

OFFERING CIRCULAR
Dated 25th February, 1993



SNCF

**SOCIÉTÉ NATIONALE DES CHEMINS DE
FER FRANÇAIS**

FF 3,000,000,000

7.75 per cent. Bonds due 2002

issued with 30,000 Warrants attached to subscribe

up to FF 1,500,000,000 further 8.875 per cent. Notes due 2023

Issue Price: 98.07 per cent.

Application has been made to list the Bonds, the Warrants and the Further Notes on the Luxembourg and on the Paris Stock Exchanges.

The FF 3,000,000,000 7.75 per cent. Bonds due 2002 (the "Bonds") of Société Nationale des Chemins de fer Français ("SNCF") will be issued outside the Republic of France with Warrants attached (the "Warrants") to subscribe up to FF 1,500,000,000 further 8.875 per cent. Notes due 2023 (the "Further Notes") of SNCF. The Warrants may be traded separately from the Bonds immediately upon their issue and the Further Notes will be assimilated (*assimilables*) as regards their financial service and, following exchange of the Further Temporary Certificate in respect of the Further Notes referred to below for Further Notes in definitive form, interchangeable for trading purposes with, the FF 3,000,000,000 8.875 per cent. Notes due 2023 issued by SNCF on 11th August, 1992 and the FF 1,499,500,000 8.875 per cent. Notes due 2023 issued by SNCF on 18th February, 1993 (the "Original Notes" and, together with the Further Notes, the "Notes").

The Bonds bear interest from 1st March, 1993 and interest will be payable annually in arrear on 1st March in each year, beginning on 1st March, 1994, at a rate of 7.75 per cent. per annum. The Bonds mature on 1st March, 2002. The Bonds are issued in bearer form in the denomination of FF 100,000 each.

Each Bond will be issued with one Warrant attached to subscribe Further Notes. The Warrants are exercisable on any business day during the period from 10th May, 1993 to 14th May, 1993, inclusive. The holder of two Warrants will be entitled, upon certification as to non-U.S. beneficial ownership and upon payment for value 21st May, 1993 of FF 107,060 plus an amount corresponding to accrued interest on the principal amount of one Further Note at the rate of 8.875 per cent. per annum from and including 11th August, 1992 to but excluding 21st May, 1993 and amounting to FF 6,902.80, to subscribe one Further Note.

SNCF may (and in certain circumstances shall) redeem all (but not some only) of the Bonds and/or the Notes if certain French taxes are imposed. See "Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation" and "Terms and Conditions of the Further Notes — Redemption, Purchase and Cancellation", respectively.

A Temporary Certificate, without interest coupons, in respect of the Bonds will be deposited with a common depository (the "Common Depository") for both Cedel S.A. ("Cedel") and the Euroclear System ("Euroclear"), on or about 1st March, 1993 (the "Closing Date") and will be exchangeable for definitive bearer Bonds not earlier than 12th April, 1993 but in any event not later than 120 days after the Closing Date upon certification as to non-U.S. beneficial ownership.

A global warrant (the "Global Warrant") in respect of the Warrants will be deposited with the Common Depository on or about 1st March, 1993. The Warrants will at all times be represented by entries in the books of Euroclear, Cedel or, in the case of Warrants held through SICOVAM, in the books of the relevant accountholder and no definitive Warrants will be issued.

Upon exercise of the Warrants, certification as to non-U.S. beneficial ownership and payment of the Exercise Price, a Further Temporary Certificate in respect of the Further Notes resulting from the exercise of the Warrants will be deposited with the Common Depository and will be exchangeable in accordance with its terms for definitive Further Notes in bearer form as soon as practicable thereafter.

Crédit Lyonnais

Deutsche Bank France
SNC

UBS France S.A.

Swiss Bank Corporation

**Banque S.G. Warburg
Caisse des Dépôts et Consignations
Credit Suisse First Boston France**

**BNP Capital Markets Limited
Crédit Commercial de France**

**J.P. Morgan & Cie S.A.
Paribas Capital Markets**

Dresdner Bank
Aktiengesellschaft
**Nomura France
Société Générale**

Westdeutsche Landesbank
Girozentrale

SNCF declares that the information contained in this Offering Circular relating to SNCF is in all material respects true and accurate and not misleading, that to the best of its knowledge and belief there are no other facts or matters the omission of which would, in the context of the issue and offering of the Bonds and the Warrants, make any statements in this Offering Circular misleading in any material respect and that all reasonable enquiries have been made to ascertain such facts and matters and to ensure the accuracy of all such statements. SNCF accepts responsibility accordingly.

No dealer, salesman or other person has been authorised to give any information or to make any representations other than those contained in this Offering Circular in connection with the issue or sale of the Bonds, the Warrants and the Further Notes and, if given or made, such information or representations must not be relied upon as having been authorised by SNCF or the Managers named on page 42. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, be considered as an implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the affairs of SNCF since the date hereof.

The distribution of this Offering Circular and the offer or sale of the Bonds, the Warrants and the Further Notes in certain jurisdictions may be restricted by law, particularly in the United States of America, the United Kingdom and the Republic of France. Persons into whose possession this Offering Circular comes are required by SNCF and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of the Bonds, the Warrants and the Further Notes and on the distribution of this Offering Circular see "Subscription and Sale" below. This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Bonds, Warrants or Further Notes.

This Offering Circular does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation (see "Subscription and Sale" below).

None of the Bonds, the Warrants or the Notes have been or will be registered under the United States Securities Act of 1933 and the Bonds, the Warrants and the Notes are subject to U.S. tax law requirements. Subject to certain exemptions none of the Bonds, the Warrants or the Notes may be offered, sold or delivered within the United States or to U.S. persons.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "francs", "FF" and "FRF" are to French francs.

In connection with this issue, Crédit Lyonnais may over-allot or effect transactions which stabilise or maintain the market price of the Bonds at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

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INCORPORATION BY REFERENCE

The audited financial statements of SNCF, which are contained in the Annual Report of SNCF for the year ended 31st December, 1991 and the unaudited statement of income for the six months ended 30th June, 1992 are incorporated by reference into this Offering Circular. Copies of the Annual Report are available free of charge at the specified office of the Fiscal Agent and the Principal Warrant Agent in Luxembourg and the unaudited statement of income for the six months ended 30th June, 1992 has been published in the *Bulletin des Annonces Légales Obligatoires* of 30th November, 1992, page 13220.

TERMS AND CONDITIONS OF THE BONDS

The following is the text of the Terms and Conditions of the Bonds which will (subject to completion and amendment) be endorsed on each Bond in definitive form:—

The issue outside the Republic of France on 1st March, 1993 of FF 3,000,000,000 7.75 per cent. Bonds due 2002 (the "Bonds", which expression shall, unless the context otherwise requires, include any further bonds issued pursuant to Condition 12) by Société Nationale des Chemins de fer Français ("SNCF") was authorised pursuant to a resolution of the *Conseil d'Administration* of SNCF passed on 16th December, 1992. The Bonds are issued with the benefit of a fiscal agency agreement (the "Fiscal Agency Agreement", which expression shall, unless the context requires otherwise, include any supplemental fiscal agency agreement entered into pursuant to Condition 12) dated 1st March, 1993 between SNCF, Crédit Lyonnais Luxembourg S.A. as fiscal agent (the "Fiscal Agent", which expression shall, wherever the context so admits, include any successor for the time being as Fiscal Agent) and the other paying agent named therein (the "Paying Agent" which expression shall, wherever the context so admits, include the Fiscal Agent and any substitute or additional paying agents) appointed for the purpose of payment in respect of the Bonds and the coupons appertaining thereto (the "Coupons"). The holders of the Bonds ("Bondholders") and the holders of the Coupons ("Couponholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement, copies of which are available for inspection at the specified office of the Fiscal Agent and at the specified office of the Paying Agent set out below.

References herein to "Conditions" shall be to the numbered paragraphs of these Terms and Conditions, unless the context requires otherwise.

1. FORM AND STATUS

(a) Form

The Bonds are issued in bearer form, serially numbered, with Coupons attached, in the following number and denomination: 30,000 Bonds of FF 100,000. Title to the Bonds and to the Coupons passes by delivery. The holder of any Bond or of any Coupon may (to the fullest extent permitted by law) be treated as the absolute owner of such Bond or Coupon, as the case may be, for the purpose of receiving payment thereon or on account thereof (notwithstanding any notice or ownership or writing thereon made by anyone) and for all other purposes, whether or not such Bond or Coupon shall be overdue.

(b) Status

The Bonds are direct, unconditional and unsecured obligations of SNCF and rank and will rank *pari passu* without any preference among themselves, and, save for statutorily preferred exceptions, equally with all its other obligations which are unsecured and unsubordinated.

2. NEGATIVE PLEDGE

So long as any of the Bonds remains outstanding, SNCF will not secure or allow to be secured any loan, debt, guarantee or other obligation, now or hereafter existing, by any mortgage, lien (other than liens arising by operation of law), pledge or other charge upon any of the present or future revenues or assets of SNCF (except for any mortgage, lien, pledge or other charge on property purchased by SNCF as security for all or part of the purchase price thereof) without at the same time according to the Bonds the same or equivalent security.

3. INTEREST

Interest is payable on the Bonds from 1st March, 1993 at the rate of 7.75 per cent. per annum payable annually in arrear on 1st March in each year commencing on 1st March, 1994. Interest will cease to accrue on each Bond on the date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused. Any overdue principal of the Bonds shall bear interest at the rate of 7.75 per cent. per annum (after as well as before judgment) until paid or, if earlier, the full amount of moneys payable has been received by the Fiscal Agent and notice to that effect has been given in accordance with Condition 11.

Interest in respect of a period of less than one year will be calculated on the basis of a 360-day year of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Interest payments will be made subject to and in accordance with the provisions of Condition 6.

4. REDEMPTION, PURCHASE AND CANCELLATION

(a) Mandatory Redemption

Unless otherwise previously redeemed or purchased and cancelled as provided below, the Bonds will be redeemed at their principal amount on 1st March, 2002.

(b) Redemption for Tax Reasons

- (i) If, on the occasion of the next payment due in respect of the Bonds, SNCF would be required to pay additional amounts in accordance with Condition 7, SNCF may (having given not more than 60 nor less than 35 days' notice to the Bondholders) redeem at their principal amount together with interest accrued to the date of such redemption all (but not some only) of the Bonds provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date at which SNCF could make payment of principal and interest without withholding for French taxes or, if such date is past, as soon as practicable thereafter.
- (ii) If, on the occasion of the next payment due in respect of the Bonds, SNCF would be prevented by French law from making payment to the Bondholders and the Couponholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts as provided in Condition 7, then SNCF shall forthwith give notice of such fact to the Fiscal Agent and shall redeem all of the Bonds then outstanding at their principal amount, together with interest accrued to the date of such redemption, upon giving not less than seven days' prior notice to the Bondholders provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date on which SNCF could make payment of the full amount of principal and interest payable in respect of the Bonds and Coupons or, if such date is past, as soon as practicable thereafter.

(c) Purchases

SNCF may at any time purchase or otherwise acquire Bonds (provided that all unmatured Coupons are attached thereto or surrendered therewith) at any price in the open market or by tender or by private treaty.

(d) Cancellation

All Bonds redeemed or purchased as aforesaid will be cancelled forthwith (together with all unmatured Coupons attached thereto or surrendered therewith) and may not be reissued or resold.

5. PRESCRIPTION

Claims against SNCF for the payment of principal and interest shall be prescribed upon the expiry of a period of ten and five years, respectively, from the due date therefor.

6. PAYMENTS

Payments in respect of principal and interest will be made against surrender of Bonds (in the case of principal) or, subject as provided below, Coupons (in the case of interest), at the specified office of the Fiscal Agent and at any specified office of any of the Paying Agents for the time being. If the due date for redemption of any Bond is not 1st March in any year, the interest accrued from the preceding 1st March will be paid only to the holder of the relevant Bond. The specified office of the Fiscal Agent and the name of the initial Paying Agent and its specified office are as follows:

Crédit Lyonnais Luxembourg S.A.
26-A, boulevard Royal
L-2449 Luxembourg

Crédit Lyonnais
19, boulevard des Italiens
75002 Paris

Such payments will be made by French franc cheque drawn on, or by transfer to a French franc account maintained by the payee with, a bank in Paris. Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 7. If any day for payment of principal or interest in respect of any Bond or Coupon is not a Business Day, no payment shall be made until the next following Business Day and the holder shall not be entitled to any interest or

other sums in respect of such postponed payment. In this Condition, "Business Day" means any full day on which banks are open for business in the relevant place of presentation of Bonds and Coupons and (in the case of payment by transfer to a French franc account) on which dealings may be carried out both in Paris and in such place of presentation.

SNCF reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or any Paying Agent and to appoint another fiscal agent or additional or other paying agents provided that it will at all times while any Bond is outstanding maintain (i) a fiscal agent outside the Republic of France, (ii) for so long as the Bonds are listed on the Paris Stock Exchange, a paying agent having a specified office in Paris, and (iii) for so long as the Bonds are listed on the Luxembourg Stock Exchange, a paying agent having a specified office in Luxembourg (which may be the Fiscal Agent). Notice of any such termination or appointment and of any changes in the specified offices of the Fiscal Agent and Paying Agents will be given to the Bondholders in accordance with Condition 11.

Each Bond should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than 10 years after the Relevant Date (as defined in Condition 7) for the relevant payment of principal.

7. TAXATION

(a) Tax Regime

The Bonds being issued outside the Republic of France, interest and other revenues with respect to the Bonds benefit from the exemption provided for in article 131 *quater* of the *Code Général des Impôts* (general tax code) from deduction of tax at source. Accordingly, such payments do not give the right to any tax credit from any French source.

(b) Additional Amounts

If French law should require that payments of principal or interest in respect of the Bonds be subject to withholding or deduction with respect to any taxes or duties whatsoever, SNCF will, to the fullest extent then permitted by French law, pay such additional amounts as may be necessary in order that the net amounts received by the holders of Bonds and Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Bonds or, as the case may be, the Coupons, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Bond or Coupon presented for payment:—

- (i) by or on behalf of a holder who is liable to such taxes or duties in respect of such Bond or Coupon by reason of his having some connection with the Republic of France other than the mere holding of the Bond or Coupon; or
- (ii) more than 30 days after the Relevant Date, except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

As used herein the "Relevant Date" means the date on which such payment first becomes due, but, if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, it means the date on which, such full amount having been so received, notice to that effect shall have been duly published in accordance with Condition 11.

Any reference herein to principal and/or interest in respect of the Bonds shall be deemed to include a reference to any additional amounts which may be payable under this Condition 7(b).

8. REPAYMENT IN EVENT OF DEFAULT

Upon any of the following events taking place the holder of any Bond may give notice to SNCF through the Fiscal Agent that such Bond is immediately repayable, whereupon the principal amount of such

Bond, together with accrued interest to the date of payment, shall become immediately due and payable:—

- (a) default for more than 15 days in the payment of any principal or interest due in respect of the Bonds; or
- (b) default by SNCF in the performance or observance of any other obligation on its part under the Bonds and such default continuing for 30 days after written notice requiring such default to be remedied has been given by the holder of any Bond through the Fiscal Agent to SNCF; or
- (c) any other indebtedness for money borrowed by SNCF becoming prematurely repayable following a default, or steps being taken to enforce the security in respect thereof, or SNCF defaulting in the repayment of any such indebtedness at the maturity thereof as extended by any applicable grace period, or any guarantee of any indebtedness for money borrowed given by SNCF not being honoured when due and called upon; or
- (d) SNCF being dissolved or merged into a company, unless in such event the obligations of SNCF pursuant to the Bonds are expressly assumed by such company.

9. FISCAL AGENT AND PAYING AGENTS

In acting under the Fiscal Agency Agreement, the Fiscal Agent and the Paying Agents are acting solely as agents of SNCF and do not assume any obligation or duty to, or any relationship of agency for or with, the Bondholders or Couponholders except that funds received by the Fiscal Agent for the payment of any sums due in respect of the Bonds and Coupons shall be held by it for the benefit of the Bondholders and Couponholders (as the case may be) until the expiry of the relevant period under Condition 5.

The Fiscal Agency Agreement may be amended by SNCF and the Fiscal Agent without the consent of any Bondholder or Couponholder if, in the reasonable opinion of SNCF and the Fiscal Agent, the amendment will not adversely affect the interests of the Bondholders or Couponholders.

10. REPLACEMENT OF BONDS AND COUPONS

Should any Bond or Coupon be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Fiscal Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as SNCF may reasonably require. Mutilated or defaced Bonds and Coupons must be surrendered before replacements will be issued. Cancellation and replacement of lost, stolen, destroyed, mutilated or defaced Bonds or Coupons shall be subject to any applicable laws and stock exchange requirements.

11. NOTICES

All notices to Bondholders will be deemed to have been duly given if published in a leading English language daily newspaper with general circulation in Europe (which is expected to be the *Financial Times*) and, so long as the Bonds are listed on the Paris Stock Exchange, in one daily newspaper in Paris (which is expected to be *L'Agence Economique et Financière*) and, so long as the Bonds are listed on the Luxembourg Stock Exchange, in one daily newspaper in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice shall be deemed to have been given on the date of such publication, or, if published more than once, on the date of the first such publication.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

12. FURTHER ISSUES

SNCF shall be at liberty from time to time, without the consent of the Bondholders or the Couponholders, to issue further bonds with the benefit of an agreement supplemental to the Fiscal Agency Agreement, such further bonds being assimilated (*assimilables*) to the Bonds as regards their financial service, provided that such bonds should carry rights identical in all respects to the Bonds (or in all respects except for the first payment of interest thereon) and that the terms of such bonds should provide for such assimilation.

13. FINANCIAL INFORMATION

As soon as they are available after the close of each financial year during the term of the Bonds, SNCF shall provide the Fiscal Agent with copies of its Annual Report for such year. Copies of such Annual Reports will be available at the principal office of the Fiscal Agent.

14. GOVERNING LAW

The Bonds, the Coupons and the Fiscal Agency Agreement are governed by, and shall be construed in accordance with, French law. SNCF is not immune from prosecution in the courts of the Republic of France although its assets cannot be subject to any attachment in the Republic of France.

TERMS AND CONDITIONS OF THE WARRANTS

The Terms and Conditions of the Warrants will (subject to completion and amendment) be as follows:

The issue outside the Republic of France by Société Nationale des Chemins de fer Français ("SNCF") of the 30,000 warrants ("Warrants") to subscribe up to FF 1,500,000,000 further 8.875 per cent. Notes due 2023 of SNCF (the "Further Notes") (such Further Notes to be assimilated (*assimilables*) as regards their financial service and, following exchange of the further temporary certificate in respect of the Further Notes for Further Notes in definitive form, interchangeable for trading purposes with the FF 3,000,000,000 8.875 per cent. Notes due 2023 issued by SNCF on 11th August, 1992 and the FF 1,499,500,000 8.875 per cent. Notes due 2023 issued by SNCF on 18th February, 1993 (together the "Original Notes" and, together with the Further Notes, the "Notes")) was authorised pursuant to a resolution of the *Conseil d'Administration* of SNCF passed on 16th December, 1992. The Warrants are issued pursuant to a warrant agreement dated 1st March, 1993 (the "Warrant Agreement") between SNCF, Crédit Lyonnais Luxembourg S.A. as principal warrant agent (the "Principal Warrant Agent", which expression shall, whenever the context so admits, include any successor for the time being as Principal Warrant Agent) and the other warrant agents named therein (together with the Principal Warrant Agent, the "Warrant Agents"). The following statements are summaries of certain of the provisions of the Warrants and the Warrant Agreement, copies of which are available at the specified offices of the Warrant Agents. Such statements do not purport to be complete and are qualified in their entirety by reference to the Warrant Agreement. The Warrantheolders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Warrant Agreement.

References herein to "Conditions" shall be to the numbered paragraphs of these Terms and Conditions, unless the context requires otherwise.

1. FORM, TITLE AND TRANSFER

A permanent Global Warrant (the "Global Warrant") in respect of the Warrants will be issued and deposited with a common depositary for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and Cedel S.A. ("Cedel"). The persons for the time being appearing in the books of Euroclear and Cedel as being entitled to Warrants and, in the case of Warrants held through SICOVAM, the persons whose names appear as being entitled to such Warrants in the books of the *"intermédiaire financier habilité"* (a French bank or stockbroker) (the "Account Holder") through which the relevant Warrants are held, shall be the "Warrantheolders" notwithstanding any notice to the contrary. Transfers and trading of Warrants may only be effected through Euroclear or Cedel or, in the case of Warrants held or to be held through SICOVAM, through the relevant Account Holder. Title to the Warrants will pass upon registration of the transfer in the books of Euroclear or Cedel or, in the case of Warrants held or to be held through SICOVAM, of the relevant Account Holder. Warrants in definitive form will not be issued.

2. STATUS

The Warrants are direct, unconditional and unsecured obligations of SNCF and rank and will rank *pari passu* without any preference among themselves and, save for statutorily preferred exceptions, equally with all its other obligations which are unsecured and unsubordinated.

3. EXERCISE RIGHTS

The Warrants are exercisable on any Business Day during the Exercise Period. The holder of two Warrants will be entitled, upon payment of the Exercise Price for value on the Settlement Date and upon completion and delivery of an Exercise Notice, to subscribe one Further Note in the principal amount of FF 100,000.

For the purpose of these Conditions, the following expressions shall have the following meanings:—

"Business Day" means a day on which commercial banks and foreign exchange markets are open for business in Brussels, Luxembourg and Paris.

"Exercise Date" means, in respect of any Warrant, the Business Day during the Exercise Period upon which a valid Exercise Notice in respect thereof has been delivered in accordance with Condition 4(a).

"Exercise Period" means the period from 10th May, 1993 to 14th May, 1993 inclusive.

"Exercise Price" means FF 107,060 plus an amount of FF 6,902.80 corresponding to accrued interest on the principal amount of one Further Note (being FF 100,000) at the rate of 8.875 per cent. per annum from and including 11th August, 1992 to but excluding the Settlement Date.

“Exercise Notice” means a warrant exercise notice in, or substantially in, the form set out in the Warrant Agreement.

“Settlement Date” means 21st May, 1993.

Any Warrant with respect to which an Exercise Notice has not been duly completed and delivered in the manner set out below under Condition 4 by close of business (Brussels, Luxembourg or Paris time, as the case may be) on the last day of the Exercise Period shall become void.

4. EXERCISE PROCEDURE

(a) Exercise Notice

Warrants may only be exercised by delivery in writing, or by tested telex confirmed in writing, of a duly completed Exercise Notice (copies of which may be obtained from Euroclear, Cedel or any Warrant Agent) to:—

- (1) in the case of Warrants held in Euroclear or Cedel, Euroclear or Cedel, as the case may be, with, as a further pre-condition to exercise, a copy to the Principal Warrant Agent; or
- (2) in the case of Warrants held in SICOVAM, to the relevant Account Holder with a copy to the Warrant Agent for the time being having a specified office in Paris (the “Paris Warrant Agent”).

Such Exercise Notice shall be delivered in each case not later than close of business (Brussels, Luxembourg or Paris time, as the case may be) on the last day of the Exercise Period and shall:—

- (i) specify the number of Warrants being exercised;
- (ii) specify the aggregate principal amount of Further Notes to be subscribed;
- (iii) specify the number of the Warrantholder’s account at Euroclear or Cedel or with the relevant Account Holder, as the case may be, to be debited with the Warrants being exercised and irrevocably instruct Euroclear or Cedel or the relevant Account Holder, as the case may be, to debit such account on the Exercise Date with the Warrants being exercised;
- (iv) specify the number of the Warrantholder’s account at Euroclear or Cedel or with the relevant Account Holder, as the case may be, to be debited with the Exercise Price and irrevocably instruct Euroclear or Cedel or the relevant Account Holder, as the case may be, to debit such account with the Exercise Price for value on the Settlement Date;
- (v) specify the number of the Warrantholder’s account at Euroclear or Cedel or with the relevant Account Holder, as the case may be, to be credited on the Settlement Date with the Further Notes being subscribed;
- (vi) contain a confirmation that the Warrants being exercised are not being exercised by or on behalf of U.S. persons, that none of the relevant Warrants were purchased by the holder in the United States and that the persons who are to become beneficial owners of the Further Notes upon exercise of the relevant Warrants are not U.S. persons.

IF THE RELEVANT RECIPIENTS DO NOT RECEIVE A COPY OR, AS THE CASE MAY BE, THE ORIGINAL OF THE EXERCISE NOTICE BY CLOSE OF BUSINESS (BRUSSELS, LUXEMBOURG OR PARIS TIME, AS THE CASE MAY BE) ON ANY EXERCISE DATE, THE EXERCISE DATE SHALL BE DEEMED TO BE THE NEXT FOLLOWING BUSINESS DAY IN THE EXERCISE PERIOD, IF ANY, FAILING WHICH SUCH EXERCISE NOTICE SHALL BE VOID.

(b) Verification of the Warrantholder

(i) Warrants held in Euroclear or Cedel

Upon receipt of an Exercise Notice, Euroclear or Cedel, as the case may be, shall verify that the person exercising the Warrants specified therein is the holder thereof according to the books of Euroclear or Cedel, as the case may be. Subject thereto, Euroclear or Cedel will confirm to the Principal Warrant Agent (1) the number of Warrants being exercised, (2) the aggregate principal amount of Further Notes being subscribed, (3) the account number with Euroclear or Cedel, as the case may be, to which the Further Notes being subscribed are to be credited and (4) that on the Settlement Date, Euroclear or Cedel, as the case may be, will debit the relevant accounts of the relevant Warrantholder with the Warrants being exercised and the Exercise Price.

(ii) *Warrants held through SICOVAM*

Upon receipt of an Exercise Notice, the relevant Account Holder shall verify that the person exercising the Warrants specified therein is the holder thereof according to its books, shall debit the Warrantholder's account with it with the Warrants being exercised and shall transfer such Warrants to the Paris Warrant Agent and confirm that, on the Settlement Date, the relevant Account Holder shall debit the Warrantholder's account with it with the Exercise Price and transfer the Exercise Price to the Paris Warrant Agent. Subject to such verification by the relevant Account Holder, the Paris Warrant Agent shall promptly notify the Principal Warrant Agent of (1) the number of Warrants being exercised, (2) the aggregate principal amount of Further Notes being subscribed, (3) the account details where the Further Notes are to be credited and (4) the account details from which the Warrants and the Exercise Price are to be debited.

(c) *Delivery of Definitive Further Notes*

The Principal Warrant Agent shall, as soon as practicable after the further temporary certificate initially delivered in respect of the Further Notes has been exchanged for definitive Further Notes, deliver or procure the delivery of such definitive Further Notes to, or to the order of, the Warrantholder as specified in the relevant Exercise Notice. Definitive Further Notes will not be available until the further temporary certificate referred to above has been exchanged in accordance with the terms thereof. The delivery of the Further Notes shall in all circumstances be at the expense of and at the risk of the relevant holder.

(d) *Effect of Exercise*

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the relevant Warrantholder to exercise the Warrants specified therein. After the delivery of such Exercise Notice, such exercising Warrantholder may not otherwise transfer such Warrants. Notwithstanding this, if any Warrantholder does so transfer or attempts so to transfer such Warrants, the Warrantholder will be liable to SNCF for any losses, costs and expenses suffered or incurred by SNCF.

(e) *Determinations*

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the Principal Warrant Agent or, in the case of Warrants held through SICOVAM, the Paris Warrant Agent, and shall be conclusive and binding on SNCF, the Warrant Agents and the holder of the relevant Warrants. Any Exercise Notice so determined to be incomplete or not in proper form or which is not copied or delivered, as appropriate, to the Principal Warrant Agent or the Paris Warrant Agent, as the case may be, immediately after being sent to Euroclear, Cedel or the relevant Account Holder, as the case may be, shall be null and void. If such Exercise Notice is subsequently corrected to the satisfaction of the Principal Warrant Agent or the Paris Warrant Agent, as the case may be, it shall be deemed to be a new Exercise Notice submitted at the time such correction is delivered to the Principal Warrant Agent or the Paris Warrant Agent, as the case may be, provided the time of such correction being delivered is before the close of business on the last Business Day in the Exercise Period failing which the Exercise Notice shall remain null and void. The Principal Warrant Agent or the Paris Warrant Agent, as the case may be, shall use its best efforts promptly to notify the Warrantholder submitting an Exercise Notice if it has determined that such Exercise Notice is invalid or incomplete. In the absence of negligence or wilful misconduct on its part, neither the Principal Warrant Agent nor the Paris Warrant Agent, as the case may be, shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such notification to a Warrantholder or such determination.

5. PURCHASE BY SNCF

SNCF may at any time purchase Warrants at any price in the open market or by tender or private treaty. Any Warrants so purchased by SNCF shall be cancelled forthwith and may not be reissued or resold.

6. WARRANT AGENTS

The specified office of the Principal Warrant Agent and the name of the initial Warrant Agent and its specified office are as follows:—

Crédit Lyonnais Luxembourg S.A.
26-A, boulevard Royal
L-2449 Luxembourg

Crédit Lyonnais
19, boulevard des Italiens
75002 Paris

SNCF reserves the right at any time to vary or terminate the appointment of the Warrant Agents and to appoint further or additional Warrant Agents provided that it will at all times while any Warrant is outstanding maintain (i) a principal warrant agent outside the Republic of France (ii) for so long as the Warrants are listed on the Paris Stock Exchange, a Paris Warrant Agent and (iii) for so long as the Warrants are listed on the Luxembourg Stock Exchange, a warrant agent having a specified office in Luxembourg. Notice of any termination of appointment and of any changes in the specified office of any Warrant Agent will be given to the Warranholders in accordance with Condition 7. In acting under the Warrant Agreement, each Warrant Agent acts solely as agent of SNCF and does not assume any obligation or duty to, or any relationship of agency with, the Warranholders.

The Warrant Agreement may be amended by the parties thereto, without the consent of the Warranholders, if, in the reasonable opinion of such parties, the amendment will not materially and adversely affect the interests of the Warranholders.

7. NOTICES

All notices to the Warranholders will be deemed to have been duly given if published in a leading English language daily newspaper with general circulation in Europe (which is expected to be the *Financial Times*) and, so long as the Warrants are listed on the Paris Stock Exchange, in one daily newspaper in Paris (which is expected to be *L'Agence Economique et Financière*) and, so long as the Warrants are listed on the Luxembourg Stock Exchange, in one daily newspaper in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication.

8. TAXATION

SNCF shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants, all of which shall be for the account of the relevant Warranholder.

9. CANCELLATION

If SNCF gives notice that it intends to redeem the Further Notes, or if it could do so but for the fact that no Further Notes were then issued and outstanding, SNCF may give notice of cancellation of the Warrants in accordance with Condition 7 hereof and, upon publication of such notices, all outstanding Warrants (including Warrants which have been exercised in accordance with the provisions of Condition 4 but in respect of which no Further Notes have yet been issued) shall become void.

10. FINANCIAL INFORMATION

As soon as they are available after the close of each financial year during the term of the Warrants, SNCF shall provide the Principal Warrant Agent with copies of its Annual Report for such year. Copies of such Annual Report will be available at the principal office of the Principal Warrant Agent.

11. GOVERNING LAW

The Warrants, the Global Warrant and the Warrant Agreement are governed by and shall be construed in accordance with French law. SNCF is not immune from prosecution in the courts of the Republic of France although its assets cannot be subject to any attachment in the Republic of France.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds and Warrants are estimated to amount to approximately FF 2,932,150,000 and will be applied by SNCF in refinancing existing debt and financing its operations.

TERMS AND CONDITIONS OF THE FURTHER NOTES

The following is the text of the Terms and Conditions of the Further Notes which will be endorsed on each Further Note in definitive form:

The issue outside the Republic of France on 21st May, 1993 of FF [the principal amount of Further Notes depending on the number of Warrants exercised] 8.875 per cent. Notes due 2023 (the "Further Notes", which expression shall, unless the context otherwise requires, include any further notes issued pursuant to Condition 12) by Société Nationale des Chemins de fer Français ("SNCF") was authorised pursuant to a resolution of the *Conseil d'Administration* of SNCF passed on 16th December, 1992. The Further Notes are issued with the benefit of a supplemental fiscal agency agreement dated 21st May, 1993 (the "Supplemental Fiscal Agency Agreement") entered into between SNCF, Banque Paribas Luxembourg (the "Fiscal Agent", which expression shall, wherever the context so admits, include any successor for the time being as Fiscal Agent) and the Paying Agents named therein (the "Paying Agents" which expression shall, wherever the context so admits, include the Fiscal Agent and any substitute or additional paying agents) appointed for the purpose of payment in respect of the Further Notes. The Supplemental Fiscal Agency Agreement is supplemental to a fiscal agency agreement dated 11th August, 1992 (the "Principal Fiscal Agency Agreement" which expression shall, unless the context requires otherwise, include any supplemental fiscal agency agreement entered into pursuant to Condition 12) between the same parties. The Supplemental Fiscal Agency Agreement and the Principal Fiscal Agency Agreement are hereinafter together referred to as the "Fiscal Agency Agreement". The Further Notes are assimilated (*assimilables*) as regards their financial service and, following exchange of the further temporary certificate in respect of the Further Notes for Further Notes in definitive form, interchangeable for trading purposes with the FF 3,000,000,000 8.875 per cent. Notes due 2023 issued by SNCF on 11th August, 1992 and the FF 1,499,500,000 8.875 per cent. Notes due 2023 issued by SNCF on 18th February, 1993 (together the "Original Notes" and, together with the Further Notes, the "Notes"). The holders of the Notes ("Noteholders") and the holders of the Coupons ("Couponholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement, copies of which are available for further inspection at the specified offices of the Fiscal Agent and at the specified offices of the Paying Agents referred to in Condition 6.

References herein to a "Condition" are to the relevant numbered paragraph of the Notes.

1. FORM AND STATUS

(a) Form

The Notes are issued in bearer form with Coupons attached, in the following number and denomination: [the aggregate principal amount of Notes depending on the number of Warrants exercised] Notes of FF 100,000. Title to the Notes and the Coupons passes by delivery. The holder of any Note or of any Coupon may (to the fullest extent permitted by law) be treated as the absolute owner of such Note or Coupon, as the case may be, for the purpose of receiving payment thereon or on account thereof (notwithstanding any notice of ownership or writing thereon made by anyone) and for all other purposes, whether or not such Note or Coupon shall be overdue.

(b) Status

The Notes are direct, unconditional and unsecured obligations of SNCF and rank and will rank *pari passu* without any preference among themselves, and, save for statutorily preferred exceptions, equally with all its other obligations which are unsecured and unsubordinated.

2. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding, SNCF will not secure or allow to be secured any loan, debt, guarantee or other obligation, now or hereafter existing, by any mortgage, lien (other than liens arising by operation of law), pledge or other charge upon any of the present or future revenues or assets of SNCF (except for any mortgage, lien, pledge or other charge on property purchased by SNCF as security for all or part of the purchase price thereof) without at the same time according to the Notes the same or equivalent security.

3. INTEREST

Interest is payable on the Notes from 11th August, 1992 at the rate of 8.875 per cent. per annum payable annually in arrear on 11th August in each year commencing on 11th August, 1993. Interest will cease to accrue on each Note on the date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused. Any overdue principal of the Notes shall bear interest at the rate of 8.875 per cent. per annum (after as well as before judgment) until paid or, if earlier, the full amount of moneys payable has been received by the Fiscal Agent and notice to that effect has been given in accordance with Condition 11.

Interest in respect of a period of less than one year will be calculated on the basis of a 360 day year of 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed.

4. REDEMPTION, PURCHASE AND CANCELLATION

(a) Mandatory Redemption

Unless otherwise previously redeemed or purchased and cancelled the Notes will be redeemed at their principal amount on 11th August, 2023.

(b) Redemption for Tax Reasons

- (i) If, on the occasion of the next payment due in respect of the Notes, SNCF would be required to pay additional amounts in accordance with Condition 7, SNCF may (having given not more than 60 nor less than 35 days' notice to the Noteholders) redeem at their principal amount together with interest accrued to the date of such redemption all (but not some only) of the Notes provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date at which SNCF could made payment of principal and interest without withholding for French taxes or, if such date is past, as soon as practicable thereafter.
- (ii) If, on the occasion of the next payment due in respect of the Notes, SNCF would be prevented by French law from making payment to the Noteholders and the Couponholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts as provided in Condition 7, then SNCF shall forthwith give notice of such fact to the Fiscal Agent and shall redeem all of the Notes then outstanding at their principal amount, together with interest accrued to the date of such redemption, upon giving not less than seven days' prior notice to the Noteholders provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date on which SNCF could make payment of the full amount of principal and interest payable in respect of the Notes and Coupons or, if such date is past, as soon as practicable thereafter.

(c) Purchases

SNCF may at any time purchase or otherwise acquire Notes (provided that all unmatured Coupons are attached thereto or surrendered therewith) at any price in the open market or by tender or by private treaty.

(d) Cancellation

All Notes redeemed or purchased as aforesaid will be cancelled forthwith (together with all unmatured Coupons attached thereto or surrendered therewith) and may not be reissued or resold.

5. PRESCRIPTION

Claims against SNCF for the payment of principal and interest shall be prescribed upon the expiry of a period of ten and five years, respectively, from the due date therefor.

6. PAYMENTS

Payments in respect of principal and interest will be made against surrender of Notes (in the case of principal) or, subject as provided below, Coupons (in the case of interest), at the specified office of the Fiscal Agent and at any specified office of any of the Paying Agents for the time being. If the due date for redemption of any Note is not 11th August in any year the interest accrued from the preceding 11th August will be paid only to the holder of the relevant Note. The specified office of the Fiscal Agent and the names of the initial Paying Agents and their specified offices are as follows:—

Banque Paribas Luxembourg

10A Boulevard Royal
L-2093 Luxembourg

Morgan Guaranty Trust Company of New York

60 Victoria Embankment
London EC4Y 0JP

Banque Paribas

3, rue d'Antin
75002 Paris

Morgan Guaranty Trust Company of New York

Avenue des Arts 35
B-1040 Brussels

Such payments will be made by French franc cheque drawn on, or by transfer to a French franc account maintained by the payee with, a bank in Paris. Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 7. If any day for payment of principal or interest in respect of any Note or Coupon is not a Business Day no payment shall be made until the next following Business Day and the holder shall not be entitled to any interest or other sums in respect of such postponed payment. In this Condition, "Business Day" means any full day on which banks are open for business in the relevant place of presentation of Notes and Coupons and (in the case of payment by transfer to a French franc account) on which dealings may be carried out both in Paris and in such place of payment.

SNCF reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or any Paying Agent and to appoint another fiscal agent or additional or other paying agents provided that it will at all times while any Note is outstanding maintain (i) a fiscal agent (ii) for so long as the Notes are listed on the Paris Bourse a paying agent having a specified office in Paris and (iii) for so long as the Notes are listed on the Luxembourg Stock Exchange a paying agent having a specified office in Luxembourg. Notice of any such termination or appointment and of any changes in the specified offices of the Fiscal Agent and Paying Agents will be given to the Noteholders in accordance with Condition 11.

Upon the due date for redemption of any Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Note is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity in respect of such missing unmatured Coupons as SNCF may require.

7. TAXATION

(a) Tax Regime

The Notes being issued outside the Republic of France, interest and other revenues with respect to the Notes benefit from the exemption provided for in article 131 *quater* of the *Code Général des Impôts* (general tax code) from deduction of tax at source. Accordingly such payments do not give the right to any tax credit from any French source.

(b) Additional Amounts

If French law should require that payments of principal or interest in respect of the Notes be subject to withholding or deduction with respect to any taxes or duties whatsoever, SNCF will, to the fullest extent then permitted by French law, pay such additional amounts as may be necessary in order that the net amounts received by the holders of Notes and Coupons after such withholding or deduction shall equal the respective

amounts of principal and interest which would have been receivable in respect of the Notes or, as the case may be, Coupons, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon presented for payment:—

- (i) by or on behalf of a holder who is liable to such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Republic of France other than the mere holding of the Note or Coupon; or
- (ii) more than 30 days after the Relevant Date, except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

As used herein the "Relevant Date" means the date on which such payment first becomes due, but, if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, it means the date on which, such full amount having been so received, notice to that effect shall have been duly published in accordance with Condition 11.

Any reference herein to principal and/or interest in respect of the Notes shall be deemed to include a reference to any additional amounts which may be payable under this Condition 7(b).

8. REPAYMENT IN EVENT OF DEFAULT

Upon any of the following events taking place the holder of any Note may give notice to SNCF through the Fiscal Agent that such Note is immediately repayable, whereupon the principal amount of such Note, together with accrued interest to the date of payment, shall become immediately due and payable:—

- (a) default for more than 15 days in the payment of any principal or interest due in respect of the Notes; or
- (b) default by SNCF in the performance or observance of any other obligation on its part under the Notes and such default continuing for 30 days after written notice requiring such default to be remedied has been given by the holder of any Note through the Fiscal Agent to SNCF; or
- (c) any other indebtedness for money borrowed by SNCF becoming prematurely repayable following a default, or steps being taken to enforce the security in respect thereof, or SNCF defaulting in the repayment of any such indebtedness at the maturity thereof as extended by any applicable grace period, or any guarantee of any indebtedness for money borrowed given by SNCF not being honoured when due and called upon; or
- (d) SNCF being dissolved or merged into a company, unless in such event the obligations of SNCF pursuant to the Notes are expressly assumed by such company.

9. FISCAL AGENT AND PAYING AGENTS

In acting under the Fiscal Agency Agreement, the Fiscal Agent and the Paying Agents are acting solely as agents of SNCF and do not assume any obligation or duty to, or any relationship of agency for or with, the Noteholders or Couponholders except that funds received by the Fiscal Agent for the payment of any sums due in respect of the Notes and Coupons shall be held by it for the benefit of the Noteholders and Couponholders (as the case may be) until the expiry of the relevant period under Condition 5.

The Fiscal Agency Agreement may be amended by SNCF and the Fiscal Agent without the consent of any Noteholder or Couponholder, if, in the reasonable opinion of SNCF and the Fiscal Agent, the amendment will not adversely affect the interests of the Noteholders or Couponholders.

10. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Fiscal Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as SNCF may reasonably require. Mutilated or defaced Notes and Coupons must be surrendered before replacements will be issued. Cancellation and replacement of lost, stolen, destroyed, mutilated or defaced Notes or Coupons shall be subject to any applicable laws and stock exchange requirements.

11. NOTICES

All notices to Noteholders will be deemed to have been duly given if published in a leading English language daily newspaper with circulation in Europe (which is expected to be the *Financial Times*) and, so long as the Notes are listed on the Paris Bourse, in one daily newspaper in Paris (which is expected to be *L'Agence Economique et Financière*) and, so long as the Notes are listed on the Luxembourg Stock Exchange, in one daily newspaper in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice shall be deemed to have been given on the date of such publication, or, if published more than once, on the date of the first such publication.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

12. FURTHER ISSUES

SNCF shall be at liberty to issue further notes with the benefit of an agreement supplemental to the Fiscal Agency Agreement, such further notes being assimilated (*assimilables*) to the Notes as regards their financial service, provided that such notes should carry rights identical in all respects to the Notes (or in all respects except for the first payment of interest thereon) and that the terms of such notes should provide for such assimilation.

13. FINANCIAL INFORMATION

As soon as they are available after the close of each financial year during the term of the Notes, SNCF shall provide the Fiscal Agent with copies of its Annual Report for such year. Copies of such Annual Reports will be available at the principal office of the Fiscal Agent and the Paying Agents.

14. GOVERNING LAW

The Notes, the Coupons and the Fiscal Agency Agreement are governed by, and shall be construed in accordance with, French law. SNCF is not immune from prosecution in the courts of the Republic of France although its assets cannot be subject to any attachment in the Republic of France.

SOCIÉTÉ NATIONALE DES CHEMINS DE FER FRANÇAIS

INTRODUCTION

SNCF is a French public entity of an industrial and commercial character (*établissement public industriel et commercial*) with management autonomy under Law No. 82-1153 dated 30th December, 1982. Its duration is unlimited. As from 1st January, 1983 SNCF became the successor of the corporation created pursuant to the Law of 31st August, 1937 and took over the name Société Nationale des Chemins de fer Français. The headquarters of SNCF are located at 88, rue Saint Lazare, 75009 Paris.

The rules applicable to commercial companies apply to SNCF as regards its financial management and accounting procedures.

The purpose of SNCF is to operate, improve and develop the national railway network in the Republic of France in accordance with the principles applicable to public services. It is empowered to carry out all activities directly or indirectly connected with such purpose. It may create subsidiaries or have interests in companies, groups or other entities, the purpose of which is related or contributes to that of SNCF.

CAPITAL

The capital of SNCF amounts to FF 9,867 billion paid by way of endowment by the Republic of France. The movable and fixed assets previously granted to SNCF's predecessor corporation for such corporation's use have been vested in SNCF. The corresponding endowment amounts to approximately FF 34.03 billion. All other assets previously granted to such corporation as well as all the rights and obligations of, and arising from agreements previously concluded by, such corporation have been transferred to SNCF.

SNCF has no shares and pays no dividends.

BUSINESS

SNCF operates substantially all freight and passenger rail services in the Republic of France, including commuter services (but excluding underground systems). In addition, SNCF is increasingly developing intermodal transport and, where appropriate, substituting buses for trains to adapt the service to a smaller volume of traffic. SNCF also provides connecting rail services with the principal railways of all neighbouring countries.

At 31st December, 1991, SNCF operated 33,444 kilometres of railway lines, of which 9,645 kilometres were limited to freight service and 12,828 kilometres were electrified. All SNCF's rights of way are held under royalty-free concessions from the Republic of France.

In 1991, passenger activity recorded a slight decrease on 1990 (1.3 per cent.) while freight traffic stayed close to the level of the preceding year (-0.3 per cent.). In general, the activity of SNCF has been affected by the Gulf crisis and the general slowdown in economic activity in the Republic of France.

As far as passenger operations are concerned, mainline activity was down 14 per cent. while TGV (*Train à Grande Vitesse*) traffic recorded a further increase in 1991 thanks to the development of the South-Western branch of the Atlantic line. In terms of revenue, passenger traffic earned FF 30.35 billion, which amounts to a 2.7 per cent. growth compared to the previous year.

The decline in freight transport mainly affected wagonload activity and, to a lesser extent, trainload activity. The related income is equal to 1990's at FF 17.46 billion.

Freight Operations

The following table sets out certain SNCF railway freight statistics for the two years ended 31st December, 1990 and 1991:—

	<u>1990</u>	<u>1991</u>
Tons-km. of freight traffic (millions)	51,530	51,500
Net tons per wagon	35.9	36.5
Tons-km. per wagon-load	12,883	13,189
Average freight haul (kilometres)	359	361

In 1991, SNCF carried 141 million tons of freight of which approximately 19.6 million tons were received from connecting foreign carriers for delivery in the Republic of France, 23.9 million tons originated

from SNCF and were delivered to other European railways for onward delivery and approximately 9.6 million tons were received from foreign railways for transport through the Republic of France to other foreign railways.

SNCF's current strategy is to concentrate on developing international wagonload traffic and intermodal services, by increasing the use of containerisation and road-rail techniques. SNCF is also carrying out a reorganisation of other sectors that need to be adapted to meet the requirements of static or declining traffic (namely bulk and wagonload traffic).

Passenger Operations

The following table sets out certain SNCF passenger traffic statistics for the two years ended 31st December, 1990 and 1991:

	<u>1990</u>	<u>1991</u>
Number of passengers (millions)	843	831
Passenger - km (millions)	63,960	62,150
Average journey length (km) ⁽¹⁾	177	183

TGV development forms the basis of SNCF's strategy to increase the volume and profitability of passenger traffic. Since the implementation of the TGV Atlantique line, SNCF is now devoting its efforts to the construction of the North and TGV Interconnexion lines. In 1994, TGV traffic should represent more than 50 per cent. of overall mainline rail activity. The modernisation, electrification or renewal of conventional lines also contribute to improving service quality. Regional services are currently being developed with the active participation of local authorities, and the new concept of "Transport Express Regional". A new distribution and reservation system, called Resarail, derived from the American Airlines Sabre software, is progressively being implemented. Resarail, in addition to increasing the volume of reservations, will enable SNCF to manage train occupancy and to adjust fares in accordance with demand through the use of variable price supplements.

Passenger services provided by SNCF include a service which permits passengers to transport their vehicles on the same train on which they are travelling and regional commuter trains which provide high-frequency services to cities in densely populated areas formerly served only by a few long distance trains. In 1991, the car-sleeper service carried 628,000 passengers and approximately 260,000 vehicles.

Sources of Revenue

The following table sets out the revenue of SNCF and the percentage share by major category for the two years ended 31st December, 1990 and 1991:

	<u>1990</u>	<u>1991</u>
	<i>(FF millions)</i>	<i>(FF millions)</i>
Freight operations:		
Freight rail traffic	12,464	12,246
Postal service	630	489
Fast parcel service	3,946	4,057
Others ⁽²⁾	1,110	1,156
Out of which compensatory payments ⁽³⁾	147	158
Total freight revenue.	<u>18,150</u>	<u>17,948</u>
Passenger operations:		
Mainline traffic.	24,279	24,358
Out of which compensatory payments ⁽³⁾	3,607	3,300
Paris suburban traffic	5,470	6,194
Out of which compensatory payments ⁽³⁾	2,665	3,092
Total passenger revenue	<u>29,749</u>	<u>30,552</u>
Total transport revenue	<u>47,899</u>	<u>48,500</u>

Notes:—

- (1) Excluding suburban commuter services around Paris.
- (2) Including revenue from road transport and logistics services.
- (3) Payments received by SNCF to compensate for reduction in freight rates and passenger fares as required by the Government and certain local and regional authorities in the Republic of France.

Maintenance

SNCF's maintenance expenditure includes the cost of materials, fees paid to outside contractors and SNCF's labour costs but, with certain exceptions, does not include SNCF's general overhead expenses. The table below shows maintenance expenditure for rolling stock, railway lines and other fixed assets for the two years ended 31st December, 1990 and 1991:

	<u>1990</u>	<u>1991</u>
	<i>(FF millions)</i>	
Rolling stock	7,655	8,225
Railway lines ⁽¹⁾	8,056	8,344
Other ⁽²⁾	848	734
Total	<u>16,559</u>	<u>17,303</u>

SNCF considers its maintenance programme adequate to maintain its standard of safety, reliability and passenger comfort. SNCF believes that, on the basis of statistics published by the *Union Internationale des Chemins de fer* (an association whose members are the principal railway companies of the world excluding the United States of America and Canada), its safety record compares favourably with that of any other major European railway company.

Capital Expenditure

Gross capital expenditure of SNCF for the years 1990 and 1991 was as follows:

	<u>1990</u>	<u>1991</u>
	<i>(FF millions)</i>	
Rolling stock	5,036	5,129
TGV lines ⁽³⁾	6,973	11,445
Other lines ⁽³⁾	2,809	2,500
Other tangible assets ⁽⁴⁾	5,969	7,352
Total ⁽⁵⁾	<u>20,787</u>	<u>26,426</u>

For the five-year period ending in 1994, SNCF's investment programme will exceed FF 100 billion (based on 1989 values) out of which FF 45.5 billion is dedicated to new TGV lines and FF 43.1 billion to the principal network. The balance is attributable to the commuter network around Paris.

Notes:

- (1) Includes maintenance of track, sleepers, ballast, electrification systems, signals, telecommunication system, bridges and tunnels.
- (2) Includes maintenance of stations and other buildings.
- (3) Includes expenditure for track, sleepers, ballast, electrification systems, signals, telecommunications systems, bridges and tunnels.
- (4) Includes expenditure for land, stations and other buildings, furniture, machinery and tools.
- (5) Includes certain investments financed through loans and subsidies granted by governmental or regional entities.

Rolling Stock

The following table sets out the number of locomotives, freight wagons and passenger carriages owned or leased by SNCF as at 31st December, 1991:

	<u>Number of units</u>
Type of equipment:	
Locomotives (excluding self-powered carriages):	
Electric	2,244
Diesel	1,927
TGV high speed	195
Freight wagons:	
Owned by SNCF	80,700
Owned by others and operated by SNCF	61,100
Passenger carriages:	
Express	6,409
Sleeping	176
Restaurant cars	75
Suburban commuter	1,243
Electric moved units	2,722
Diesel moved units	1,441
Gas turbine-powered units	239
Omnibus carriage	1,547
TGV high speed	1,734

SNCF has a 25 per cent. shareholding in Eurofima, the European Company for the Financing of Railroad Rolling Stock, a Swiss corporation owned by the national railways of 16 European countries. Eurofima finances the acquisition of rolling stock for SNCF and its other shareholders through borrowings and equity capital. SNCF and the other shareholders, together with the governments of their respective countries, guarantee in proportion to their respective shareholdings (Swiss francs 262,500,000 in the case of SNCF), the performance of all equipment financing contracts between Eurofima and its shareholders. Equipment financing contracts between SNCF and Eurofima oblige SNCF to make payments to Eurofima for rolling stock included under such contracts in amounts and at times calculated to cover in full the repayment of the principal, interest and expense incurred in connection with funds borrowed by Eurofima to finance the purchase of such rolling stock. Although Eurofima retains title to the rolling stock covered by such contracts until receipt of final payment therefor, SNCF is responsible for the maintenance and repair thereof and, in the event of the destruction or other loss of the rolling stock, SNCF is obliged to replace the same at its own expense.

Energy Supply

Nearly one third of SNCF's railway system (12,828 kilometres) had been electrified by 31st December, 1991. Owing to the capital investment involved, SNCF has concentrated on electrifying its most travelled lines. As a result, electric energy represented the source of power for approximately 87 per cent. of SNCF's freight and passenger traffic in 1991. Diesel accounted almost entirely for the balance.

In 1991, SNCF's consumption of electric energy for transport activities amounted to approximately 6.4 billion kilowatt-hours. A specialised subsidiary of SNCF produced approximately 28 per cent. of the electricity required for SNCF operations. SNCF purchases the remainder from *Electricité de France*, the public entity in charge of supplying electricity in the Republic of France, at prices regulated by the French Government.

Competition

SNCF encounters competition in its transport operations from lorries, buses and barges, as well as pipeline systems in the Republic of France. The continuing expansion of the French express motorway system has intensified competition from lorries and buses in recent years. On the basis of information provided by the French Ministry of Transport, SNCF transported approximately 30.9 per cent. of all freight traffic in the Republic of France in 1991.

Employees

At 31st December, 1991, SNCF had a total of 196,100 employees as compared with 200,270 at 31st December, 1990. Total payroll and employee benefit costs in 1991 amounted to approximately FF 42.2 billion (as compared with FF 41.0 billion in 1990) of which FF 12.2 billion represented SNCF's contribution to its retirement plan (*Caisse de Retraite*) and other employee benefit programmes. Under the *Cahier des Charges*, the French State is obliged to provide SNCF with payments equal to the shortfall between actual pension costs in each year and the combined SNCF and employee contributions for such year.

Other Activities

In 1991, SNCF derived revenue aggregating approximately FF 5.11 billion from a number of other activities, including the rental of property (apartments in buildings constructed by SNCF to provide low-cost housing for its employees, commercial premises in stations and other buildings and land for use by industrial customers and others for storage or other purposes), the interchange of rolling stock with foreign railways, services performed for sales of materials to affiliates and other companies and the use of certain of its electric transmission facilities by *Electricité de France*. The slight decrease in revenue (-2.6 per cent. compared to 1990) is partly due to the takeover, on 1st June, 1990 of the maritime services of SNCF by subsidiaries created specifically for that purpose.

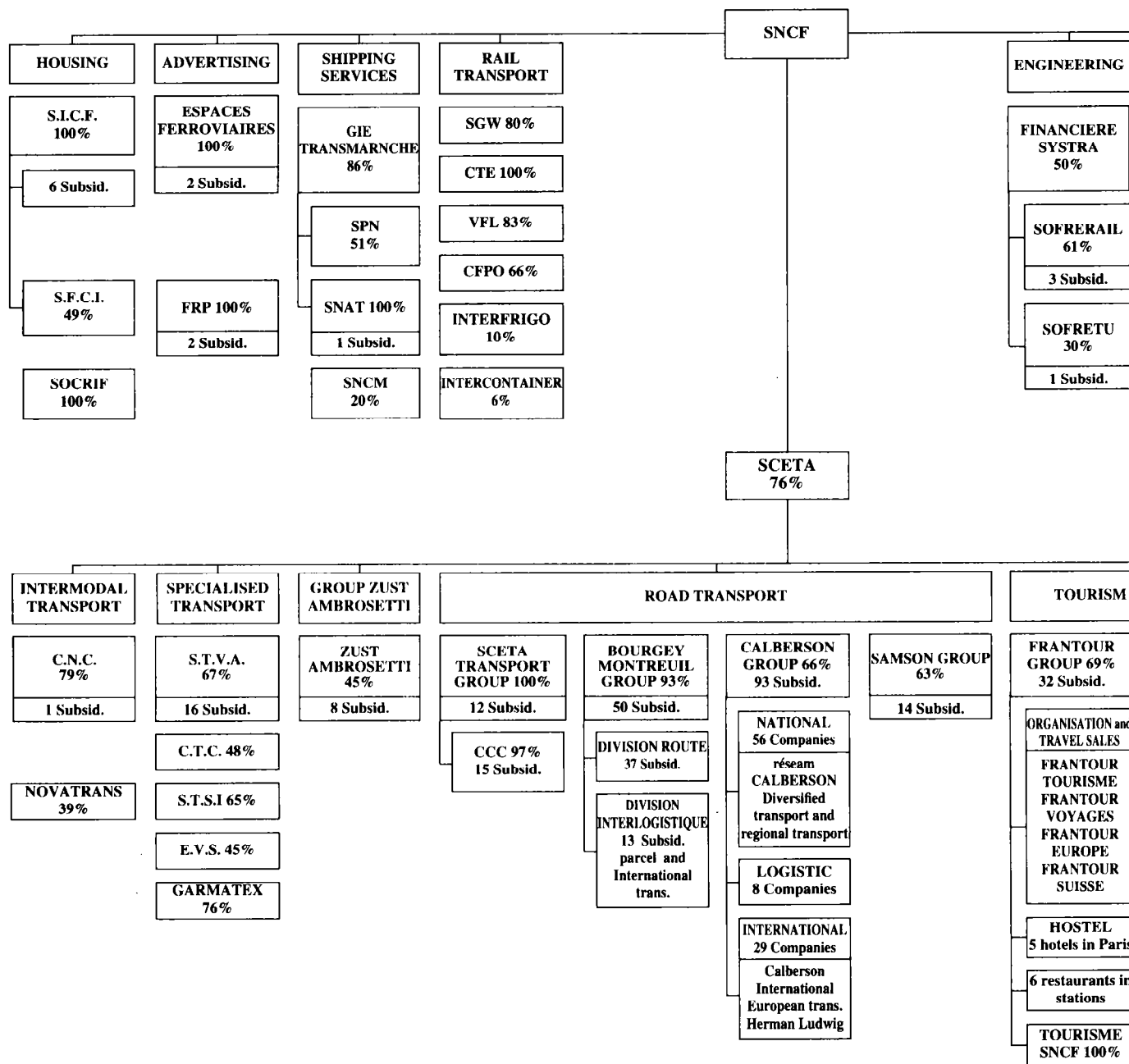
Affiliated Institutions

In a strategy of developing businesses to complement its core activities, SNCF controls or has investments in 316 companies operating in areas such as tourism, hotels, restaurants, coach services, shipping, container transport and road freight. In 1991, consolidated turnover rose from FF 70.6 billion to FF 73.0 billion, while the accounting result recorded a loss of FF 525 million versus a profit of FF 491 million the previous year.

The structure of the SNCF group as at 31st December, 1991 is shown in the chart appearing on the following page.

Financial Year

The financial year of SNCF is the calendar year.



MANAGEMENT

SNCF is run by a *Conseil d'Administration* consisting of eighteen members. Seven of these are representatives of the French State appointed by the Government, five, including two representing users, are appointed by the Government for their expertise and six, of whom one represents senior management, are appointed by the employees of SNCF and those of its subsidiaries having more than 200 employees. All the Directors are appointed for five years and reside in Paris or in the Paris metropolitan area.

The *Conseil d'Administration* of SNCF is constituted as follows:

Jacques Fournier	<i>Président du Conseil d'Administration</i>
Christian Brossier	<i>Président de la Section des Affaires Economiques au Conseil Général des Ponts et Chaussées, Ministère de l'Equipement, du Logement et des Transports</i>
Pierre-Louis Remy	<i>Président du Conseil d'Administration de l'Office des Migrations Internationales</i>
Christian Noyer	<i>Chef du Service des Financements et Participations à la Direction du Trésor, Ministère de l'Economie et des Finances</i>
Isabelle Bouillot	<i>Directeur du Budget, Ministère du Budget</i>
Jean-Pierre Dupont	<i>Délégué à l'Aménagement du Territoire et à l'Action Régionale</i>
Jean-Pierre Falque-Pierrotin	<i>Directeur à la Direction Générale de l'Industrie chargé du Service des Industries de Base et des Biens d'Equipement, Ministère de l'Industrie et du Commerce Extérieur</i>
Régis Bergounhou	
Jean Chapon	
Louis Besson	Members appointed for relevant expertise
Jean-Pierre Fourcade	
Jean Chazalon	
Marcel Andouard	
Lucien Lecanu	
Jean-Paul Lahouse	Representatives appointed by the employees
Monique Fontaine	
Yves Tasserie	
Jacques Mallet	

The Chairman of the *Conseil d'Administration*, selected from among the Directors and on their recommendation, is appointed for a term of five years by Decree of the *Conseil des Ministres* and is the chief executive officer of SNCF. The Chairman is assisted by the *Directeur Général* appointed by Decree of the *Conseil des Ministres* after consultation with the *Conseil d'Administration*. The *Directeur Général* is assisted by five *Directeurs Généraux Adjointes*, each of whom has responsibility for specific areas of activity of SNCF.

The French State is also represented at all meetings of the *Conseil d'Administration* by the *Commissaire du Gouvernement* and by the *Chef de la Mission de Contrôle Financier des Transports*. The *Commissaire du Gouvernement's* role is to ensure that the general policy and objectives adopted by the *Conseil d'Administration* are consistent with the terms of the operating agreements applicable to SNCF. The *Chef de la Mission de Contrôle Financier des Transports* has a supervisory role and submits written opinions with respect to proposals submitted to the *Conseil d'Administration* concerning operations and capital budgets and with respect to the annual financial statements of SNCF. Both representatives are entitled to receive advance notice of matters to be submitted to the *Conseil d'Administration* which come within their province.

The principal officers constituting the *Direction Générale* and the *Direction Financière* of SNCF are as follows:

Jean-François Bénard	<i>Directeur Général</i>
Michel Fève	<i>Délégué Général aux Affaires du Groupe</i>
Philippe Roumeguère	<i>Directeur Général Adjoint "Développement"</i>
Jean-Pierre Leclerc	<i>Directeur Général Adjoint "Economie et Finances"</i>
Roger Gerin	<i>Directeur Général Adjoint "Exploitation"</i>
Yannick Moreau (Mme)	<i>Directeur Général Adjoint "Relations Sociales et Ressources Humaines"</i>
Claude Gressier	<i>Directeur Général Adjoint "Affaires Européennes et Marchés"</i>
Pierre Lubek	<i>Directeur Financier</i>

RELATIONSHIP WITH THE FRENCH STATE

The Law of 30th December, 1982 provides for two operating agreements to be entered into between the French State and SNCF. The first agreement, called the *Cahier des Charges*, was approved by Decree No. 83-817 dated 13th September, 1983. It sets out the conditions and general principles under which SNCF provides its services to the public and the basis of SNCF's contractual relationship with both the Government and the local authorities in the Republic of France, including the principle of compensatory payments referred to below. The second operating agreement, called the *Contrat de Plan*, sets out the medium- and long-term operating targets of SNCF within the framework of the National Plan. For the period from 1990 to 1994 the *Contrat de Plan* was approved by the *Conseil d'Administration* of SNCF on 15th February, 1990.

The targets defined by this *Contrat de Plan* on the basis of certain macro-economic assumptions are the development and the improvement of the services offered to SNCF's customers through a large investment programme and the further acceleration of productivity leading to the maintenance of the equilibrium of SNCF's accounts. This target was achieved in 1991 with a slight profit of FF 6 million.

Based on these assumptions the long-term indebtedness of SNCF should increase significantly during the next years, even beyond the maturity of the *Contrat de Plan*, as a result of the launching of a European high speed network programme.

In 1991, SNCF received from the French State an aggregate of approximately FF 22.6 billion by way of subsidies and compensatory payments. These payments are principally intended to compensate SNCF for:

- (i) reduction in certain categories of freight rates and passenger fares required by the Government and certain local and regional authorities in the Republic of France;
- (ii) losses incurred in connection with the operation of uneconomic railway lines maintained in service as required by the Government;
- (iii) putting SNCF on an equal competitive footing with other forms of transport, particularly in respect of the cost of maintaining the infrastructure of the railway system; and
- (iv) delaying the implementation of overall rate increases considered necessary by SNCF to achieve a balanced budget.

On 1st January, 1991, the terms of the *Contrat de Plan* aimed at improving SNCF's financial situation were brought into operation. Debt corresponding to the accumulated losses of SNCF at the end of 1989 (approximately FF 38 billion) was transferred to a "Special Debt Account" (*Service Annexe d'Amortissement de la Dette*), a specific accounting unit within SNCF which is responsible for servicing the transferred debt until it is repaid.

A contribution from the French State will constitute the main source of funding of the Special Debt Account (FF 3.8 billion base on 1989 values). A FF 0.1 billion (also based on 1989 values) payment by SNCF complements this funding. Variance between funding and expenses will be covered by intermediate financing.

RECENT DEVELOPMENTS

In 1992, despite a moderate development in TGV traffic, mainline and suburban traffic recorded a slight decrease. 289 million passengers were carried on the main lines as compared with 292 million passengers in 1991 and 542 million passengers were carried on the suburban lines as compared with 545 million passengers in 1991.

Freight traffic fell with 134.4 million tons of freight being carried as compared with 138.5 million tons in 1991.

SNCF is being affected, along with other transport and railway companies, by the poor economic climate:

- traffic income is below expectations because of the continuing weak economic climate;
- the competitive environment in which SNCF operates has deteriorated because of the drop in fuel prices and the public financing which has been injected into road infrastructures which makes road transport advantageous.

High interest rates and a need for short term financing account for the increase in financial charges. Despite taking all possible measures to improve its financial position, SNCF estimates that it will suffer losses of FF 2.4 billion for 1992 and FF 2.8 billion for 1993.

The management of SNCF consider that SNCF's long term recovery will only arise through joint action with the French Government. They intend to enter into negotiations with the French Government on three different topics:

- competition between the different transport sectors;
- the requirements of planning and development in the Republic of France as a whole;
- the financing of new railway investments which will not affect SNCF's financial wellbeing.

INTERIM FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT

	<i>As at 30th</i>		<i>As at 31st</i>
	<i>June,</i>		<i>December,</i>
	<u>1992</u>	<u>1991</u>	<u>1991</u>
	<i>(FF millions)</i>		
Passenger traffic	16,013	14,844	30,552
Freight traffic	8,813	8,873	17,458
Mail traffic	245	256	489
Other activities	<u>2,461</u>	<u>2,247</u>	<u>5,113</u>
Turnover	27,532	26,220	53,612
Add			
Production entered in inventories and production of assets	4,076	3,003	7,079
Contractual subsidies from the State and local authorities	<u>8,297</u>	<u>7,943</u>	<u>16,067</u>
Less			
Consumption of goods and supplies	5,720	5,027	9,903
External charges	6,563	5,866	13,346
Salaries and similar charges	22,042	20,935	42,157
Taxes and similar charges	<u>1,182</u>	<u>1,154</u>	<u>2,274</u>
Gross Operating Profit	<u>4,398</u>	<u>4,184</u>	<u>9,079</u>
Depreciation and other provisions	<u>(3,798)</u>	<u>(3,261)</u>	<u>(5,568)</u>
Operating Profit (A)	<u>600</u>	<u>923</u>	<u>3,511</u>
Financial assets revenues	469	457	858
Other financial revenues	1,272	792	1,573
Interest and similar charges	(4,893)	(3,908)	(8,153)
Exchange loss	(330)	(115)	(233)
Net movement in financial provisions	<u>25</u>	<u>(282)</u>	<u>(270)</u>
Net cost of Financial Operations (B)	<u>(3,457)</u>	<u>(3,056)</u>	<u>(6,225)</u>
Net gains on disposed assets	103	272	3,053
Other extraordinary income	(155)	(138)	(385)
Net movement in extraordinary provisions	<u>51</u>	<u>31</u>	<u>52</u>
Net Total of Extraordinary Items (C)	<u>(1)</u>	<u>165</u>	<u>2,720</u>
Net Result for the Period	<u>(2,858)</u>	<u>(1,968)</u>	<u>6</u>

SNCF's accounting results for the six months ended 30th June, 1992 dropped by FF 890 million as compared with the same period for the previous year (a loss of FF 2,858 billion for 1992 as compared with a loss of FF 1,968 billion for 1991). This position is attributable to the lack of economic recovery and to the huge modernisation programme which SNCF has undertaken.

Deterioration appears in 3 components of the income statement:

- operating profit is down FF 323 million as higher amortisation and provisions have not been offset by operating revenues which were below forecasts,
- financial losses are up FF 401 million as a result of SNCF's important investment and financing programme,
- the extraordinary results have decreased by FF 166 million as compared to 1991 due to a smaller volume of asset sales during the first six months of 1992.

**REPORT OF THE STATUTORY AUDITORS OF SNCF ON
THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER, 1991**

We present to you our report concerning:

- our audit of the annual financial statements;
- the review of specific disclosures required by law;

for the year ended 31st December, 1991.

1. OPINION ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the company for the year ended 31st December, 1991 in accordance with the audit programme agreed for the duration of our mandate.

To facilitate understanding of the financial statements, we draw attention to the following points:

1. The creation of the special debt account took place as of 1st January, 1991 in conformity with an agreement between the French State and SNCF. This creation resulted in the transfer of 38 billion French Francs of loans to the special debt account thus increasing the equity of SNCF by an identical amount (Note A).
2. Costs of studies related to investments in fixed assets carried out at regional level were capitalised for the first time this year (amount 334 million French Francs). This change of accounting policy was implemented in the context of the continuing improvement in management information systems (Note A).
3. Extraordinary items include gains on the disposal of old rolling stock under sale and rehire contracts of 921 million French Francs and under operating lease agreements of 756 million French Francs (Note C).

In our opinion, based upon our examination, the financial statements of the company, give a true and fair view of the company's financial position as of 31st December, 1991 and of its results for the year then ended.

2. REVIEW OF SPECIFIC DISCLOSURES REQUIRED BY LAW

Nothing came to our attention as to the fairness and consistency with the financial statements of the information given in the management report and in the published reports regarding the financial position and financial statements.

Paris La Défense 15th February, 1992.

AUDITORS

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F. Allilaire G. Rainaut

FRINAULT FIDUCIAIRE
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G. Barthes de Ruyter

The above report is a translation of our auditors' report on the 1991 financial statements. The full version of the financial statements is attached to our 1991 French auditors' report. A summary of these financial statements is included in this Offering Circular.

SUMMARY OF THE FINANCIAL STATEMENTS OF *SOCIÉTÉ NATIONALE DES CHEMINS DE FER FRANÇAIS*

The Balance Sheet and Income Statement and the Consolidated Balance Sheet and Consolidated Income Statement of SNCF set out on the following pages were prepared in accordance with the practices used by SNCF in preparing its published financial statements for the financial years concerned. In view of the fact that certain accounts have been combined for the purposes of condensed presentation and in order to add explanatory notes, such financial statements are a summary of SNCF's published financial statements.

The following condensed presentation of SNCF's financial statements has not been audited in this format. The auditor's report on the 1991 complete financial statements is translated on page 26.

1991 was the third consecutive year in which SNCF balanced its accounts, though the year as a whole was characterised by a slowdown in economic activity, which affected the transport sector in general. Turnover recorded a slight increase (+0.9 per cent.) from FF 53.1 billion in 1990 to FF 53.6 billion in 1991.

SNCF's gross operating surplus dropped to FF 9.1 billion in 1991 from FF 9.6 billion in 1990 mainly as a result of an increase of 4.2 per cent. in operating expenses. After taking into account depreciation charges, the operating results amounted to FF 3.5 billion in 1991, as compared to FF 4.4 billion in 1990 (a drop of 20.6 per cent.).

SNCF's financial results have improved considerably, moving from FF (9.6 billion) in 1990 to FF (6.2 billion). The change is largely due to the transfer of FF 38 billion of debt relating to previous operating losses into the "Special Debt Account" on 1st January, 1991 (see page 23). The result is a 27 per cent. reduction in SNCF's debt servicing costs.

The extraordinary results fell from FF 5.1 billion in 1990 to FF 2.7 billion in 1991. Again, much of the change is attributable to the implementation of the Special Debt Account as the French State contribution previously received by SNCF (exceptional operating subsidy) now goes toward servicing that debt. However, the extraordinary results are also partly due to SNCF's policy of selective asset sales and financially beneficial sale and leaseback agreements for rolling stock (FF 1.8 and FF 2.7 billion respectively).

Finally, SNCF has maintained a self-financing ratio of 24 per cent. for its extensive investment programme which is above the 20 per cent. target required by the *Contrat de Plan* (see page 23).

BALANCE SHEETS

	<i>As of 31st December,</i>	
	<u>1990</u>	<u>1991</u>
	<i>(French Francs)</i>	
ASSETS		
Intangible Fixed Assets	981,000	2,146,100
Tangible fixed assets:		
Land	35,486,130,661	36,252,881,178
Structural engineering works less depreciation ⁽¹⁾	46,849,460,876	49,427,206,173
Equipment and rolling stock less depreciation ⁽¹⁾	29,628,632,322	30,927,700,213
Construction in progress	17,144,473,088	30,650,946,905
Total tangible fixed assets	<u>129,108,696,947</u>	<u>147,258,734,469</u>
Financial fixed assets:		
Investments less allowance for loss in value	3,255,956,398	3,824,823,985
Receivables from investments	1,036,833,016	1,142,279,441
Loans less allowance for doubtful accounts ⁽²⁾	2,143,709,145	1,851,717,051
Deposits	1,515,243,225	2,247,766,926
Total financial fixed assets	<u>7,951,741,784</u>	<u>9,066,587,403</u>
Inventories ⁽³⁾	3,211,607,676	3,456,847,261
Advances to suppliers	540,284,240	507,446,798
Operating assets less depreciation ⁽⁴⁾	13,301,644,822	14,371,497,007
Marketable securities	990,587,118	512,319,138
Liquid assets	382,932,849	369,208,469
Assets accounts of the special debt account		1,546,409,830
Assets accounts of social related services	7,310,213,623	7,861,585,254
Prepaid expenses	100,922,737	61,388,691
Deferred expenditure	2,467,971,957	2,569,366,173
Bond discount	747,108,025	545,757,207
Potential exchange loss ⁽⁵⁾	1,251,557,047	408,621,845
Total assets	<u><u>167,366,249,825</u></u>	<u><u>188,537,915,645</u></u>

Notes:—

A — Highlights — Changes in the accounting method

The creation of the Special Debt Account took place on 1st January, 1991. FF 38 million amount of the items "financial debts" and "losses in prior years" were transferred to the balance sheet of the Special Debt Account, the results of which appear in the balance sheets of SNCF under the items "Assets accounts" and "Liabilities accounts" of the Special Debt Account. As a result of this transfer, considerable variations have been recorded in items in the balance sheet and income statement relating to financial debts. Since 1991, research expenses relating to investment in tangible assets have been accounted for as fixed assets. This accounts for a FF 334 million increase in fixed assets in 1991.

B — Notes on the Balance Sheets

(1) Depreciation is calculated in accordance with the straight-line method, on the basis of life expectancy given in the table below and expressed in number of years:

Structures	
Power stations, buildings, bridges, viaducts, tunnels	50
Tracks, electrification, railroad crossings, switchyards	20
Signals, lighting	15
Rolling stock	
Electric locomotives	25
South-East TGV trainsets, diesel locomotives, electric commuter trains, passenger coaches	20
TGV Atlantique trainsets, diesel commuter-type trains, freight wagons	15
Equipment	5 or 10
Computers (depreciation is calculated on a declining-balance basis)	4

As the cost of maintenance has an effect on the life of the track it is accounted for as a fixed asset and is depreciated over 20 years.

- (2) This item includes loans due in less than one year.
- (3) Materials in inventory are accounted for in accordance with a mean price per item, on the basis of the actual cost of all items in inventory.
- (4) Operating assets include sales receivables and non-invoiced services.
- (5) Financial debts, including swaps, are valued at the exchange rates prevailing at the year-end. When the original exchange rate is less than the year-end rate, the difference appears under "assets" and is subject to a special fund partly covering currency exchange risks, when it is more than the year-end rate, the difference appears under "liabilities".

As of 31st December,

	1990	1991
	<i>(French Francs)</i>	

LIABILITIES

Capital		
Capital	9,867,000,000	9,867,000,000
Revaluation of land	34,029,674,025	34,029,674,025
Total capital.	43,896,674,025	43,896,674,025
Revaluation of investments	471,096,059	467,308,059
Reserves	9,555,852,032	10,750,236,632
Losses in prior years	(39,773,885,709)	(2,951,739,329)
Result for the financial year	16,530,980	6,412,097
Equipment subsidies	8,796,748,443	10,228,704,373
Revaluation of depreciable assets	1,767,590,988	1,477,243,449
Reserves for risks	4,004,108,490	2,826,179,363
Financial debts⁽⁵⁾⁽⁶⁾		
Bonds	79,683,905,099	59,880,874,986
Loans	10,124,447,350	9,207,658,400
Other financial debts	12,441,932,909	12,996,750,252
Total financial debts	102,250,285,358	82,085,283,638
Advances received.	352,430,385	594,839,077
Operating debts⁽⁷⁾		
Accounts payable	12,337,534,744	13,247,209,340
Social and fiscal debts	3,817,346,445	3,641,563,852
Other operating debts	15,100,485,777	16,239,514,386
Total operating debts	31,255,366,966	33,128,287,578
Liability accounts of the Special Debt Account.		1,557,834,400
Liability accounts of social related services	1,911,108,492	2,143,553,557
Deferred income	1,236,892,411	1,286,345,429
Potential exchange gain ⁽⁵⁾	1,625,450,905	1,040,753,297
Total liabilities	167,366,249,825	188,537,915,645

Notes:

(6) Financial debts include loans to be repaid in less than one year, treasury loans accrued interest.

(7) Operating debts include payables and invoices to be received.

INCOME STATEMENTS

	<i>As of 31st December,</i>	
	<u>1990</u>	<u>1991</u>
	<i>(French Francs)</i>	
REVENUE		
Operating income		
Traffic income		
Passenger and baggage traffic ⁽¹⁾	29,748,597,084	30,551,992,818
Freight traffic ⁽²⁾	17,520,183,864	17,458,157,346
Mail traffic ⁽³⁾	629,792,825	489,263,812
Total traffic income	47,898,573,773	48,499,413,976
Income from other activities ⁽⁴⁾	5,246,840,802	5,113,006,437
Turnover	53,145,414,575	53,612,420,413
Production entered in inventories and production of assets	5,947,600,200	7,078,749,601
Contractual subsidies from the State and local authorities ⁽⁵⁾	15,377,948,535	16,067,740,944
Deferred charges ⁽⁶⁾	201,000,000	69,000,000
Reversal of provisions	1,077,886,363	1,110,398,187
Total operating income	75,749,849,673	77,938,309,145
Financial income		
Assets revenue	782,554,710	857,790,479
Reversal of provisions	779,277,530	213,912,280
Other financial income	814,759,094	1,558,889,400
Deferred financial charges ⁽⁶⁾	435,000,000	132,000,000
Total financial income	2,811,591,334	2,762,592,159
Extraordinary income		
Exceptional operating subsidy paid by the State	3,906,316,401	(11,247,000)
Proceeds from the sale of assets	1,468,435,037	4,484,998,292
Other extraordinary income	476,192,000	273,619,737
Total extraordinary income	5,850,943,438	4,747,371,029
Total revenue	84,412,384,445	85,448,272,333

Notes:—

C — Notes on the Income Statements:—

- (1) The revenue from passenger traffic includes amounts received from the State and local authorities in compensation for reduced tariffs. The purpose of these payments is to offset the cost to SNCF of the mandatory free and reduced-fare travel concessions granted to certain user categories such as large families, servicemen and workers taking paid holidays, it also includes compensation for suburban services.
- (2) As part of its revenue from freight traffic, SNCF received compensatory payments to cover the cost of having to provide certain services which are inconsistent with the commercial interests of SNCF.
- (3) Under the terms of Article 41 of its *Cahier des Charges*, SNCF receives certain payments to cover the cost of services provided to the French Post Office Corporation (PTT).
- (4) Income from other activities includes payments for miscellaneous services (including rental income from rolling stock), as well as income from services unrelated to rail transport.
- (5) Revenue in the form of amounts received partly to meet, or to offset costs incurred, consists of various categories of compensatory payments, such as:
 - payments (as provided for in Article 31 of the *Cahier des Charges* towards meeting infrastructure and level-crossing costs, to ensure that SNCF is treated by the State on a par with other systems of transport.
 - compensatory payments in connection with public service obligations, to cover the costs of mandatorily providing certain services under conditions, or on the basis of tariffs, that are inconsistent with SNCF's commercial interests, as well as the cost of mandatorily developing and maintaining facilities surplus to those deemed necessary to meet operating requirements.
- (6) This item covers part of the overheads of the high speed lines deferred until implementation of all services on the lines concerned.

INCOME STATEMENTS

As of 31st December,

1990

1991

(French Francs)

EXPENDITURE

Operating charges

Consumption of goods and supplies	8,942,409,363	9,902,627,039
External charges ⁽⁷⁾	12,608,681,084	13,346,151,226
Salaries and similar charges	40,956,024,554	42,157,099,791
Taxes and similar charges ⁽⁸⁾	2,414,891,805	2,273,778,583
Funding of depreciation and reserve accounts ⁽⁹⁾	<u>6,405,776,571</u>	<u>6,747,229,420</u>
Total operating charges	71,327,783,377	74,426,886,059

Financial charges

Interest and similar charges	10,864,043,623	8,153,373,304
Amortisation and provisions ⁽¹⁰⁾	821,896,207	486,049,695
Exchange losses	<u>677,059,787</u>	<u>348,988,890</u>
Total financial charges	12,362,999,617	8,988,411,889

Extraordinary charges

Book value of sold assets	164,131,058	1,432,328,357
Other extraordinary charges	<u>540,939,413</u>	<u>594,233,931</u>
Total extraordinary charges	705,070,471	2,026,562,288

Total expenditure	84,395,853,465	85,441,860,236
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Profit for the fiscal year	<u>16,530,980</u>	<u>6,412,097</u>
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Total	<u>84,412,384,445</u>	<u>85,448,272,333</u>
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Notes:

- (7) External charges relate, among other items, to maintenance, services provided by third parties (particularly lorry transport), supplies, rent and insurance.
- (8) This item covers, in particular, employment tax, property tax, estate tax and company tax.
- (9) Depreciation covers more particularly the depreciation of fixed assets, amounting to FF 6.2 billion in 1990 and FF 6.5 billion in 1991.
- (10) This item includes sums attributable to the special fund which covers currency exchange risks.

**REPORT OF THE STATUTORY AUDITORS OF SNCF ON
THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 1991**

In accordance with our appointment, we present our report on:

- the audit of the consolidated financial statements of *Société Nationale des Chemins de fer Français* which follow this report,
- the verifications of the Management Report,

for the year ended 31st December, 1991.

1. OPINION ON THE FINANCIAL STATEMENTS

We have audited the financial statements by carrying out such procedures as we considered necessary in accordance with the standards of the profession.

The legal financial statements have been audited in accordance with the audit programme agreed for the duration of our mandate.

To facilitate understanding of the financial statements, we draw attention to the following points:—

1. The creation of the Special Debt Account took place as of 1st January, 1991 in conformity with an agreement between the French State and SNCF. This creation resulted in the transfer of FF 38 billion of loans to the special debt account thus increasing the equity of SNCF by an identical amount (Note 1).
2. Costs of studies related to investments in fixed assets carried out at regional level were capitalised for the first time in the year (and amounted to FF 334 million). This change of accounting policy was implemented in the context of the continuing improvement in management information systems (Note 4).
3. Extraordinary items include gains on the disposal of old rolling stock under sale and rehire contracts of FF 691 million and under operating lease agreements of FF 756 million (Note 4 — sales of railway rolling stock).

We certify that the consolidated financial statements comply with the legal requirements and give a true and fair view of the assets, the financial position and the results of the companies included in the consolidation.

2. SPECIFIC VERIFICATIONS

We have performed specific examination procedures as required by law, in accordance with the standards of the profession.

We are satisfied that the information included in the Management Report is fairly presented and is consistent with the consolidated financial statements.

Paris La Défense, 11th May, 1992.

AUDITORS

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The above report is a translation of our auditors' report on the 1991 financial statements. The full version of the consolidated financial statements is attached to our 1991 French auditors' report. A summary of these consolidated financial statements is included in this Offering Circular.

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS OF *SOCIÉTÉ NATIONALE DES CHEMINS DE FER FRANÇAIS*

The consolidated financial statements of SNCF for the year 1991 included 316 companies compared with 309 companies in 1990. This increase was due to the creation of new subsidiaries and to investments in new companies.

The consolidated turnover of the group was up 3.4 per cent. from 1990 at FF 73 billion (FF 70.6 billion in 1990). The activities of SNCF's subsidiaries accounted for 28.6 per cent. of its turnover, up 10.6 per cent. from 1990 at FF 20.9 billion (26.8 per cent. in 1990). This increase is mainly attributable to the extension of the group, notably the acquisition of the Danish group SAMSON by the SCETA group.

The Group's share of the French domestic activity and international and foreign domestic traffic stayed unchanged compared to 1990 at respectively 76 per cent. and 24 per cent. of the consolidated turnover. International operations represented 15 per cent. of SNCF's activities and 47 per cent. of the activities of the group excluding SNCF.

The transfer of FF 38 billion of accumulated losses and the corresponding indebtedness to the Special Debt Account as of 1st January, 1991 (see page 36) resulted in a significant decrease in financial charges and in the extraordinary results, which no longer includes exceptional subsidies received from the French State.

The SNCF group recorded a FF 525 million loss in 1991, compared to a FF 491 million profit in 1990. This deterioration is due to adverse economic results for both SNCF and group companies. The FF 6 million profit recorded in SNCF's financial statements was offset by the exclusion of intergroup transactions (sales of hydro-electric dams to SHEM, a ship to SPN, and rolling stock to EUROFIMA).

The decrease in results of companies in which SNCF holds minority interests is due to difficult conditions in non-railway activities.

Investments increased to FF 23.6 billion (from FF 20.4 billion in 1990) and mainly came from SNCF operations: FF 22.4 billion out of which FF 11.9 billion were allocated to the development of the TGV. The remaining amount (FF 1.1 billion) was invested by the SCETA group in real estate and rolling stock.

The creation of the Special Debt Account gives rise to the following modifications in the composition of the consolidated balance sheet:

- capital rises to FF 55.1 billion from FF 17.9 billion in 1990,
- financial debts drop to FF 85.6 billion from 105.1 billion in 1990.

CONSOLIDATED BALANCE SHEET

	1990	1991		Net amount
	Net amount	Gross amount	Amortisation & provisions	
<i>(in FF millions)</i>				
ASSETS				
INTANGIBLE ASSETS	73	310	113	197
ASSET PRICE VARIANCE	219	308	116	192
TANGIBLE ASSETS				
Land	36,160	37,137	102	37,035
Structural engineering works	67,972	131,308	59,861	71,447
Equipment and rolling stock	11,099	44,799	33,109	11,690
Other tangible assets	18,462	33,115	1,000	32,115
TOTAL TANGIBLE ASSETS	133,693	246,359	94,072	152,287
FINANCIAL ASSETS				
Investments (excluding consolidated companies)	2,122	2,358	90	2,268
Consolidated companies	826	926	—	926
Other financial assets	4,527	5,295	61	5,234
TOTAL FINANCIAL ASSETS	7,475	8,579	151	8,428
TOTAL ASSETS	141,480	255,556	94,452	161,104
Inventories	3,312	3,884	334	3,550
Accounts receivable	8,961	10,657	723	9,934
Other receivables	9,173	10,837	23	10,814
Investment securities	1,301	936	—	936
Cash assets	1,392	1,501	—	1,501
TOTAL CIRCULATING ASSETS	24,139	27,815	1,080	26,735
PREPAID EXPENSES	279	284	—	284
DEFERRED CHARGES	2,502	2,601	—	2,601
ASSET ACCOUNTS OF THE SPECIAL DEBT				
ACCOUNT	—	1,546	—	1,546
ASSET ACCOUNTS OF THE SOCIAL RELATED				
SERVICES	7,310	7,862	—	7,862
BOND DISCOUNT	747	546	—	546
POTENTIAL EXCHANGE LOSS	1,252	410	—	410
TOTAL	177,689	296,620	95,532	201,088

	<u>1990</u>	<u>1991</u>
LIABILITIES		
CAPITAL		
Capital	43,897	43,897
Reserves of the parent company	(30,218)	7,798
Revaluation reserves	2,237	2,049
Consolidation reserves	1,724	1,980
Exchange adjustment	39	18
Profit/loss of the group	264	(669)
SUB-TOTAL	<u>17,943</u>	<u>55,073</u>
Investment subsidy	8,796	10,228
TOTAL CAPITAL	<u>26,739</u>	<u>65,301</u>
Minority interests in the reserves	1,905	2,099
Minority interests in the profit/loss	227	144
TOTAL MINORITY INTEREST	<u>2,132</u>	<u>2,243</u>
RESERVES FOR CONTINGENCIES	<u>4,645</u>	<u>3,493</u>
DEBTS		
Bonds	79,877	60,064
Loans	12,169	11,732
Other financial debts	13,064	13,787
Accounts payable	15,179	16,303
Fiscal and social debts	5,315	5,023
Other debts	13,699	16,773
TOTAL DEBTS	<u>139,303</u>	<u>123,682</u>
LIABILITY ACCOUNTS OF THE SPECIAL DEBT ACCOUNT	—	1,558
LIABILITY ACCOUNTS OF THE SOCIAL RELATED SERVICES	1,911	2,144
DEFERRED INCOME	1,333	1,626
POTENTIAL EXCHANGE GAIN	1,626	1,041
TOTAL LIABILITIES	<u>177,689</u>	<u>201,088</u>

CONSOLIDATED INCOME STATEMENT

	<i>1990</i>	<i>1991</i>
	<i>(in FF millions)</i>	
OPERATING INCOME		
Income from passenger traffic	30,306	31,218
Income from freight traffic	33,062	34,317
SUB-TOTAL (I)	63,368	65,535
Income from other activities (II)	7,220	7,489
CONSOLIDATED TURNOVER (I) + (II)	70,588	73,024
Contractual subsidies from the State and local authorities	15,379	16,070
Other operating income	7,374	8,607
TOTAL	<u>93,341</u>	<u>97,701</u>
OPERATING CHARGES		
Purchases and goods entered in inventories	9,720	10,964
Subcontractors	12,073	12,993
Other external charges	10,868	12,141
Tax expenses	2,775	2,634
Personnel charges	45,456	46,965
Amortisation and provisions	7,430	7,806
TOTAL	<u>88,322</u>	<u>93,503</u>
OPERATING RESULT	<u>5,019</u>	<u>4,198</u>
RESULT OF TRANSACTIONS WITHIN THE GROUP	<u>(108)</u>	<u>(82)</u>
FINANCIAL RESULT	<u>(10,208)</u>	<u>(6,463)</u>
EXTRAORDINARY RESULT	<u>6,062</u>	<u>1,999</u>
EMPLOYEES SHARE IN THE RESULT	<u>(18)</u>	<u>(18)</u>
INCOME TAX	<u>(271)</u>	<u>(199)</u>
PART OF RESULT REALISED BY PARTIALLY INTEGRATED COMPANIES	<u>65</u>	<u>61</u>
NET RESULT PRIOR TO AMORTISATION OF PRICE VARIANCE	<u>541</u>	<u>(504)</u>
PRICE VARIANCE BROUGHT FORWARD	<u>(50)</u>	<u>(21)</u>
NET PROFIT/LOSS	<u>491</u>	<u>(525)</u>
Out of which:		
Group share	264	(669)
Minority interest share	<u>227</u>	<u>144</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Key Facts

The Special Debt Account was created on 1st January, 1991 in accordance with the provisions of the *Contrat de Plan* between SNCF and the French State. An amount of FF 38 billion of the items "financial debts" and "losses — prior years" was transferred to the balance sheets of a new accounting unit (the *Service Annexe d'Amortissement de la Dette*). The purpose of the *Service Annexe d' Amortissement de la Dette* is to service interest payments on and repayment of the debt transferred until such debt is fully paid off. Until the end of the present *Contrat de Plan* (1994), the Special Debt Account is funded by an annual payment from the French State (FF 3.8 billion based on 1989 values) and an annual payment from SNCF (FF 0.1 billion based on 1989 values). Refinancing needs are covered by the general financing programme of SNCF. The commitment of SNCF towards bondholders stays unchanged.

The items "assets accounts of, . . ." or "liability accounts of . . ." reflects the situation of certain social related services of SNCF and of the Special Debt Account.

2. Basis of Consolidation

The consolidated financial statements for 1991 include the accounts of 316 companies, compared with 309 in 1990.

Only companies with a turnover in excess of FF 10 billion or share capital in excess of FF 1 billion are included in the financial statements, unless the exclusion of a company gives a misleading view of the group. Real estate subsidiaries of SNCF are not consolidated.

Companies in which SNCF holds at least 20 per cent. of the capital are accounted for by the equity method.

3. Significant Consolidation Methods

The accompanying consolidated financial statements have been prepared in accordance with French generally accepted accounting principles and practices.

The fiscal year-end of the consolidated companies is generally 31st December. No specific adjustment was made on data concerning companies whose fiscal year-end is 30th September.

The balance sheets and income statements of foreign subsidiaries have been translated into French francs at the exchange rates prevailing at the relevant balance sheets date. Translation adjustments are recorded under the item "potential exchange loss" or "potential exchange gain".

Any difference arising between the cost of an investment and the consolidated capital of the company, if not recorded on the balance sheet of such company, is recorded under the item "Price variance on investments". Reserves are established in case of negative differences.

Transactions between consolidated companies and the results of such transactions are excluded, or stated in proportion to the percentage of capital held by SNCF.

Investment subsidies are included in the capital, taking into account deferred taxes.

The method of deferred taxation is used in certain companies in case of timing differences between the realisation of certain transactions and the year of fiscal treatment of such transactions.

4. Valuation

Assets

Intangible assets

Organisation costs are amortised in the relevant year. Transport licenses are recorded as intangible assets and may be amortised. Goodwill is amortised over a 10 year period.

Depreciation on tangible assets is calculated in accordance with the straight-line (SL) or declining (D) method, on the basis of the following estimated lives of assets:

— buildings	10 to 50 years (SL or D)
— technical material and equipment	3 to 20 years (SL or D)
— rolling stock	3 to 25 years (SL or D)
— other tangible assets	3 to 5 years (SL or D)
— modifications on rolling stock	7 years (SL)
— ships	8 years (SL)

Financial assets

Investments in non consolidated companies are stated at their purchase price. Provisions are recorded in case of potential loss (based on equity interest or market values of the shares).

Inventories

The value of goods included in inventories is equal to their purchase price plus additional charges. Goods produced by companies are valued at production cost.

Receivables are accounted for at their principal amount. Reserves for depreciation are built up if current values are below book values.

Deferred charges

Bond issue expenses are amortised over the life of the bonds according to the straight line method. Reimbursement premiums on called bonds or bonds exchange at a public exchange offer are amortised over the remaining life of the bonds, with maximum amortisation of 5 years.

In 1991, SNCF realised a public exchange offer of bonds. Expenses paid on exchanged bonds are amortised over the remaining life of such bonds with a maximum life of 5 years.

Overhead expenses of TGV new lines are carried forward and amortised over a 5 year period.

Transactions in foreign currencies

Revenue and charges are translated to and accounted for in French francs at the relevant dates.

Receivables and payables (including debts) are translated into French francs at the exchange rates prevailing at year-end. Foreign exchange adjustments on debts, calculated in accordance with the straight-line method, are recorded under the item "potential exchange gain" or "potential exchange loss". In case of early redemption of bonds, exchange losses are carried forward and amortised over the remaining life of the bonds, with a maximum life of 5 years.

Payment due under currency or interest rate exchange agreements are recorded off balance sheet on the back of exchange rates prevailing at year-end.

Sales of railway rolling stock

SNCF's sales of used or new railway rolling stock have been valued either on the basis of an appraisal or at its production cost. Capital gains realised on such sales are recorded in the income statement of the related year. Sales may be followed by rental agreement, or financial lease agreements with EUROFIMA, or financial lease agreements in the case of new rolling stock. These transactions account for gains amounting to FF 691 million in the case of sales and rental agreements and FF 756 million in the case of various lease agreements.

Financial lease agreements with EUROFIMA

Rolling stock owned by EUROFIMA does not appear in the assets of SNCF, with the exception of approximately 5 per cent. of its value which is financed directly by SNCF, and which is accounted for as prepaid charges.

Total charges under the lease agreements recorded in the income statements are constituted by the portion of rentals corresponding to interest and of depreciation charges. The difference between the above charges and rentals is accounted for as adjustments.

At maturity, title to the rolling stock reverts to SNCF. Adjustments less depreciation charges are reclassified as assets, so that the value of the leased rolling stock equals that the rolling stock purchased directly.

Capital gain on real estate sales are included in the reserves in the year following such sales, the revenues of which is dedicated to the development of the assets of SNCF.

Related services of SNCF

With the exception of the Special Debt Account, the main related services of SNCF are social services (retirement plan, health services). They have no legal status but are separate, financially autonomous accounting units. The balance sheets of the related services are entered in the balance sheet of SNCF under the accounts "assets accounts of the related services" and "liability accounts of the related services".

Retirement benefits

SNCF's retirement benefits are guaranteed by the French State. SNCF assumes charges linked to the extension of the allowances granted.

The other companies of the group make reserves or take out specialised insurances in connection with the allowances to be paid to retiring staff.

New accounting method

Since 1991, research expenses have been incorporated in the relevant tangible assets. This accounts for a FF 334 million improvement in the results for the year.

CAPITALISATION

The following unaudited table sets out the capitalisation of SNCF as at 31st December, 1992 (Notes 1, 2, 3, 4, 5):

	<i>Principal amount outstanding</i>	<i>Equivalent in francs</i>
	<i>(in million)</i>	<i>(FF millions)</i>
Domestic Bonds (Notes 4 and 5)	FF 84,187.0	84,187.0
9¼% Bonds due 1997	FF 4,000.0	4,000.0
Zero Coupon Bonds due 1998	FF 2,000.0	2,000.0
Private Placements	FF 2,227.0	2,227.0
Loans from the Paris Regional District and misc.	FF 1,765.0	1,765.0
Loans from European Investment Bank	FF 2,072.3	2,072.3
Loans from ECSC	FF 1,500.0	1,500.0
8⅞% Bonds due 2023 (Note 5)	FF 3,000.0	3,000.0
Floating Rate Credit due 1994	BEF 1,500.0	248.9
Floating Rate Credit due 1996	BEF 1,500.0	248.9
Loans from European Investment Bank	BEF 281.8	46.8
7⅞% Bonds due 1993	DEM 50.0	170.5
8⅞% Bonds due 1993	DEM 50.0	170.5
Loans from European Investment Bank	DEM 109.3	372.7
10⅜% Loan due 1993	ECU 50.0	332.7
9% Bonds due 1999	ECU 300.0	1,996.4
9⅜% Bonds due 2001	ECU 540.0	3,593.4
8⅜% Bonds due 2007	ECU 400.0	2,661.8
Loans from European Investment Bank	ECU 234.9	1,563.1
12⅜% Bank Credit due 1991 to 1997	NLG 75.0	227.7
9½% Bonds due 1993	NLG 20.0	60.7
7⅞% Bank Credit due 1993	LUF 3,000.0	497.9
Floating Rate Credit due 1994	LUF 1,700.0	282.1
7⅜% Private Placement due 1994	LUF 600.0	99.6
7¼% Private Placement due 1995	LUF 600.0	99.6
Loans from European Investment Bank	LUF 131.5	21.8
7¼% Bonds due 2005	CHF 100.0	378.2
6¾% Bonds due 2006	CHF 150.0	567.3
7⅜% Private Placement due 2000	CHF 75.0	283.7
7% Bonds due 2004	CHF 450.0	1,701.9
Loans from European Investment Bank	CHF 200.9	759.8
11½% Notes due 1993	US\$ 100.0	550.7
7¼% Bonds due 1993	US\$ 100.0	550.7
7¼% Bonds due 1994	US\$ 175.0	963.6
7¾% Bonds due 1996	US\$ 150.0	826.0
9½% Bonds due 1998	US\$ 150.0	826.0
Floating Rate Notes due 2002	US\$ 150.0	826.0
8% Dual Currency Japanese ¥/USD Notes due 1995	US\$ 111.0	611.2
Floating Rate Notes due 1996 and associated facility	US\$ 226.0	1,244.5
Loans from European Investment Bank	US\$ 0.4	2.2
4⅞% Notes due 1993	¥ 20,000.0	882.8
7.90% Loan due 1999	¥ 11,666.6	515.0
6¾% Bonds due 2000	¥ 30,000.0	1,324.2
Reverse Dual Currency Bonds ¥/AUD due 2000	¥ 20,000.0	882.8
11¼% Bonds due 1994	£ 60.0	501.2
9⅞% Bonds due 1995	£ 75.0	626.5
Loans from European Investment Bank	£ 75.0	626.5
Total long-term debt.		128,897.0

Notes:—

- (1) The foregoing table does not include the equivalent (as at 31st December, 1992) of approximately FF 14.6 billion principal amount outstanding under rolling stock lease financing contracts with Eurofima.
- (2) Including amounts due within one year.
- (3) Translation of foreign currencies to francs in this table have been made at the rates in effect in Paris as of 31st December, 1992.
- (4) This includes FF 3 Billion of "bons à lots kilomètre" which are debt instruments entitling the holder thereof, in addition to receipt of interest payments, to participate in a lottery. Holders of instruments selected by lottery receive coupons granting the bearer certain free travel on SNCF facilities.
- (5) These figures do not include the following issues, as at 18th February, 1993: 8.25% Bonds due 2005: FF 3 billion, 5.25% Bonds due 2005: CHF 300 million, 8.875% Notes due 2023: FF 1,499,5 million.

The following unaudited table sets out, as at 31st December, 1992, the aggregate payments (expressed in millions of francs) required to be made in respect of the principal outstanding long-term debt of SNCF, as modified by currency exchange agreements (including lease financing contracts with Eurofima):

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
FRF	5,997	5,165	5,877	5,396	11,421	6,742	6,914
XEU	1,040	1,321	807	474	244	1,171	2,461
DEM	471	118	1,208	712	149	14	16
CHF	1,200	600	325	570	128	402	154
USD	553	0	0	606	0	0	0
GBP	12	12	13	0	0	0	0
JP¥	-439	74	74	74	74	74	74
NLG	106	46	46	46	46	0	0
BEF/LUF	1,142	636	154	376	7	8	9
Total	<u>10,082</u>	<u>7,972</u>	<u>8,502</u>	<u>8,253</u>	<u>12,068</u>	<u>8,410</u>	<u>9,628</u>

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<i>Balance</i>	<i>Total</i>
FRF	8,378	8,605	8,971	15,576	16,070	5,764	110,877
XEU	1,337	3,593	0	0	0	2,662	15,111
DEM	636	0	0	0	0	0	3,323
CHF	680	121	759	54	2,432	1,541	8,965
USD	0	0	0	0	0	0	1,159
GBP	0	0	0	0	0	0	3
JP¥	0	0	0	0	0	0	2
NLG	0	0	0	0	0	0	288
BEF/LUF	0	0	0	0	0	0	2,332
Total	<u>11,032</u>	<u>12,320</u>	<u>9,730</u>	<u>15,630</u>	<u>18,502</u>	<u>9,966</u>	<u>142,095</u>

SUBSCRIPTION AND SALE

Crédit Lyonnais, Deutsche Bank France SNC, UBS France S.A., Swiss Bank Corporation, Banque Paribas, Banque S.G. Warburg, BNP Capital Markets Limited, Caisse des Dépôts et Consignations, Crédit Commercial de France, Credit Suisse First Boston France S.A., Dresdner Bank Aktiengesellschaft, J.P. Morgan & Cie S.A., Nomura France, Société Générale and Westdeutsche Landesbank Girozentrale (together the "Managers") have, pursuant to a Subscription Agreement dated 25th February, 1993 jointly and severally agreed to procure subscription and payment for, failing which themselves to subscribe and pay for, the Bonds with Warrants at 98.07 per cent. of the principal amount of the Bonds (the "Issue Price") less a selling concession of 0.20 per cent. of the principal amount of the Bonds (plus value added tax, if any). SNCF has agreed to pay the Managers a combined management and underwriting commission of 0.125 per cent. of the principal amount of the Bonds (plus value added tax, if any). SNCF will also reimburse the Managers in respect of certain of their expenses incurred in connection with the issue of the Bonds and the Warrants. The Managers are entitled to be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment to SNCF.

The Bonds and Warrants are being, and any Further Notes arising from the exercise of any Warrants will be, issued outside the Republic of France and may not be publicly offered in the Republic of France. The Managers have each agreed and represented that they have not offered, directly or indirectly, any Bonds and Warrants or Further Notes to the public in the Republic of France and have undertaken not to offer the Bonds, Warrants or Further Notes directly or indirectly to the public in the Republic of France. Neither this Offering Circular nor any other offering material relating to the Bonds, Warrants or Further Notes may be distributed to the public in the Republic of France. SNCF has undertaken not to offer, directly or indirectly, any Bonds, Warrants or Further Notes to the public in the Republic of France.

The Bonds, Warrants and Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bonds, Warrants and Further Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds and Warrants, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells Bonds and Warrants during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds and Warrants within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds and Warrants within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Each Manager has agreed that (1) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Bonds and Warrants in, from or otherwise involving the United Kingdom and (2) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Bonds and Warrants to a person who is of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988 or is a person to whom the document may otherwise lawfully be issued or passed on.

No action, other than as specified in this Offering Circular, has been or will be taken by SNCF or any Manager that would permit a public offer of the Bonds and Warrants in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds and Warrants may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any circular, prospectus, form of application,

advertisement or other offering material relating to the Bonds and Warrants may be distributed in or from or published in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations.

Reference should be made to the Subscription Agreement for a complete description of restrictions on offers and sales of the Bonds and the Warrants and the distribution of this Offering Circular and any other offering material relating thereto.

GENERAL INFORMATION

1. For the sole purpose of the listing of the Bonds, the Warrants and the Further Notes on the Paris Stock Exchange, and pursuant to Articles 6 and 7 of Ordonnance no. 67-833 of 28th September, 1967, this Offering Circular has been submitted to the clearance procedures of the French *Commission des Opérations de Bourse* and has received visa no. 93-086 dated 23rd February, 1993 of the French *Commission des Opérations de Bourse*. The legal notice concerning the listing of the Bonds, the Warrants and the Further Notes on the Paris Stock Exchange will be published in the *Bulletin des Annonces Légales Obligatoires* ("BALO") dated 1st March, 1993.

2. The *Statuts* of SNCF has been lodged with the Chief Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*) where such document is available for inspection and where copies thereof may be obtained upon request.

3. Legal opinions in connection with the issue of the Bonds' the Warrants will be given, as to French law by Mr. Raymond Viricelle, *Directeur Juridique* of SNCF and as to English law and French law by Linklaters & Paines, English and French legal advisers to the Managers.

4. There has been no material adverse change in the financial position of SNCF since 31st December, 1991.

5. SNCF is not involved in any litigation, arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Bonds and Warrants or the Further Notes and, so far as SNCF is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

6. So long as any of the Bonds, Warrants or Further Notes remain outstanding, copies of the latest Annual Report of SNCF and the latest consolidated interim income statements (produced in respect of the first six months in each year) may be obtained and copies of the Fiscal Agency Agreement (incorporating the form of the Bonds) and the Warrant Agreement (incorporating the forms of the Global Warrant and the Further Notes) will be available for inspection at the specified offices for the time being of the Fiscal Agent, the Paying Agents, the Principal Warrant Agent and the Warrant Agents.

7. The Bonds, the Warrants and the Further Notes have been accepted for clearance through Euroclear, Cedel and SICOVAM. The Bonds have been allocated ISIN number XS0042351931, Common Code number: 4235193 and SICOVAM number: 14962. The Warrants have been allocated ISIN number: XS0042352400, Common Code number: 4235240 and SICOVAM number: 21678. After exchange of the Further Temporary Certificate for definitive Further Notes, the Further Notes will have ISIN number: XS0038824974, Common Code number: 3882497 and SICOVAM number: 14902.

8. Euroclear, Cedel and SICOVAM have stated that they will regard the Further Notes as being assimilated (*assimilables*) as regards their financial service and interchangeable for trading purposes with the Original Notes following exchange of the Further Temporary Certificate for definitive Further Notes.

9. If, prior to 21st May, 1993, there occurs any change in the financial condition of SNCF which renders untrue or incorrect in any material respect any information in this Offering Circular and which is material in the context of the issue of the Further Notes, SNCF shall update or amend this Offering Circular by the publication of a supplement hereto.

CARACTERISTIQUES PRINCIPALES DE L'EMISSION

Obligations à Bons de Souscription d'Obligations

A. Caractéristiques des Obligations

Emetteur	: Société Nationale des Chemins de fer Français (SNCF)
Chef de file	: Crédit Lyonnais
Montant	: FF 3 000 000 000 représenté par 30 000 obligations de FF 100 000 nominal auxquelles est attaché un bon de souscription d'obligation par obligation
Date de règlement et de jouissance	: 1er mars 1993
Prix d'émission	: 98,07 pour cent du nominal
Intérêts	: 7.75% l'an payable à terme échu, le 1er mars de chaque année et pour la première fois, le 1er mars 1994
Amortissement normal	: Au pair, en totalité le 1er mars 2002
Amortissement anticipé	: L'émetteur s'interdit de procéder pendant toute la durée de l'emprunt à l'amortissement anticipé à l'exception d'un remboursement pour raisons fiscales. L'émetteur se réserve au demeurant le droit de racheter à tout moment les obligations en bourse ou hors bourse
Forme des obligations	: Au porteur
Cotations	: Les obligations seront cotées à Paris et Luxembourg
Régime fiscal	: Les paiements effectués par l'émetteur seront nets de tout prélèvement et de toute retenue à la source en France
Service financier	: Crédit Lyonnais assure le service financier des obligations en France
Introduceur en bourse (Paris)	: Crédit Lyonnais
Compensation	: Les obligations seront admises aux opérations de la SICOVAM à partir du 1er mars 1993
Société de bourse spécialiste	: Jean de Cholet, Gilles Dupont
Droit applicable	: Droit français

B. Caractéristiques des Bons de Souscription d'Obligations

Emetteur	: Société Nationale des Chemins de fer Français (SNCF)
Chef de file	: Crédit Lyonnais
Nombre de bons émis	: 30 000
Prix d'émission	: Néant (compris dans le prix d'émission des obligations)
Période d'exercice	: du 10 mai 1993 jusqu'au 14 mai 1993 inclus
Conditions d'exercice	: 2 bons de souscription permettent de souscrire au prix d'exercice à une obligation nouvelle SNCF 8,875 pour cent venant à échéance en 2023, de FF 100 000 jouissance 21 mai 1993, qui présente les mêmes caractéristiques et qui sera assimilée aux obligations à bons de souscription de l'emprunt SNCF de FF 3 000 000 000 8,875 pour cent 2023, émises le 11 août 1992 et aux obligations de l'emprunt SNCF de FF 1 499 500 000 8,875 pour cent 2023 émises le 18 février 1993 à la suite de l'exercice des bons de soucription ci-dessus mentionnés.

Prix d'exercice	: FF 107 060 auxquels s'ajouteront les intérêts au taux de 8,875 pour cent l'an du 11 août 1992 inclus au 21 mai 1993 exclu, soit la somme de FF 6 902,80
Date de règlement et d'émission des obligations nouvelles	: 21 mai 1993
Formes des bons	: Au porteur, étant précisé que les bons donneront lieu jusqu'à la fin de la période d'exercice à une coupure multiple, déposée auprès d'un dépositaire commun pour Euroclear et Cedel
Cotation	: Les bons seront cotés à Paris et à Luxembourg
Service financier	: Crédit Lyonnais assure le service financier des bons en France
Introduceur en bourse (Paris)	: Crédit Lyonnais
Compensation	: Les bons seront admis aux opérations de la SICOVAM à partir du 1er mars 1993
Société de bourse spécialiste	: Jean de Cholet, Gilles Dupont
Droit applicable	: Droit français

C. Caractéristiques des Obligations Nouvelles

Emetteur	: Société Nationale des Chemins de fer Français (SNCF)
Montant	: jusqu'à FF 1 500 000 000, le montant nominal exact du nouvel emprunt étant fonction du nombre de bons exercés
Date de jouissance	: 11 août 1992
Date de règlement	: 21 mai 1993
Prix de souscription	: 107,06 pour cent du nominal auxquels s'ajoutera un montant correspondant au coupon couru au taux annuel de 8,875 pour cent sur la période allant du 11 août 1992 inclus au 21 mai 1993 exclus soit la somme de FF 6 902,80
Intérêts	: 8,875% payable à terme échu, le 11 août de chaque année
Amortissement normal	: Au pair, en totalité le 11 août 2023
Amortissement anticipé	: L'émetteur s'interdit de procéder pendant toute la durée de l'emprunt à l'amortissement anticipé à l'exception d'un remboursement pour raisons fiscales. L'émetteur se réserve au demeurant le droit de racheter à tout moment les obligations en bourse ou hors bourse
Forme des obligations	: Au porteur
Cotation	: Les obligations seront cotées à Paris et Luxembourg
Régime fiscal	: Les paiements effectués par l'émetteur seront nets de tout prélèvement et de toute retenue à la source en France
Service financier	: La Banque Paribas assurera le service financier des obligations en France

Introduceur en bourse (Paris)	: Crédit Lyonnais
Introduceur en bourse (Luxembourg)	: Crédit Lyonnais, Luxembourg Branch
Assimilation	: les obligations seront, à partir du 21 mai 1993, assimilables avec les obligations à bons de souscription de l'emprunt SNCF FF 3 000 000 000 8,875 pour cent. 2023 émises le 11 août 1992 et aux obligations FF 1 499 500 000 8,875 pour cent. 2023 émises le 18 février 1993 à la suite de l'exercice des bons de souscription ci-dessus mentionnés
Compensation	: Les obligations seront admises aux opérations de la SICOVAM à partir du 21 mai 1993
Société de bourse spécialiste	: Courcoux-Bouvet
Droit applicable	: Droit français

**PERSONNES QUI ASSUMENT
LA RESPONSABILITE DE LA NOTE D'INFORMATION**

1. Au nom de l'Emetteur

A la connaissance de l'Emetteur, les données de la présente Note d'Information (Offering Circular) sont conformes à la réalité et ne comportent pas d'omission de nature à en altérer la portée.

*Pierre Lubek
Directeur Financier*

SOCIÉTÉ NATIONALE DES CHEMINS DE FER FRANÇAIS

2. Au nom de la Banque présentatrice

Personne assumant la responsabilité de la présente Note d'Information.

**Yves Petit
Directeur Adjoint
CREDIT LYONNAIS**

La notice légale, préalable à la cotation des Obligations à la Bourse de Paris, sera publiée au Bulletin des Annonces Légales Obligatoires (BALO) du 1er Mars 1993.

Les Obligations ont été acceptées par les organismes de compensation sous les codes suivants:

Cedel et Euroclear (Code Commun): 4235193

SICOVAM: 14962

ISIN: XS0042351931

Visa de la Commission des Opérations de Bourse

A l'occasion de la cotation des Obligations à la Bourse de Paris, et par application des Articles 6 et 7 de l'Ordonnance n° 67-833 du 28 septembre 1967, la Commission des Opérations de Bourse a apposé sur la présente Note d'Information le visa n° 93-086 en date du 23 février 1993.

La présente Note d'Information est disponible sur demande au siège principal du Crédit Lyonnais, 19, boulevard des Italiens, 75002 Paris, sous réserve de ce qui est indiqué au paragraphe *Subscription and Sale* figurant en pages 42 et 43 de la présente Note d'Information.

REGISTERED OFFICE OF SNCF

88 rue Saint-Lazare
75009 Paris

STATUTORY AUDITORS OF SNCF

Cabinet Robert MAZARS
Tour Fiat
Place de la Coupole
92084 Paris La Défense Cedex 16

FRINAULT FIDUCIARE
Tour Franklin
92042 Paris La Défense Cedex 11

INTERNAL LEGAL ADVISER TO SNCF

Direction Juridique
45, rue Saint-Lazare
75436 Paris Cedex 09

LEGAL ADVISERS TO THE MANAGERS

Linklaters & Paines
8 avenue Delcassé
75008 Paris

FISCAL AGENT AND PRINCIPAL WARRANT AGENT

Crédit Lyonnais Luxembourg S.A.
26-A, boulevard Royal
L-2449 Luxembourg

PAYING AND WARRANT AGENT

Crédit Lyonnais
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75002 Paris

LISTING AGENTS

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L-2449 Luxembourg

Crédit Lyonnais
19, boulevard des Italiens
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