidiaries:

- SNEF
- AREP
- CRM Services
- Transengrais
- VFLI
- SNCF International
- Freight Europe UK

In addition, it should be noted that SNCF Participations, subject to the DAR's notification procedures, has drawing rights on Group Audit if a requirement unidentified at the planning stage arises.

## MAIN DIRECTIONS AND GUIDELINES UNDER CONSIDERATION

Extending the process of broadening and disseminating the scope of internal control issues within the Group, SNCF Participations's management keeps a watchful eye on all legal and regulatory changes in this respect, and on the best practices put forward by the regulators, in as much as their recommendations can be transposed to SNCF Participations's particular environment.

For financial year 2008, SNCF Participations will more particularly continue to make a contribution to the charting of risks DAR carries out in the subsidiaries.

*The Chairman*

## APPENDIX 1

## ORGANIZATION AND OPERATION OF SNCF PARTICIPATIONS'S GOVERNANCE

### 1.1 Composition of the Board of Directors

At 31 December 2007, the Board of Directors comprised 10 members. One of them is a member of the Works Council. The Secretary of the Board of Directors and the members of the Management Committee concerned also attend Board meetings. The detailed composition of the Board of Directors is provided in the Annual Report.

Directors hold office for 6 years.

As it happens, the directorships of the 10 current members, which were renewed by the AGM of 3 May 2005, will expire on the occasion of the General Meeting convened to approve the financial statements for 2011.
The Chairperson of the Board of Directors is appointed from among the Board members for a term that cannot exceed that of his or her directorship.

The number of offices held by directors within the Group and other companies complies with regulatory requirements. The list of directors, their duties and positions or offices held in other companies is appended to the management discussion and analysis, which has been filed with the period's financial statements in accordance with current regulations.

### 1.2 Recruitment and training of directors

- New directors are required to formally state they are available and have the legal capacity to accept a directorship.
- A guide for directors has been drawn up and is given to directors, in particular when they are appointed. It defines the governance rules within the Group and the companies it comprises and sets out the role and responsibility principles of a director. New directors are invited to attend legal training sessions on the aforementioned subjects. The number of mandates is limited to five and this rule shall be progressively applied to those having mandates in excess.

### 1.3 Powers of the Board of Directors and delegation to the Chair

Further to the provisions of article 24 of the articles of association, the Board of Directors lays down the general guidelines and directions for the company's business activities and ensures that they are duly followed. It more particularly deliberates on the company's major strategic, financial or technological orientations.

Subject to the powers specifically devolved to shareholders' meetings and within the limitations of the corporate objective, it deals with all matters relating to the smooth running of the company and settles matters concerning it by its own deliberations. It carries out the checks and verifications it deems necessary and timely.

Further to the provisions of article 25 of the articles of association, the Board of Directors appoints the Managing Director, and where applicable, one or more deputy managing directors. Under the said provisions, it decided to appoint the Chairperson of the Board of Directors as Managing Director at its meeting of 9 May 2007, at which it appointed Mrs Anne-Marie Idrac Chairwoman & Managing Director.

The Managing Director is vested with the widest powers to act for and on behalf of the company at all times. He/she exercises these powers within the scope of the corporate objective, and subject to those the law specifically grants to shareholders' meetings and to the Board of Directors. The Board of Directors authorizes the Managing Director to grant guarantees, bonds or sureties on behalf of the company up to a limit it sets for a period of one year. It has not set any other limitations on the Managing Director's powers.

At its meeting of 9 May 2007, as proposed by the Chairwoman and Managing Director, the Board of Directors appointed Mr Dominique Thillaud as Deputy Managing Director, with the same powers as the Managing Director.

Corporate governance and internal control

## 1.4 Observer

The Joint General Meeting of 14 March 2007 amended the company's articles of association with a view to creating the post of Observer, who attends Board meetings solely in an advisory capacity. In its meeting of 4 April 2007, the Board appointed the head of the Economic and Financial Control of Transport Mission to hold this position.

## 1.5 Management Committee

The steering of SNCF Participations is provided, under the aegis of the Managing Director, by the Management Committee (CODIR in French), which convenes every week.

## 1.6 Operation

The statutory auditors were duly invited to attend the Board meetings that examined the company's interim accounts and closed the annual accounts in accordance with article L. 225- 238 of the Code of Commerce. They were also invited to attend all other Board meetings.

The presence of at least half of the members is required for the deliberations to be valid. Decisions are made by a majority of members present. If votes are split, the Chairperson has the casting vote.

The minutes of meetings of the Board of Directors are submitted to the directors for approval at the following Board meeting.

### DIRECTORS' INFORMATION

All technical and other documents relating to the items on the agenda of Board meetings were sent before the meeting or jointly examined on the day of the Board meeting.

## APPENDIX 2

## LEGAL, ECONOMIC AND FINANCIAL CONTROL OF SUBSIDIARIES

The activity of the subsidiaries was monitored by SNCF Participations in 2007:

- Each Group company carries out its activity in one or more of the operational divisions which structure the activity of the Group (Voyageurs France Europe, Transport & Logistics, Infrastructure/Engineering, SNCF Proximités, Holdings);
- SNCF Participations provides financial and legal monitoring services and ensures that the strategies are implemented in the divisions. SNCF Participations, a subsidiary of SNCF (which holds 99.83% of its equity), directly or indirectly controls the vast majority of the Group's subsidiaries (approximately 700).

The SNCF Group is present in the governing bodies of the sub-groups or subsidiaries in the following manner:

- One or more SNCF managers (for strategic guidance);
- One or more SNCF Participations managers (for economic and financial guidance).

Powers are delegated to corporate officers by the governing bodies of the subsidiaries.

The economic control of subsidiaries is exercised by the financial and management monitoring departments of SNCF Participations and the sub-groups:

- The Medium-Term Plan is updated once a year.
- A budget is drawn up once a year and deviations from this are monitored. Two revised forecasts are produced per year.
- Financial reporting is structured around a tool widely used in France which among other things provides the following information:
  - Monthly: P&L account, comments on the period's highlights;
  - Quarterly: debt, working capital requirement, workforce, capital expenditure and investments;
  - Statutory consolidated statements (annual and half-yearly) and consolidated management accounts (quarterly).
- The principal risks sub-groups and subsidiaries are exposed to (categories: customers/personnel/R&D/Financial) are identified within the framework of the budgetary procedure and monthly reporting, then sent on to SNCF's management.

A dedicated hotline was set up in 2007 with the aid of a specialized law firm to promptly answer any questions Group companies may have in connection with regulations governing environmental hazards and sustainable development.

# Consolidated financial statements on 31 December 2007

## CONSOLIDATED INCOME STATEMENT

| in millions of euros | Notes | 12/31/07 | 12/31/06 |
|---|---|---|---|
| **Revenue** | 4 | **7,214** | **5,958** |
| Purchases, subcontracting and other external charges | 5 | -4,682 | -3,701 |
| Personnel expense | 6 | -1,765 | -1,566 |
| Taxes | | -85 | -84 |
| Other operating income and expenses | 7 | -179 | -147 |
| **Operating margin** | | **503** | **460** |
| Amortization expenses | 8 | -209 | -206 |
| Depreciation expenses | | -50 | -40 |
| Net impairment expenses | 9 | 1 | 4 |
| Results of disposals | | -2 | 0 |
| Other operating income and expenses | | 30 | 38 |
| **Operating income** | | **272** | **256** |
| Net cost of debt | 10 | -43 | -16 |
| Net financial income and charges | 11 | 39 | 61 |
| Non-operating income | | -4 | 45 |
| **Underlying pre-tax profit (or loss)** | | **268** | **301** |
| Corporate income tax | 12 | -96 | -107 |
| Deferred tax | 12 | 5 | -10 |
| Proportionate share of equity-method company results | | 30 | 23 |
| **Net underlying profit (or loss)** | | **207** | **207** |
| Net result of discontinued operations | | 0 | 0 |
| **Net income for period** | | **207** | **207** |
| Income ex-Group - Minority interests | | 44 | 37 |
| Group share of income | | 163 | 170 |
| Number of shares making up the capital: | | 8,286,977 | 8,286,977 |
| Earnings per share: (in euros) | 13 | | |
| - for net operating income | | 25 | 25 |
| - for net Group share of income | | 20 | 20 |

■ Consolidated financial statements

## CONSOLIDATED BALANCE SHEET - ASSETS

| in millions of euros | Notes | 12/31/07 | 12/31/06 |
|---|---|---|---|
| Goodwill | 14 | 511 | 162 |
| Other intangible assets | 15 | 155 | 42 |
| Tangible assets | 16 | 1,402 | 1,385 |
| Long-term financial assets | 19 | 43 | 56 |
| Interests in associated undertakings | 17 | 109 | 148 |
| Deferred tax assets | 12 | 38 | 94 |
| **Non-current assets** | | **2,259** | **1,887** |
| Inventory and WIP | | 28 | 30 |
| Trade notes and accounts receivable | 21 | 1,567 | 1,334 |
| Non-trade receivables | 22 | 422 | 369 |
| **Operating assets** | | **2,018** | **1,733** |
| Short-term financial assets | 19 | 16 | 84 |
| Cash and short-term investments | 31 | 877 | 969 |
| **Current assets** | | **2,911** | **2,786** |
| Assets earmarked for disposal | | 0 | 420 |
| TOTAL ASSETS | | 5,170 | 5,093 |

## CONSOLIDATED BALANCE SHEET - LIABILITIES

| in millions of euros | Notes | 12/31/07 | 12/31/06 |
|---|---|---|---|
| Capital and related premiums | | 612 | 836 |
| Consolidated reserves | | 363 | 283 |
| Net income of period | | 163 | 170 |
| **Group equity** | 23 | **1,138** | **1,289** |
| Minority interests | 23 | 350 | 240 |
| **Equity** | | **1,488** | **1,529** |
| Non-current provisions | 24 | 132 | 133 |
| Non-current financial liabilities | 26 | 728 | 439 |
| Deferred tax liabilities | 12 | 130 | 161 |
| **Non-current liabilities** | | **991** | **733** |
| Current provisions | 24 | 116 | 127 |
| Trade notes and accounts payable | 28 | 1,091 | 934 |
| Non-trade payables | 29 | 941 | 834 |
| **Operating liabilities** | | **2,148** | **1,895** |
| Current financial liabilities | 26 | 543 | 936 |
| **Current liabilities** | | **2,691** | **2,831** |
| TOTAL LIABILITIES | | 5,170 | 5,093 |

■ Consolidated financial statements

## CASH FLOW STATEMENT

| in millions of euros | Notes | 12/31/07 | 12/31/06 |
|---|---|---|---|
| **Net consolidated income (including minority interests)** | | **207** | **207** |
| +/- Tax expense (including deferred tax) | | 91 | 117 |
| +/- Net depreciation, amortization and contingency allowance (excluding those relating to circulating assets) | | 189 | 182 |
| +/- Other calculated income and expenses | | -3 | 0 |
| +/- Capital gains and losses | | 15 | -74 |
| +/- Proportionate share of equity method company results | | -28 | -17 |
| **CFFO (Cash flows from operations) (A)** | | **471** | **415** |
| +/- Net interest income and charges (B) | | 47 | 13 |
| - Taxes paid (C) | | -129 | -115 |
| +/- Activity-related changes in WCR (including personnel benefit debt) (D) | | -6 | 42 |
| **= Net cash flow from operations (E) = (A + B + C + D)** | 31.2 | **383** | **355** |
| - Disbursements for acquisitions of tangible and intangible assets | | -277 | -218 |
| + Receipts from sales of tangible and intangible assets | | 114 | 73 |
| - Disbursements for acquisitions of financial assets | | -13 | -80 |
| + Receipts from acquisitions of financial assets | | 7 | 512 |
| +/- Acquisitions of subsidiaries net of acquired cash | | -396 | 0 |
| +/- Sales of subsidiaries net of cash paid | | 47 | 0 |
| + Dividends received (equity method companies, unconsolidated securities) | | 5 | -1 |
| - Loans and credit granted | | -15 | -8 |
| + Borrowings repaid | | 75 | 12 |
| + Financial interest received | | 42 | 10 |
| +/- Other flows relating to investment activities | | 0 | 23 |
| **= Net cash flow from investment activities (F)** | 31.2 | **-412** | **323** |
| + Sums received from shareholders for capital increases | | 93 | 4 |
| > Paid by parent company shareholders | | 0 | 0 |
| > Paid by the minority shareholders of consolidated companies | | 93 | 4 |
| +/- Purchases and sales of treasury stock (own shares) | | 0 | -8 |
| - Dividends paid out during period | | -342 | -251 |
| > Dividends paid to parent company shareholders | | -320 | -235 |
| > Dividends paid to minority shareholders of consolidated companies | | -22 | -16 |
| + Receipts from new borrowings | | 482 | 157 |
| - Loan redemption (including financial lease) | | -275 | -227 |
| - Financial interest paid (including financial lease) | | -68 | -50 |
| +/- Other flows from financing activities | | -6 | 0 |
| **= Net cash flow from financing activities (G)** | 31.2 | **-116** | **-375** |
| +/- Effect of exchange rate fluctuations (H) | | -3 | -1 |
| **= Net cash flow (E + F + G + H)** | | **-148** | **302** |
| Cash and equivalents on opening | 31.1 | 560 | 258 |
| Cash and equivalents on closing | | 412 | 560 |

## STATEMENT OF CHANGES IN NET WORTH

| in millions of euros | Capital contributions: Capital | Capital contributions: Share premium | Consolidated reserves | Consolidated income | Income booked directly as equity capital | Consolidated equity capital: Group share | Consolidated equity capital: Minority interests | Total |
|---|---|---|---|---|---|---|---|---|
| **Equity capital on 12/31/2005** | **248** | **581** | **288** | **218** | **-1** | **1,334** | **221** | **1,555** |
| Income appropriation | | | 217 | -218 | 1 | - | | - |
| Dividends | | | -235 | | | -235 | -16 | -251 |
| Capital transactions | 1 | 6 | | | | 7 | 5 | 12 |
| Treasury shares acquired | | | -4 | | | -4 | -4 | -8 |
| Variations in fair value and transfer to incomes | | | | | | - | | - |
| Net income from period | | | | 170 | | 170 | 37 | 207 |
| Translation adjustment: Changes and transfer to incomes | | | -1 | | | -1 | -1 | -2 |
| Changes in reporting scope | | | 1 | | | 1 | -2 | -1 |
| Other changes | | | 16 | | | 16 | | 16 |
| **Equity capital on 12/31/2006** | **249** | **587** | **282** | **170** | **-** | **1,288** | **240** | **1,528** |
| Income appropriation | | | 170 | -170 | | - | | - |
| Dividends | | -224 | -96 | | | -320 | -22 | -342 |
| Capital transactions [(1)] | | | | | | - | 92 | 92 |
| Treasury shares acquired | | | | | | - | | - |
| Variations in fair value and transfer to incomes | | | 5 | | | 5 | -2 | 2 |
| Net income from period | | | | 163 | | 163 | 44 | 207 |
| Changes in currency translation adjustment reserves | | | -2 | | | -2 | -1 | -2 |
| Changes in reporting scope | | | | | | - | -1 | -1 |
| Other changes | | | 4 | | | 4 | - | 4 |
| CAPITAUX PROPRES AU 31/12/2007 | 249 | 364 | 363 | 163 | - | 1,138 | 350 | 1,488 |

[(1)] *Geodis's capital increase.*

The Group paid out €38.62 of dividends per share in 2007 against €28.36 in 2006.

# Auditors' report
## on the consolidated financial statements

Dear Shareholders,

Further to the assignment given to us by your General Assembly, we have duly audited the consolidated financial statements of SNCF Participations for the period ending 31 December 2007, as attached hereto.

The consolidated financial statements have been made by the Board of Administrators. It is our duty to express an opinion on them on the basis of our audit.

### I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have conducted our audit according to the professional standards applicable in France; these standards require us to provide reasonable assurance that the consolidated financial statements do not contain any material misrepresentations. An audit consists in examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements. It also consists in assessing the accounting policies adopted and evaluating the significant estimates in the financial statements and the overall presentation thereof. We consider that our audit provides a reasonable and sufficient basis for our opinion as expressed hereafter.

We certify that the consolidated financial statements, with regard to current IFRS standards as adopted in the European Union, give a true and fair view of the asset base, financial position and earnings of all the reporting entities.

### II. EVIDENCE SUPPORTING OUR OPINION

In pursuance of article L. 823-9 of the French Code of Commerce on the justification of our appraisal, we would apprise you of the following:

Non-current assets are subject to impairment tests as described in note 2.10 of the appendix to the consolidated financial statements. We have examined the methods and assumptions on which these impairment tests were based to ensure their overall consistency.

The opinions thus expressed are based on our overall audit of the consolidated financial statements as a whole, and therefore form the basis for the opinion stated in the first part of this report.

### III. SPECIFIC AUDITING

Furthermore, in accordance with the professional standards applicable in France, we have also audited the information provided in the group's management discussion and analysis.

In our view, it provides a true and fair view and is consistent with the consolidated financial statements.

Drawn up in Courbevoie and Paris-La Défense, 18 March 2008

Statutory auditors

ERNST & YOUNG AUDIT
Francis GIDOIN - Christine VITRAC

MAZARS & GUERARD
Gilles RAINAUT - Gérard PORIER