SNCF Mobilités

Full Rating Report

Issuer Default Ratings (IDRs)

Foreign Currency

Long-Term IDR	AA
Short-Term IDR	F1+

Ratings Outlooks

Long-Term IDR	Stable

Financial Data

SNCF Mobilités (Consolidated)

(EURm)	31 Dec 14	31 Dec 13
Revenue [a]	27,243	27,030
Operating EBITDAR [a]	3,373	3,476
EBITDAR/revenue (x)	12.4	12.9
Cash flow from operations	2,600	2,660
Free cash flow	417	-387
Total gross debt	18,771	17,830
Total net debt[b]	7,405	7,383
Total net debt/ EBITDAR (x)	2.2	2.1
CDP receivables	1,678	1,684
RFF receivables	1,229	1,221

[a] Excluding SNCF Infra division
[b] Total gross debt net of cash and marketable securities, other financial assets and net of Caisse de la Dette Publique (CDP) and RFF receivables

Key Rating Drivers

Strong Support, Strategic Position: The ratings of SNCF Mobilités are credit-linked and aligned with those of France (AA/Stable), based on a top-down rating approach under Fitch Ratings' public-sector entities outside the United States criteria. The ratings reflect very strong expected support, in case of need, from the state, due to the public establishment (EPIC) status, the strong oversight from the French government and SNCF Mobilités' strategic role in government policy. The Stable Outlook reflects that of France.

Strong State Support: Given its EPIC legal status, Fitch believes SNCF Mobilités would benefit from very strong state support in case of need. Although the French government has no legal obligation to prevent a default, Fitch assumes that it is highly motivated and has the means to enable SNCF Mobilités (not its subsidiaries) to service its debt on time. Its EPIC status was reaffirmed in 2014; Fitch does not expect any change in status in the medium term.

Strategic Importance: SNCF Mobilités carries strategic importance for the French public sector. Public orders (EUR10.4bn in 2014 from the state, regions and SNCF Réseau (AA/Stable); formerly Réseau Ferré de France or RFF) typically represent 30% of SNCF Mobilités' annual consolidated turnover. The group also received operating grants (EUR1.2bn in 2014) and investment support in the form of third-party financing (from regional transport authorities, mostly for rolling stock; 2014: EUR1.1bn).

High Debt, Adequate Liquidity: The group's net debt increased slightly to EUR7.1bn. Cash resources meet liquidity needs, debt service obligations and any negative net free cash flow (FCF). The source of this buffer is mainly EUR5.4bn of cash reserves and EUR1.7bn of receivables held in Caisse de la Dette Publique (CDP). At end-2014, the buffer covered 2015 financial debt service by at least 3x. The liquidity profile was also underpinned by EUR1.3bn of receivables held in SNCF Réseau and EUR780m in available committed bank lines.

Market Liberalisation Concerns: Ongoing but slow market liberalisation may challenge the timeliness of state support. Liquidity support could be viewed as unlawful state aid under EU regulations if it is used to support competitive businesses. However, SNCF Mobilités has adapted its funding policy to avoid a breach of state aid regulation; the debt taken for competitive businesses within the group is charged at market prices to these segments.

Stable Activity in 2014: SNCF Mobilités recorded stable consolidated revenue in 2014 of EUR27.2bn, despite a downward trend in domestic freight and high-speed passenger volumes due to fierce competition. SNCF Mobilités recorded a positive net result of EUR605m in 2014, after a net loss of EUR180m in 2013, due to exceptional large impairment losses. In the medium term, profitability is likely to be further challenged, and other write-downs of assets are likely to affect the net result.

Rating Sensitivities

Sovereign Downgrade, Status Change: A change in France's sovereign ratings would be mirrored in SNCF Mobilités' ratings. An adverse change in the EPIC status with weaker state support would also trigger a rating review.

Declining Liquidity Reserves: SNCF Mobilités' ratings could also be downgraded if its liquidity reserves decline to below levels of two years of debt service.

Related Research

France (June 2014)

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Rating History

Date	Foreign Currency IDR	Local Currency IDR
1999	AAA	AAA
2013	AA+	AA+
2014	AA	AA

Related Criteria

Rating of Public Sector Entities (February 2015)
Tax-Supported Rating Criteria (August 2012)

Public Sector Entity Support Factors

Profile and Overview

SNCF Mobilités is one of Europe's largest passenger and freight transport operators, with a monopoly in rail passenger transport in France. SNCF Mobilités is a public commercial and industrial institution (EPIC) with legal capacity and financial autonomy. It is fully owned by the French state. SNCF Mobilités also controls several subsidiaries operating in deregulated markets in rail passengers and freight railway transport, as well as logistics and engineering. Along with EPIC's divisions, the subsidiaries are pooled through four main business divisions and, taken with EPIC as a whole, form the SNCF Mobilités group. As of 2015, the latter employs about 180,000 persons, of which 100,000 are employed within EPIC (not including people employed under the Infra division, who were transferred to SNCF Réseau on 1 July 2015).

Principal Rating Factors

Summary

	Legal status	Strategic importance	Control and oversight	Integration/ financial
Support factors	Strong	Strong	Strong	Moderate

Source: Fitch

Legal Status

Fitch considers SNCF Mobilités' legal status as an EPIC as strong and therefore highly supportive of its credit quality.

As an EPIC, SNCF Mobilités cannot be liquidated or file for bankruptcy proceedings. It can only be dissolved by law, which would entail an automatic unconditional transfer of all its assets and liabilities to the state, or to another public entity designated by the state. However, an EPIC's debt is not explicitly guaranteed by the state. Although a bailout procedure would involve parliament, a timely bailout is still possible for a strategic entity like SNCF Mobilités.

Fitch does not expect the ownership of SNCF Mobilités to change over the medium term. Given the social sensitivity of the staff (about 246,000 people employed backed by powerful unions, as evidenced by regular strikes like those in June 2014, as well as the maintenance of existing protected employment status and benefits), privatisation of this company is unlikely in the near term.

Strategic Importance

Fitch considers SNCF Mobilités' strategic importance to France as strong and therefore highly supportive of its credit quality.

SNCF Mobilités enjoys a dominant position and a strategic, socio-economic and political importance in the French transport sector. SNCF Mobilités has been entrusted with a public mission, which is to ensure the continuity of, and enable the largest number of people to have access to, rail transport services. For this reason, it receives substantial state subsidies intended to offset the relatively low rail fares and finance the maintenance of loss-making lines.

Among other public missions, SNCF is also a key instrument in the state's economic development and its territory planning policy.

Control and Oversight

Fitch considers the control and oversight by the state as strong and therefore as highly supportive of SNCF Mobilités' credit quality.

State oversight is ensured by strong representation on SNCF Mobilités' board of directors and nomination of the chairman of SNCF Mobilités' board of directors by state decree. SNCF Mobilités' chairman, Mr. Guillaume Pepy, was reappointed in February 2013 for a five-year term. Of the 18 members who sit on the board of directors, seven are representatives of the central government (including the chairman) and five are appointed by the government (the other six are representatives of the employees).

SNCF Mobilités is subject to state controls through the central government's Court of Auditors (Cour des Comptes) and its activities are regulated nationwide through ARAFER (Autorité de régulation des activités ferroviaires et routières). The group is required to provide Shareholding Ministers (the Minister of Finance through Agence des Participations de l'Etat) an annual business report. Shareholding Ministers, who are board members, are also kept informed about significant developments at SNCF Mobilités' on an ongoing basis as required.

Integration

Fitch considers the entity's integration into the general government accounts as moderately supportive of its credit quality.

SNCF Mobilités' debt is not consolidated in the national public debt according to the Eurostat definition. However, integration with the wider public sector is significant: French regions contribute significantly to railways sector investment in new and refurbished rolling stock and by boosting service frequencies.

Orders received from the wider public sector (including SCNF Réseau) amounted to EUR10.4bn in 2014, while public contributions granted by the French state and LRGs amounted to EUR1.15bn. Also, SNCF Mobilités received indirect financial support with EUR1.1bn of outlays financed by transport organising authorities (mostly regions).

Figure 1

Orders and Financial Contributions from the Public Sector

(EURbn)	2010	2011	2012	2013	2014
Orders from RFF	4,411	4,631	4,960	5,174	5,416
Orders from regions and STIF	3,959	4,210	4,268	4,306	4,507
Orders from the French state	262	443	530	495	455
Public orders	**8,632**	**9,285**	**9,757**	**9,975**	**10,379**
Operating grants - state	59	49	36	99	41
Payment and investment grants for intangible assets and PP&E– regions & state	926	325	700	931	1,111
Grants & contribution	**985**	**374**	**736**	**1,030**	**1,152**
Third-party capex financing (rolling stock, financed by regions)	**926**	**559**	**549**	**931**	**1,100**
Total public support	**10,543**	**10,218**	**11,042**	**11,936**	**12,631**

Source: Fitch, SNCF Mobilités

SNCF Mobilités paid EUR175m of dividends to the state in 2014. However, the state has decided not received any dividend from SNCF Mobilités in 2015 and for the five next years; instead, the dividends will be re-internalised for deleveraging.

Overall Assessment

In view of the above factors, Fitch has classified SNCF Mobilités as a credit-linked public sector entity (PSE) under its rating of public sector entities criteria. This is due to the entity's strong legal status, the strong control and oversight by the French state, its strategic importance to France and, to a lesser extent, the integration with French state. As a result, the ratings of SNCF Mobilités are equalised and credit linked with the sponsor's ratings.

Extraordinary Support From the State Very Likely

Given SNCF Mobilités' important role in government transport and planning policies and the still predominant share of its revenue related to regulated, public-sector activities, there is a strong likelihood the state would provide additional support and even extend it in a timely manner.

Fitch considers the EPIC would benefit from very strong state support in case of need. According to law 80-539 of 16 July 1980, the state is ultimately responsible for the financial commitments of its EPICs: if ordered to do so by an administrative judge, the state must mobilise all necessary resources to enable an EPIC to repay its debt. Although the French government has no legal obligation to prevent a default, Fitch assumes that the government is highly motivated to provide support and that it has the legal and financial means to enable EPICs to meet debt-service obligations on time.

This benefit only applies to the parent entity of SNCF Mobilités group, i.e. the EPIC. The latter's status does not apply to SNCF Mobilités' subsidiaries.

EU regulation on state aid does not enable cash advances for deregulated/competitive activities. Extraordinary liquidity support could be classed as unlawful state aid under EU regulations if it was used to support competitive businesses while the liquidity buffer decreased. However, a significant share of SNCF Mobilités' activities (around 45% of revenue) is still regulated. These segments are not subject to EU regulation on state aid.

Fitch estimates that SNCF Mobilités will slowly but increasingly be exposed to competition, increasing the pressure on the issue of state aid. However, SNCF Mobilités has adapted its funding policy in such a way that it would not be in breach of state aid regulation, as it can justify that debt raised − at the EPIC level − for competitive businesses within the SNCF group is charged at the market price to these business segments, and as such, does not benefit from the solvency guarantee embedded in the EPIC status.

Although Fitch has some concerns about the timeliness of cash advances from the central government, the agency recognises the complementary, indirect means of financing provided by Caisse de la Dette Publique (CDP), a public entity dependent on the state. CDP can purchase debt paper (such as CP) issued by an EPIC to provide it with liquidity support. CDP's by-laws state that its objective is to implement financial operations to enhance or protect the credit quality of the French state.

Moreover, CDP owes SNCF Mobilités EUR1.499bn (as of 2014, in nominal terms). This debt facility allows CDP to legally overcome the state aid regulatory hurdles by qualifying any disbursement to SNCF Mobilités as repayment of pre-existing debt. The reimbursement of the CDP debt is subject to a predetermined schedule, and mirrors the reimbursement of similar amounts on SNCF Mobilités' debt repayment schedule.

Figure 2
CDP Receivables Owed to SNCF Mobilités

	2013	2014	2015	2020	2023
Received	1,177	0	92	500	907
Outstanding at year-end	1 499	1 499	1 407	907	0

Source: Fitch based on SNCF Mobilités

We consider SNCF Mobilités to have a very close link with its sponsor. In case of need, Fitch expects there would be timely government intervention to prevent SNCF from failing to meet its obligations, particularly given both the large amount of debt it has issued in the international markets and its strategic importance to France.

Situation within SNCF Group

The 2015 railway reform has led to the creation of a unified, integrated public rail group. SNCF Mobilités and SNCF Réseau are both EPICs placed under the supervision of a "parent" EPIC, SNCF, created 1 December 2014. The "parent" EPIC is responsible for strategic control and steering, economic coherence, and the public rail group's industrial integration. It is, in turn, overseen by a supervisory council, on which the presidents of both SNCF Mobilités and SNCF Réseau serve along with representatives of the regions and railway staff. The government has majority representation.

Within SNCF Group, SNCF Mobilités' activities are limited to transport services. SNCF Réseau is the unique infrastructure manager. It combines the former RFF with former infrastructure divisions of SNCF Mobilités (SNCF Infra) (as of 1 July 2015).

The provision of non-discriminatory access to the network in keeping with European law is undertaken by the rail regulator ARAFER, which recently gained enhanced powers, including regulation of infrastructure management activities.

Operations

Moderate but Increasingly Competitive Context

In its capacity as an EPIC, SNCF Mobilités has a public mission to allow access to rail transport services for the largest possible number of people. However, it is increasingly exposed to competition as an effect of the EU legislation to open railways to competition.

Under the first two EU rail packages (1998, 2004), freight has been opened to competition. Competitors are now operating around 30% of the French rail freight market.

The third rail package, adopted in 2007, opened international rail passenger transport to competition, allowing foreign companies to operate in France. However, international links are only a small part of the network and are extensions of lines serving the most densely populated areas. Since then, only one French-Italian operator, Thello, has implemented night liaisons between Paris, Lyon and Venice, with a non-significant impact in terms of turnover for SNCF.

The fourth railway package will open domestic passenger services to competition by 2022, at the latest. Loss-making services would not fall under the third rail package, but instead the Public Service Obligation (PSO) Regulation (1370/2007).

However, the cost of entry into the French domestic passenger rail transport market is high and would require significant investment. Notably, it would require capital-intensive high-speed trains to compete with SNCF Mobilités on the country's major axes. Also, the infrastructure fees paid to access the network are considerable and would be a significant barrier to market entry. Technical norms also only allow certain trains to run on the French network. As the world leader in high-speed trains, SNCF Mobilités benefits from a huge technical advantage (notably in terms of maintenance) and strong commercial know-how.

Liberalisation of regional services are not governed by the EU rail packages, but by the PSO Regulation, dated December 2007. Regions (which are in charge of defining and funding the services) were authorised to allow competition after 10 years from when the regulation took effect in December 2009. Since then, the European Parliament has decided to postpone to 2022 the deadline for open competition in public markets. The date was further postponed to 2023. Until that date, SNCF Mobilités remains, de facto, the unique operator for regional networks. Then, regions may be ready to organise tenders; however, a change in railway operators could entail some legal issues, as most regional trains are legally property of SNCF Mobilités.

Financial Performance

SNCF Mobilités presents its accounts in a consolidated form, which includes the accounts of the EPIC and its subsidiaries, forming the whole group. Around 52% of total turnover was generated by the EPIC in 2014 (63% including SNCF Infra business unit, which is no longer part of SNCF Mobilités' scope after its transfer to SNCF Réseau as of 1 July 2015).

New Scope of Activity

Following the railway reform, the SNCF Infra division was transferred to SNCF Réseau. SNCF Mobilités' 2014 income, debt and cash flows statements take into account this transfer. In keeping with the financial standard IFRS5 (activities to be transferred), the SNCF Infra business unit is restated in SNCF Mobilités' accounts at year-end 2014. As a result, SNCF Infra is shown as a separate line item in the income statement ("Net profit from transferred activities") and no longer appears in group revenue. SNCF Infra's free cash flow and net debt remain in SNCF Mobilités' financial statements for 2014.

According to IFRS 5 calculation, as of 2014, EUR5.4bn of revenue (17% of total turnover) is classified as revenue from transferred operations. Net of spending, this represented a net profit of EUR230m. Assets to be transferred (EUR3.5bn) are mostly made of operating payables (59%) and intangibles assets, property, plant and equipment (20%), while liabilities (EYR3.0bn) are mostly short-term (67%). The debt portion issued to finance the business of the Infra division is equivalent to EUR280m of net commitments at year-end 2014. These liabilities will remain on SNCF Mobilités' balance sheet, but will be serviced by SNCF Réseau through cash transfers, via specific financing agreements.

2014: Sluggish Domestic Markets, Profitability Under Pressure

SNCF Mobilités' operating performance has been challenged over the last few years as evident in downward trend infreight and domestic passengers transport activities. While revenue grew 1.5% in 2014, the growth was mainly driven by international markets (+7%) through its expanding subsidiaries Keolis and Geodis.

SNCF Voyages division's revenue dropped 1.3% with declining traffic, especially that on regional (TER, -2%) and medium-distance links (Intercités, -2.2%), while revenue on high-speed lines was near-stable. The traffic was partly affected by a strike in June 2014 by SNCF Mobilités' rail workers, while the competition with other modes of transport (low-cost air companies, carpooling) is fierce in a context of weak economic growth. Contractual relations with regions have become tougher. Regions are claiming stricter specifications and covenants in their operating agreements, particularly regarding punctuality, quality of service and tariff.

Rail freight transport has been on a downward trend for a number of years in France. Total freight annual volume declined 32% from 2003 to 2013, while it grew 40% in Germany, due to heavy infrastructure fees paid to access the network and sluggish economic growth. Revenue from SNCF Mobilités' logistics division (mainly freight activities) fell 0.9% from 2013, due to accounting changes and foreign exchange changes. Outside these effects, revenue rose weakly by 0.9% (0.6% for freight activities), the first positive change after years of downsizing revenue, mostly thanks to activity abroad.

Figure 3

SNCF Revenue by Business Division

	31 Dec 2014[a]		31 Dec 2013[a]	
	(EURm)	**(%)**	**(EURm)**	**(%)**
SNCF Voyages	5,848	17.9	5,925	18.4
SNCF Proximités	11,967	36.6	11,591	36.0
SNCF Logistics	8,812	27.0	8,891	27.6
SNCF Infra[b]	5,440	16.6	5,202	16.1
Gares & connexions	275	0.8	262	0.8
Shared services	341	1.0	361	1.1
Total (excl. SNCF Infra)	**27,243**		**27,030**	

[a] Net of inter-division flows
[b] Transferred to SNCF Réseau in 2015
Source: SNCF Mobilités, Fitch

While the group's activity was sluggish, operating costs were still growing, particularly infrastructure fees (3.1%) and staff costs (2.4%). The profitability of SNCF Mobilités was therefore reduced with a consolidated EBITDA at EUR3.4bn or 12.4% of revenue in 2014, from EUR3.5bn or 12.9% in 2013 (at SNCF Mobilités' current scope). Despite high investments, outstanding assets and regular increased tariffs, the profitability on high speed lines (TGV) is shrinking: the operating margin has dropped to 10.4% in 2014 from 18% in 2007.

SNCF's reliance on international markets has increased in recent years. The Keolis and Geodis subsidiaries are expanding well abroad and are playing the role of growth drivers for the whole group, while domestic segments are sluggish. Keolis operates Boston's rail network (US) since 2014 (for about EUR300m of turnover each year) and the Gold Coast's tramway (Australia). It now operates about 30% of rail travels in the UK. Many significant tenders have been won in 2014 ,such as the rail franchise of Thameslink Southern & Great Northern (UK), the operation of the Docklands Light Rail in London (UK) and the metro of Hyderabad (India). About 25% of the group's turnover was made outside France in 2014, against 20% in 2010, with a goal of reaching 50% (25% in Europe, 25% outside Europe) in the medium term.

The group posted a net result of EUR605m, from a negative EUR180m in 2013. The latter integrated impairment losses of EUR1.4bn. Outside this non-recurring effect, profitability is declining. ROCE (calculated on current operating profit after share of net profit of companies consolidated under the equity method) dropped to 3.9% from 4.1%

Net of capital subsidies received, capital expenditure declined 3.7%, although they remained significant at EUR2.2bn in 2014. They were mostly related to the acquisition of rolling stock, investments in rail motorways and the renovation and development of stations and multimodal exchange hubs. Outlays financed by transport-organising authorities (mostly regions) was significant (EUR1.1bn), bringing total gross investments to EUR3.3bn.

SNCF Mobilités is engaged in a large investment programme, with capital expenditure mainly made up of acquisition and renovation of rolling stock and refurbishment of stations. Investment may amount around EUR2bn in 2015.

Medium-Term Challenges: Bringing Core Activities Back on Track in an Increasingly Competitive Context

For the medium term, Fitch expects the major constraints on SNCF Mobilités' profitability to remain.

Intermodal competition is likely to strengthen, as low-cost flights and carpooling will benefit from declining oil prices, while medium-long distance bus lines markets will open to competition in the second half of 2015. The extensive highway network is likely to make bus travel a credible and cheaper alternative to railway transport, at least in some areas. Therefore, domestic rail transport activities will be increasingly challenged and SNCF Mobilités' profitability could be further constrained.

Bringing the medium-long distance links (*Trains d'Equilibre du Térritoire*, or TET) back on track is a key challenge in the medium term. A dedicated parliamentary committee (Duron Commission) recently issued a report on the TET in which it points out that these lines are structurally loss-making and balanced only by state transfers. The latter are growing rapidly (+28% from 2012 to 2014), as their revenue has dropped in the recent years while costs are rigid. Also, both rolling stock and the network are ageing rapidly; thus, there is a high need for refurbishment and maintenance. This financial burden could become unbearable if no action is taken. Among others proposals, the report calls for a reduction in the number of stations and stops to reduce losses on the less travelled lines.

In this context, some railway connections could be supressed or alternative modes of transport, such as bus, could be employed. The high-speed lines (TGV) profitability will also remain questioned so as to break with the vanishing profitability trend. We expect that SNCF Mobilités will continue to develop its subsidiaries operating in alternative transport modes (low-cost train connections, car-pooling platform, and bus), to benefit from the traffic growth in these segments while its strong development abroad will partly offset the sluggish turnover on domestic freight and passenger rail transport.

On the expense side, SNCF Mobilités is committed to improving its operating margin to above 10% of turnover in the medium/long term. A transversal performance plan was also launched in

2013 and would generate, according to SNCF Mobilités, global savings of EUR700m on spending from 2015. An additional saving plan is to be implemented from 2016, with the previous objective enhanced by 15%. Fitch views SNCF Mobilités' commitment to restoring the profitability as a positive factor. However, we believe SNCF Mobilités' profitability will remain constrained in the medium term.

Sluggish traffic prospects combined with the impact of growing competition and continuous increase in infrastructure fees mean that the decline in operating performance and profitability is likely to drive further impairments losses, as evident by the EUR1.4bn loss for the high-speed lines (TGV) cash generating unit in the 2013 income statement. This could lead to negative net results in the medium term.

Debt, Liquidity and Contingent Liabilities

Debt

Gross total consolidated debt totalled EUR18.8bn at end-2014, up from EUR17.8bn at end-2013. Total debt/operating EBITDAR was 5.5x (2012: 6.3x). The debt/operating EBITDA ratio improved to 4.6x, from 5.2x in 2012. Around 89% of the group's debt is carried by the EPIC. Net of marketable securities, cash, CDP and RFF receivables, net debt amounted to EUR7.4bn at end-2013, from EUR7.5bn at end-2012. Net debt represented 1.9x EBITDA and 2.2x EBITDAR.

Most of SNCF's debt is in the form of bonds (79.5%), with bank loans accounting for 12.5% of the total and finance lease obligations for 7.9%. At end-2014, 76% of total borrowings was fixed rate (after hedging).

Figure 4
Net Debt Calculation – SNCF Group

(EURm)	31 Dec 14
Total gross debt	**18,771**
RFF receivable	1,229
CDP receivable	1,678
Derivatives	1,743
Other financial assets	1,308
Cash and cash equivalents	5,408
Total net debt	**7,405**

Source: Fitch

SNCF Mobilités had EUR5.0bn of short-term financial liabilities in 2014, including CP issues. This compared adequately with EUR5.4bn of short-term financial assets. SNCF Mobilités issues foreign-currency debt and systematically covers the exchange risk by using cross-currency swaps.

Liquidity

SNCF Mobilités' liquidity profile was underpinned by cash and cash equivalents of EUR5.4bn (EUR5.1bn in 2013) and EUR1.5bn of receivables from CDP (excluding accrued interests). At end-2014, available cash, committed bank lines and CDP receivables, including interest, covered 378% of debt service (debt maturing within 1 year, excluding cash borrowing and overdrafts), down from 490% at end-2013. Including cash borrowing, the coverage ratio was 170% at year-end 2014. This weaker coverage is due to higher repayments scheduled in 2015 (EUR2.3m to be redeemed, from EUR1.8m in 2014), while its total liquidity position improved 3.3%. Furthermore, SNCF Réseau owed SNCF Mobilités EUR1.2bn of receivables (excluding accrued interest) at end-2014.

The main cash needs for 2015 will be the debt repayments and the intensive capital expenditure programme, which would not be fully covered by the cash flow from operations and asset disposals and should generate a negative free cash flow. Fitch forecasts that free cash flow may remain negative after 2015, considering the significant planned capital expenditure.

Figure 5
Liquidity Coverage (Fitch Estimates)

(EURbn)	2015	2016
Debt service (at end 2014)	-1.7	-1.1
Free cash flow	-0.3	-0.3
Cash needs (a)	**-2.0**	**-1.4**
Cash reserves	5.4	3.5
CDP receivables[a]	2.1	2.0
Cash and liquid items (b)	**7.5**	**5.6**
Coverage ratio (b/a)	**3.8**	**4.0**

[a] Including interest
Source: Fitch based on SNCF Mobilités

To cover its liquidity shortfalls, SNCF Mobilités has a euro CP programme of EUR2bn and a French CP programme ("billets de trésorerie programme") of EUR3.0bn. SNCF Mobilités also relies on committed credit facilities, totalling EUR780m (as of June 2015). However, the CP back-up package mainly consists of the possible liquidity advances the French Treasury could extend to SNCF Mobilités (as an EPIC), in a liquidity crisis scenario.

Contingent Liabilities

SNCF Mobilités' off-balance-sheet liabilities were large although declining, at EUR12.8bn at end-2014 (2013: EUR13.5bn). Off-balance sheet commitments mainly consisted of rail equipment purchase commitments (34.6% of the total), other purchase commitments (13.7%), and equipment and property leases (19.9%). At the same date, total commitments received totalled EUR7.9bn. The group is not involved in any major litigation or disputes.

Appendix A

SNCF Mobilités: Consolidated Financial Statements

(EURm)	2010	2011	2012	2013	2014
Operating revenues[a]	**21,834**	**23,360**	**22,468**	**22,257**	**22,281**
Staff expenses	-12,154	-12,603	-12,825	-13,063	-10,167
Depreciation	-1,534	-1,686	-1,449	-1,553	-1,498
Other operating revenues and expenditure	-14,566	-16,724	-15,862	-16,385	-13,784
Operating balance before grants and subsidies	-6,420	-7,653	-7,668	-8,744	-8,585
Revenue from public sector	**8,632**	**9,285**	**9,757**	**9,975**	**4,962**
Operating balance after revenue from public sector[b]	**2,212**	**1,632**	**2,089**	**1,231**	**1,794**
Interest revenue	465	656	801	432	369
Interest expenditure	-823	-1,014	-1,251	-732	-781
Operating balance after financing	1,854	1,274	1,639	931	1,382
Surplus on disposal of fixed assets	268	293	207	180	238
Non-operating revenue and expenditure	-259	-42	32	-8	215
Profit (loss) before taxation	1,863	1,525	1,878	1,103	1,835
Taxation	-1,167	-1,399	-1,503	-1,283	-1,231
Profit (loss) after tax	**696**	**126**	**375**	**-180**	**604**
Minority interests	25	25	22	17	19
Profit or loss for the financial year	**721**	**151**	**397**	**-163**	**623**
Balance sheet					
Assets					
Tangible assets	16,975	16,658	15,396	15,007	14,317
Intangible assets	1,430	1,416	1,347	1,260	1,086
Other long-term assets	3,074	3,282	3,378	3,406	3,512
Long-term investments	7,049	6,265	5,243	5,461	5,822
Stock	905	907	990	1,018	665
Trade debtors	6,517	6,837	7,649	7,493	5,690
Other current assets[c]	2,729	2,795	3,181	1,119	5,697
Cash and liquid investments	4,708	3,902	5,291	5,060	5,408
Total assets	**43,387**	**42,062**	**42,475**	**39,824**	**42,197**
Liabilities and equity					
Long-term liabilities	3,170	2,999	3,015	3,156	2,979
Pension	0	0	0	0	
Long-term debt	16,386	15,521	15,107	14,235	13,813
Trade creditors	10,197	10,711	12,133	12,057	10,472
Other short-term liabilities[c]	292	351	24	4	3,103
Short-term debt	5,985	5,418	5,079	3,603	4,972
Equity	6,985	7,058	7,117	6,769	6,858
Reserves	372	4			
Total liabilities and equity	**43,387**	**42,062**	**42,475**	**39,824**	**42,197**
Debt statement					
Short-term debt[d]	5,985	5,417	5,079	3,603	4,971
Long-term debt[d]	16,386	15,522	15,107	14,234	13,800
Total debt[d]	**22,371**	**20,939**	**20,186**	**17,837**	**18,771**
Other Fitch-classified debt					
Total risk	**22,371**	**20,939**	**20,186**	**17,837**	**18,771**
Cash, liquid deposits and sinking funds	4,708	3,902	5,291	5,060	5,408
Net risk	**17,664**	**17,038**	**14,895**	**12,777**	**13,363**
Contingent liabilities					
Net overall risk	**17,664**	**17,038**	**14,895**	**12,777**	**13,363**
% debt in foreign currency[e]	5.26	6.09	5.97	5.60	1.03
% issued debt[e]	68.65	72.55	76.03	74.62	79.52
% debt and fixed interest rate[e]	60.77	69.44	70.34	67.62	76.44
Cash flow statement					
Funds from operations	1,823	2,807	2,562	2,660	2,600
Other cash flow movements	-62	-289	-287	-262	110
Changes in working capital	525	44	-293	-42	-181
Cash flow before net capital expenditure	2,286	2,562	1,982	2,356	2,529
Net capital expenditure	-1,365	-1,064	-668	-1,620	-1,717
Cash flow before financing	921	1,498	1,314	736	812
New borrowing	1,922	1,437	1,128	607	480
Other cash financing	139	-2,233	324	-1,429	352
Debt repayment	-2,280	-1,387	-1,087	-300	-1,226
Cash flow after financing	702	-685	1,679	-386	418

[a] Excluding turnover from public orders
[b] 2014: Without revenue generated with RFF, driven by the SNCF Infra division
[c] 2014: Including assets/liabilities classified as held for assets in anticipation of SNCF Infra transfer to SNCF Réseau as of 01 July 2015
[d] Including leases
[e] Excluding cash borrowings and overdrafts
Source: SNCF Mobilités, Fitch

Appendix B

SNCF Mobilités: Ratios

	2010	2011	2012	2013	2014
Ratio analysis					
Profitability ratios (%)					
Personnel costs/oper. rev including revenue from public sector	39.70	38.57	39.59	40.07	36.78
Revenue from the public sector/oper. rev including revenue from public sector	28.20	28.41	30.12	30.60	17.95
EBITDA/oper. rev including revenue from public sector	10.56	12.62	12.05	12.03	12.20
Balance sheet ratios (%)					
Current assets/total assets	34.25	34.33	40.28	36.89	41.38
Current assets/total liabilities	41.24	41.26	48.39	44.44	54.16
Return on equity	9.46	1.78	5.27	-2.66	6.25
Return on assets	1.60	0.30	0.88	-0.45	1.48
Debt ratios					
Net debt/EBITDA (x) [a]	5.46	4.13	3.82	3.26	3.96
Long-term debt/oper. rev. including revenue from public sector (%)	53.53	47.50	46.64	43.66	49.93
Total debt/EBITDA (x)	6.92	5.08	5.17	4.55	5.57
Debt/equity (%)	304.08	296.50	283.63	263.51	188.44
EBITDA/gross interest expenditure (x)	3.93	4.07	3.12	5.36	4.32
Debt servicing/operating balance before revenue from public sector (%)	-48.33	-31.37	-30.49	-11.80	-63.35
Debt servicing/operating balance after revenue from public sector (%)	140.28	147.12	111.92	83.83	111.87

[a] Net debt: not including other financial assets and CDP and RFF receivables

Source: SNCF Mobilités, Fitch

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.