



## SOCIETE NATIONALE DES CHEMINS DE FER FRANÇAIS

€7,000,000,000

### Euro Medium Term Notes

### Due from one day from the date of original issue

Under the Euro Medium Term Note Programme described in this Offering Circular (the "Programme"), Société Nationale des Chemins de fer Français (the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue outside the Republic of France Euro Medium Term Notes (the "Notes"). The aggregate nominal amount of Notes outstanding will not at any time exceed €7,000,000,000 (or its equivalent in other currencies) subject to increase as described herein.

This Offering Circular (the "Offering Circular") supersedes and replaces the Offering Circular dated 19th July, 2001. Any Notes issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein.

Notes will be issued in one or more series (each a "Series"). Each Series shall be in bearer form or in registered form and may be issued in one or more tranches (each a "Tranche") on different issue dates and on terms otherwise identical (except in relation to the interest commencement dates and matters related thereto).

Application has been made to list Notes issued under the Programme on the Luxembourg Stock Exchange (the "Luxembourg Stock Exchange") and application may be made in certain circumstances to list Notes on Euronext Paris S.A. ("Euronext Paris"). In relation to Notes listed on the Luxembourg Stock Exchange, this Offering Circular is valid for a period of one year from the date hereof. However, unlisted Notes may be issued pursuant to the Programme. The applicable Pricing Supplement (as defined below) in respect of the issue of any Notes will specify whether or not such Notes will be listed and, if so, the relevant stock exchange(s).

This Offering Circular has not been submitted to the clearance procedures of, nor registered by, the *Commission des Opérations de Bourse* (the "COB"), and no Notes may be listed on Euronext Paris unless and until a prospectus incorporating this Offering Circular (the "Document de Base") has been approved by the COB and a registration number granted with respect thereto.

Notes of each Tranche of each Series of Notes in bearer form will initially be represented by a temporary global note in bearer form (each a "Temporary Global Note") or a permanent global note in bearer form (each a "Permanent Global Note" and, collectively with any Temporary Global Note, the "Global Notes"), each without interest coupons. Global Notes may be deposited (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on the issue date of the relevant Tranche of each Series with a common depository on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream, Luxembourg, (b) in the case of a Tranche intended to be cleared through Euroclear France and the *Intermédiaires financiers habilités*, authorised to maintain accounts therein (together, "Euroclear France"), on the issue date with Euroclear France, acting as central depository, and (c) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear, Clearstream, Luxembourg or Euroclear France or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Form of Notes and Transfer Restrictions".

Notes of each Tranche of each Series of Notes in registered form ("Registered Notes" comprising a "Registered Series") and which are sold in an "offshore transaction" within the meaning of Regulation S under the U.S. Securities Act of 1933 as amended (the "Securities Act") will initially be represented by one or more global certificates (each an "Unrestricted Global Certificate") in fully registered form without interest coupons which will be (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg and (b) in the case of a Tranche intended to be cleared through Euroclear France, deposited with, and registered in the name of, Euroclear France or as otherwise agreed with Euroclear France, which may in each case be exchangeable under their terms for definitive Registered Notes. Notes of each Tranche of each Registered Series sold to a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, as referred to in, and subject to the transfer restrictions described in, "Form of Notes and Transfer Restrictions – Registered Notes" and "Subscription and Sale", will initially be represented by one or more global certificates (each a "Restricted Global Certificate" and, together with the Unrestricted Global Certificates, "Global Certificates") in fully registered form without interest coupons which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC") on its issue date. See "Form of Notes and Transfer Restrictions – Registered Notes". Individual definitive Registered Notes will only be available in certain limited circumstances as described herein.

**THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT. FOR CERTAIN RESTRICTIONS ON TRANSFER OF THE NOTES, SEE "FORM OF NOTES AND TRANSFER RESTRICTIONS".**

#### *Arranger for the Programme*

**ABN AMRO**

#### *Dealers*

**ABN AMRO**

**BNP PARIBAS**

**Deutsche Bank**

**Dresdner Kleinwort Wasserstein**

**Nomura International**

**Morgan Stanley**

**UBS Warburg**

The Issuer having made all reasonable enquiries confirms that this document contains or incorporates all information with respect to the Issuer, the Issuer and its consolidated subsidiaries taken as a whole (the “Group”) and the Notes that is material in the context of the issue and offering of the Notes, the statements contained in it relating to the Issuer and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and to the best of its knowledge and belief there are no other facts in relation to the Issuer, the Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. The Issuer accepts responsibility accordingly.

No person has been authorised by the Issuer to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger (as defined in “Summary of the Programme”). Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restrictions. The Notes have not been and will not be registered under the Securities Act and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see “Subscription and Sale”.

Prospective purchasers are hereby notified that a seller of the Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A thereunder (“Rule 144A”).

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

Neither the Dealers nor the Arranger have independently verified the information contained in this Offering Circular. None of them makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. Neither this Offering Circular nor any document incorporated by reference nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Offering Circular or any other financial statements or any document incorporated by reference should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue and distribution of any Tranche of Notes, one of the Dealers may act as a stabilising manager (the “Stabilising Manager”). The identity of the Stabilising Manager will be disclosed in the applicable Pricing Supplement. References in the next paragraph to “this issue” are to each Tranche in relation to which a Stabilisation Manager is appointed.

**In connection with this issue, the Stabilising Manager, or any person acting for him, may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the Stabilising Manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.**

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “€”, “EUR” and “euro” are to the lawful currency of the Member States of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam. References to “U.S. dollars”, “U.S.\$” and “\$” are to the lawful currency of the United States of America and to “Sterling” and “£” are to the lawful currency of the United Kingdom.

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**THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

**NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING, NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

## **DOCUMENTS INCORPORATED BY REFERENCE**

All amendments and supplements to this Offering Circular prepared by the Issuer from time to time, the most recently published audited annual accounts, and any interim accounts (whether audited or unaudited) published subsequently to such annual accounts, of the Issuer from time to time, shall be deemed to be incorporated in, and to form part of, this Offering Circular and shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. Copies of all the documents incorporated by reference shall be available to any interested person, free of charge, at the specified offices of each of the Paying Agents.

For Euronext Paris listing purposes, the most recently published annual accounts of the Issuer and the interim accounts (whether audited or unaudited) published subsequently to such annual accounts must be contained in a document submitted to the clearance procedures of the COB.

## **SUPPLEMENTAL OFFERING CIRCULAR**

The Issuer has undertaken to the Dealers and the Luxembourg Stock Exchange that if at any time during the duration of the Programme there is a significant change affecting any matter contained in this Offering Circular whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Offering Circular, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any offering of the Notes to be listed on the Luxembourg Stock Exchange or Euronext Paris, as the case may be, or otherwise and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

## **AVAILABLE INFORMATION**

For as long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934 (the “Exchange Act”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, make available, upon request, to any person in whose name a Global Certificate is registered, to any owner of a beneficial interest in a Global Certificate, to a prospective purchaser of a Registered Note (as defined below) or beneficial interest therein who is a qualified institutional buyer within the meaning of Rule 144A designated by any such person or beneficial owner, or to Deutsche Bank AG London as fiscal agent (the “Fiscal Agent”) for delivery to any such person, beneficial owner or prospective purchaser, as the case may be, in connection with the resale of a beneficial interest in a Global Certificate by such person or beneficial owner, the information specified in Rule 144A(d)(4) under the Securities Act. In addition, the Issuer will furnish the Fiscal Agent, the Paying Agent and the Luxembourg Stock Exchange with copies of its audited annual accounts and unaudited semi-annual accounts, in each case prepared in accordance with accounting principles generally accepted in the Republic of France.

## **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

**The Issuer is a corporation organised under the laws of the Republic of France. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside the Republic of France upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside the Republic of France predicated upon civil liabilities of the Issuer or such directors and officers under laws other than French law, including any judgment predicated upon United States federal securities laws.**

## SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in the "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meaning in this summary.

<b>Issuer:</b>	Société Nationale des Chemins de fer Français
<b>Description:</b>	Euro Medium Term Note Programme (the "Programme")
<b>Amount:</b>	Up to €7,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Amended and Restated Dealer Agreement dated 17th July, 2002 between the Issuer, the Arranger and the Dealers.
<b>Arranger:</b>	ABN AMRO Bank N.V.
<b>Dealers:</b>	ABN AMRO Bank N.V., BNP PARIBAS, Deutsche Bank AG London, Dresdner Bank Aktiengesellschaft, Morgan Stanley & Co. International Limited, Nomura International plc, and UBS AG, acting through its business group UBS Warburg.  The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
<b>Fiscal Agent and Principal Paying Agent:</b>	Deutsche Bank AG London is the initial Fiscal Agent and Principal Paying Agent.
<b>Paying Agent:</b>	Deutsche Bank Luxembourg S.A.
<b>Registrar:</b>	Deutsche Bank Trust Company Americas
<b>Transfer Agents:</b>	<b>Deutsche Bank AG London, Deutsche Bank Luxembourg S.A. and Deutsche Bank Trust Company Americas</b>
<b>Method of Issue:</b>	The Notes will be issued in one or more Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in Tranches on the same or different issue dates with no minimum issue size. In addition, Notes listed on Euronext Paris will be issued in compliance with the <i>Principes Généraux</i> of the COB and the <i>Conseil des marchés</i> financiers published from time to time. Further Notes may be issued as part of an existing Series. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a "Pricing Supplement").
<b>Distribution:</b>	The Notes may be distributed by way of private or public placement, in each case on a syndicated or non-syndicated basis.
<b>Redenomination:</b>	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any

such redenomination are contained in “Terms and Conditions of the Notes – Form, Denomination, Title and Redenomination” below (see also “Consolidation” below).

**Issue Price:**

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly-paid Notes may be issued, the issue price of which will be payable in two or more instalments.

**Form of Notes:**

The Notes may be issued in bearer form (“Bearer Notes”), in bearer form exchangeable for Registered Notes (“Exchangeable Bearer Notes”) or in registered form (“Registered Notes”).

Each Tranche of Bearer Notes and Exchangeable Bearer Notes will initially be represented by interests in a Temporary Global Note in bearer form, without interest coupons, if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “Summary of the Programme – Selling Restrictions”), otherwise such Tranche will be represented by interests in a Permanent Global Note in bearer form without interest coupons.

Registered Notes offered and sold outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”) will be represented by an Unrestricted Global Certificate, in registered form, without interest coupons attached, which will be deposited on or about the Issue Date (i) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with Deutsche Bank AG London, as common depositary for, and registered in the name of BT Globenet Nominees Limited as nominee for such common depositary in respect of interests held through, Euroclear and Clearstream, Luxembourg and (ii) in the case of a Tranche intended to be cleared through Euroclear France, with, and registered in the name of, Euroclear France or as otherwise agreed with Euroclear France in respect of interests held through Approved Intermediaries (as defined below). A beneficial interest in the Unrestricted Global Certificate may at all times be held only through Euroclear and Clearstream, Luxembourg or Euroclear France, as the case may be.

Registered Notes offered and sold in reliance on Rule 144A will be represented by a Restricted Global Certificate, in registered form, without interest coupons attached, which will be deposited on or about the Issue Date with Deutsche Bank Trust Company Americas, as custodian for, and registered in the name of Cede & Co. as nominee for, DTC. The Restricted Global Certificate (and any definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Certificate.

**Clearing Systems:**

Clearstream, Luxembourg, Euroclear and Euroclear France for Bearer Notes and Clearstream, Luxembourg, Euroclear, Euroclear France and DTC for Registered Notes. Application will be made for trading of Registered Notes in Portal, as specified in the applicable Pricing Supplement. In relation to any Tranche, Notes may be cleared through such other clearing system or systems as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.

**Currencies:**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

Issues of Notes denominated in Swiss francs or carrying a Swiss franc related element with a maturity of more than one year (other than Notes privately placed with a single investor with no publicity) will be

effected in compliance with the relevant regulations of the Swiss National Bank based on article 7 of the Federal Law on Banks and Savings Banks of 8th November, 1934 (as amended) and article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995 in connection with article 2, paragraph 2 of the Ordinance of the Federal Banking Corporation on Stock Exchanges and Securities Trading of 2nd December, 1996. Under the said regulations, the relevant Dealer or, in the case of a syndicated issue the lead manager (the "Swiss Dealer"), must be a bank domiciled in Switzerland (which includes branches or subsidiaries of a foreign bank located in Switzerland or a securities dealer only licensed by the Swiss-Federal Banking Commission as per the Federal Law on Stock Exchanges, and Securities Trading of 24th March, 1995). The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the relevant issue date for such a transaction.

*Notes with a maturity of less than one year:*

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in the Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent (see "Subscription and Sale").

**Maturities:** Subject to compliance with all relevant laws, regulations and directives, any maturity greater than one day.

**Denomination:** Notes will be in such denominations as may be agreed by the Issuer and the relevant Dealer(s) and specified in the applicable Pricing Supplement, subject to applicable laws and regulations. However, unless permitted by then current laws, regulations and directives, Registered Notes resold pursuant to Rule 144A shall be in denominations of U.S.\$500,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)) and higher integral multiples of U.S.\$1,000 (or its equivalent rounded as aforesaid).

**Fixed Rate Notes:** Fixed interest will be payable in arrear on the date or dates in each year specified in the applicable Pricing Supplement.

**Floating Rate Notes:** Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions published by the International Swaps and Derivatives Association Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series; or
- (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the applicable Pricing Supplement) as adjusted for any applicable margin; or
- (iii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iv) on such other basis as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Interest periods will be defined in the applicable Pricing Supplement.

<b>Zero Coupon Notes:</b>	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
<b>Dual Currency Notes:</b>	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the applicable Pricing Supplement.
<b>Index Linked Notes:</b>	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or such formula as may be specified in the applicable Pricing Supplement.
<b>Variable Coupon Amount Notes:</b>	The Pricing Supplement issued in respect of each issue of variable coupon amount Notes will specify the basis for calculating the amounts of interest payable, which may be by reference to a stock index or formula or as otherwise provided in the applicable Pricing Supplement.
<b>Interest Periods and Interest Rates:</b>	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the applicable Pricing Supplement.
<b>Redemption:</b>	<p>The applicable Pricing Supplement will specify the basis for calculating the redemption amounts payable.</p> <p>Notes having a maturity of less than one year from the date of issue may be subject to restrictions on their denomination and distribution, see “Certain Restrictions – Notes with a maturity of less than one year” above.</p>
<b>Redemption by Instalments:</b>	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed, see “Certain Restrictions – Notes with a maturity of less than one year” above.
<b>Other Notes:</b>	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, dual currency Notes, reverse dual currency Notes, optional dual currency Notes, partly-paid Notes and any other type of Note that the Issuer, and any Dealer or Dealers may agree to issue under the Programme will be set out in the applicable Pricing Supplement.
<b>Optional Redemption:</b>	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
<b>Early Redemption:</b>	Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See “Terms and Conditions of the Notes – Redemption Purchase and Options”.
<b>Status of Notes:</b>	Subject to “Terms and Conditions of the Notes – Negative Pledge”, the Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will rank <i>pari passu</i> without any preference among themselves, all as described in “Terms and Conditions of the Notes – Status”.
<b>Negative Pledge:</b>	There will be a negative pledge as set out in Condition 4 – see “Terms and Conditions of the Notes – Negative Pledge”.



<b>Cross Default:</b>	There will be a cross default as set out in Condition 10(iii) – see “Terms and Conditions of the Notes – Events of Default”.
<b>Rating:</b>	The Issuer’s long term debt has been rated AAA by Standard & Poor’s, Aa1 by Moody’s Deutschland GmbH and AAA by Fitch Ratings Ltd. and its short term debt has been rated A1+ by Standard & Poor’s, Prime-1 by Moody’s Deutschland GmbH and F1+ by Fitch Ratings Ltd.
<b>Withholding Tax:</b>	<p>Subject as set out below and unless otherwise provided in the applicable Pricing Supplement, payments in respect of the Notes will be made without withholding or deduction for, or on account of, taxes imposed by or on behalf of the Republic of France as provided by article 131 quater of the French General Tax Code, to the extent that the Notes are issued (or deemed to be issued) outside France.</p> <p>Notes constituting <i>obligations</i> under French law will be issued (or deemed to be issued) outside France (i) in the case of Notes denominated in euro, as provided in the Circular of the <i>Direction Générale des Impôts</i> dated 30th September, 1998, (ii) in the case of syndicated issues of Notes denominated in currencies other than euro, if, <i>inter alia</i>, the Issuer and the relevant Dealers agree not to offer the Notes to the public in the Republic of France and such Notes are offered in the Republic of France only to “qualified investors” as described in articles L.411-1 and L.411-2 of the <i>Code Monétaire et Financier</i> or (iii) in the case of non-syndicated issues of Notes denominated in currencies other than euro if each of the subscribers of the Notes is domiciled or resident for tax purposes outside the Republic of France.</p> <p>The tax regime applicable to Notes which do not constitute <i>obligations</i> will be set out in the applicable Pricing Supplement.</p>
<b>Consolidation:</b>	Notes of one Series may be consolidated with those of another Series, all as described in “Terms and Conditions of the Notes – Further Issues and Consolidation”.
<b>Governing Law:</b>	The Notes will be governed by, and construed in accordance with, English law.
<b>Listing:</b>	<p>The Luxembourg Stock Exchange or as otherwise specified in the applicable Pricing Supplement. As specified in the applicable Pricing Supplement, a Series of Notes need not be listed on any stock exchange. Any listing of Notes on Euronext Paris will be subject to the requirements of the COB and Euronext Paris. It is a requirement of the COB that a prospectus in relation to the Programme incorporating this Offering Circular (<i>Document de Base</i>) be submitted to, and approved by, the COB and a registration number granted with respect thereto. As of the date of this Offering Circular, neither this Offering Circular nor any <i>Document de Base</i> has been approved by the COB. Application may be made to have one or more Series of Notes accepted for trading in The Portal Market (“Portal”) of The Nasdaq Stock Market, Inc.</p> <p>Unlisted Notes may also be issued.</p> <p>The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange.</p>
<b>Selling Restrictions:</b>	<p>There are restrictions on the sale of Notes and the distribution of offering material in various jurisdictions. See “Subscription and Sale”.</p> <p>The Issuer is Category 2 for the purposes of Regulation S.</p> <p>The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “D Rules”) unless (i) the applicable Pricing Supplement states that Notes are issued in compliance with U.S.</p>

Treas. Reg. §1.163- 5(c)(2)(i)(C) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the applicable Pricing Supplement as a transaction to which TEFRA is not applicable.

**Transfer Restrictions:**

There are restrictions on the transfer of Registered Notes sold pursuant to Rule 144A under the Securities Act. See “Form of Notes and Transfer Restrictions”.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, shall be applicable to the Notes, in definitive form (if any) issued in exchange for the Global Note(s) and the Global Certificates representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the applicable Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued (or deemed to be issued) outside the Republic of France by Société Nationale des Chemins de fer Français (the “Issuer”) pursuant to an amended and restated Agency Agreement dated 17th July, 2002 (as further amended or supplemented as at the date of issue of the Notes (the “Issue Date”) between the Issuer, Deutsche Bank AG London as successor to Bankers’ Trust Company, London Branch, as *inter alia* fiscal agent and principal paying agent and the other agents named in it, the “Agency Agreement”) with the benefit of a deed of covenant (as amended or supplemented at the Issue Date, the “Deed of Covenant”) dated 17th July, 2002 and executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Fiscal Agent”, the “Paying Agents” (which expression shall include the Fiscal Agent), the “Registrar”, the “Transfer Agents” and the “Calculation Agent(s)”. The Noteholders (as defined below), the holders of the interest coupons (the “Coupons”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “Talons”) (the “Couponholders”) and the holders of the receipts for the payment of instalments of principal (the “Receipts”) relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

### **1. Form, Denomination, Title, Currency and Redenomination**

#### **(a) Form, Denomination and Title:**

The Notes are issued in bearer form (“Bearer Notes”, which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form (“Registered Notes”) or in bearer form exchangeable for Registered Notes (“Exchangeable Bearer Notes”) in each case in the Specified Denomination(s) shown in the applicable Pricing Supplement.

All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the applicable Pricing Supplement.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“Certificates”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “Register”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below)

of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “Noteholder” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “holder” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be), “Series” means a series of Notes comprising one or more Tranches (as defined below), whether or not issued on the same date, that except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number, “Tranche” means, in relation to a Series, those Notes of that Series that are issued on the same date at the same issue price and in respect of which the first payment of interest is identical, and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

(b) *Redenomination:*

The Issuer may (if so specified in the applicable Pricing Supplement) without the consent of the holder of any Note, Receipt, Coupon or Talon, redenominate all, but not some only, of the Notes of any Series on or after the date on which the Member State of the European Union in whose national currency such Notes are denominated has become a participating Member State in the third stage of the European economic and monetary union (“EMU”), all as more fully provided in the applicable Pricing Supplement.

**2. Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes**

(a) *Exchange of Exchangeable Bearer Notes:*

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same aggregate nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) *Transfer of Registered Notes:*

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

(c) *Exercise of Options or Partial Redemption in Respect of Registered Notes:*

In the case of an exercise of an Issuer’s or Noteholders’ option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate

representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) *Delivery of New Certificates:*

Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and/or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) *Exchange Free of Charge:*

Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) *Closed Periods:*

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

**3. Status**

The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 4) direct, unconditional, unsubordinated and unsecured obligations of the Issuer 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.

**4. Negative Pledge**

So long as any of the Notes, Receipts or Coupons remain outstanding (as defined in the Agency Agreement) the Issuer 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 the Issuer (except for any mortgage, lien, pledge or other charge on property purchased by the Issuer 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.

**5. Interest and other Calculations**

(a) *Interest on Fixed Rate Notes:*

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If a Fixed Coupon Amount or a Broken Amount is specified in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the applicable Pricing Supplement.

(b) *Interest on Floating Rate Notes and Index Linked Interest Notes:*

(i) *Interest Payment Dates:*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the applicable Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the applicable Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the applicable Pricing Supplement as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:*

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified in the applicable Pricing Supplement is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:*

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Pricing Supplement.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (y) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity”, “Reset Date”, and “Swap Transaction” have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

(x) if the Primary Source for the Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:

(I) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or

(II) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

(y) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (x)(I) above applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x)(II) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent;

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is euro, in the Euro-zone as selected by the Calculation Agent, (the “Principal Financial Centre”) are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period);

(iv) *Rate of Interest for Index Linked Notes:*

The Rate of Interest in respect of Index Linked Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Pricing Supplement and interest will accrue by reference to an Index or Formula as specified in the applicable Pricing Supplement.

(c) *Zero Coupon Notes:*

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of

Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6(b)).

(d) *Dual Currency Notes:*

In the case of Dual Currency Notes, if the rate or amount of interest fails to be determined by reference to a Rate of Exchange or a method of calculating a Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

(e) *Partly Paid Notes:*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(f) *Accrual of Interest:*

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) *Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding:*

(i) If any Margin or Rate Multiplier is specified in the applicable Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph;

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the applicable Pricing Supplement, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be;

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(h) *Calculations:*

The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(i) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:*

As soon as practicable after the Relevant Time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment



Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (j) *Definitions: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:*

“Benchmark” means the benchmark source specified in the applicable Pricing Supplement for the purposes of calculating the Relevant Rate in respect of Floating Rate Notes;

“Business Day” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET system is operating (a “TARGET Business Day”); and/or
- (iii) in the case of a currency and/or one or more Additional Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centres;

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the “Calculation Period”):

- (i) if “Actual/365” or “Actual/Actual – ISDA” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the

Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

- (v) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month);
- (vi) (I) if “Actual/Actual-ISMA” is specified in the applicable Pricing Supplement,
  - (a) in case of Notes where the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - 1. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; and
    - 2. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (II) if “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from and including the most recent Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.

“Determination Period” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date prior to, and ending on the first Determination Date falling after, such date);

“Effective Date” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the applicable Pricing Supplement or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates;

“Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended by the Treaty on European Union and by the Treaty of Amsterdam;

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

“Interest Amount” means the amount of interest payable, and in the case of Fixed Rate Notes means the Fixed Coupon Amount or Broken Amount;

“Interest Commencement Date” means the Issue Date or such other date as may be specified in the applicable Pricing Supplement;

“Interest Determination Date” means, with respect to Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified, (i) the first

day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the applicable Pricing Supplement;

“ISDA Definitions” means the 2000 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of the Notes) published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the applicable Pricing Supplement;

“Page” means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Reuter Markets 3000 (“Reuters”) and Bridge Telerate (“Telerate”)) as may be specified in the applicable Pricing Supplement for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate;

“Rate of Interest” means the rate of interest payable from time to time in respect of this Note and that is either specified in the applicable Pricing Supplement or calculated in accordance with the provisions hereon;

“Reference Banks” means the institutions specified as such in the applicable Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which if EURIBOR is the relevant Benchmark, shall be the Euro-zone);

“Relevant Financial Centre” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the applicable Pricing Supplement or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR shall be the Euro-zone) or, if none is so connected, London;

“Relevant Rate” means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date;

“Relevant Time” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the applicable Pricing Supplement or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose “local time” means, with respect to Europe and the Euro-zone as a Relevant Financial Centre, Central European Time;

“Representative Amount” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the applicable Pricing Supplement or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

“Specified Currency” means the currency specified as such in the applicable Pricing Supplement or, if none is specified, the currency in which the Notes are denominated;

“Specified Duration” means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the applicable Pricing Supplement or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 5(b)(ii); and

“TARGET System” means the Trans-European Real-Time Gross-Settlement Express Transfer (TARGET) System or any successor thereto.

(k) *Calculation Agent and Reference Banks:*

The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as any Note is outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

**6. Redemption, Purchase and Options**

(a) *Redemption by Instalments and Final Redemption:*

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6 or unless the relevant Instalment Date (being one of the dates so specified in the applicable Pricing Supplement) is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d) or 6(e), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the applicable Pricing Supplement. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed, purchased and cancelled as provided below or unless its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d) or 6(e), each Note shall be finally redeemed on the Maturity Date specified in the applicable Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within sub-paragraph (i) above, its final Instalment Amount.

(b) *Early Redemption:*

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero-Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the applicable Pricing Supplement.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the applicable Pricing Supplement, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction specified in the applicable Pricing Supplement.

(ii) Other Notes:

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the applicable Pricing Supplement.

(c) *Redemption for Taxation Reasons:*

- (i) If by reason of any change in, or amendment to, the laws and regulations of the Republic of France or any political subdivision or any authority therein or thereof having power to tax, or any change in the official application or interpretation thereof, becoming effective after the Issue Date, the Issuer would become obliged to pay additional amounts as provided or referred to in Condition 8, the Issuer may (having given not more than 60 nor less than 30 days' notice to the Noteholders, which notice shall be irrevocable) redeem at their Early Redemption Amount (as described in Condition 6(b) above) together with interest accrued (if any) to the date fixed for redemption all (but not some only) of the Notes on any Interest Payment Date, or, if so specified in the applicable Pricing Supplement, at any time, at their Early Redemption Amount (together with interest accrued to the date fixed for redemption), provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date at which the Issuer could make payment of principal and interest without withholding for French taxes.

- (ii) If, on the occasion of the next payment due in respect of the Notes, the Issuer 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 8(b), then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and shall redeem all, but not some only, of the Notes then outstanding at their Early Redemption Amount, together with interest accrued (if any) to the date of such redemption on (A) the latest practicable Interest Payment Date on which the Issuer could make payment of the full amount then due and payable in respect of the Notes, provided that if such notice would expire after such Interest Payment Date the date for redemption pursuant to such notice of Noteholders shall be the later of (i) the latest practicable date on which the Issuer could make payment of the full amount then due and payable in respect of the Notes and (ii) 14 days after giving notice to the Fiscal Agent as aforesaid or (B) if so specified on this Note, at any time, provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date on which the Issuer could make payment of the full amount payable in respect of the Notes, Receipts or Coupons or, if that date is passed, as soon as practicable thereafter.

(d) *Redemption at the Option of the Issuer and Exercise of Issuer's Options:*

If Call Option is specified in the applicable Pricing Supplement, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the applicable Pricing Supplement) redeem, or exercise any Issuer's option (as may be described in the applicable Pricing Supplement) in relation to, all or, if so provided, some of the Notes on any Optional Redemption Date or Option Exercise Date, as the case may be. Any

such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the minimum nominal amount to be redeemed specified in the applicable Pricing Supplement and no greater than the maximum nominal amount to be redeemed specified in the applicable Pricing Supplement.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange requirements. So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in Luxembourg a notice specifying the aggregate nominal amount of Notes outstanding and a list of the Notes drawn for redemption but not surrendered.

(e) *Redemption at the Option of Noteholders and Exercise of Noteholders' Options:*

If Put Option is specified in the applicable Pricing Supplement, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the applicable Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option or any other Noteholders' option that may be set out in the applicable Pricing Supplement (which must be exercised on an Option Exercise Date) the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) *Partly Paid Notes:*

Partly Paid Notes will be redeemed whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified in the applicable Pricing Supplement.

(g) *Purchases:*

The Issuer may at any time acquire Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or by tender or by private treaty or otherwise at any price.

(h) *Cancellation:*

All Notes purchased by or on behalf of the Issuer will be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 7. Payments and Talons

### (a) *Bearer Notes:*

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank in the principal financial centre for such currency, or, in the case of euro, in a city in which banks have access to the TARGET System.

### (b) *Registered Notes:*

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a bank in the principal financial centre of the country of the currency concerned, subject as provided in paragraph (a) above, and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, and, subject as provided in paragraph (a) above, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of the country of that currency.

### (c) *Payments in the United States:*

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

### (d) *Payments Subject to Fiscal Laws:*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

### (e) *Appointment of Agents:*

The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s), act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and/or approve any change in the specified office through which any Paying Agent acts and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to

Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Redenomination Agent and a Consolidation Agent where the Conditions so require (and further provided that on a redenomination of the Notes pursuant to Condition 1(b) and a consolidation of the Notes with a further issue of Notes pursuant to Condition 12, the Issuer shall procure that the same entity shall be appointed as the Redenomination Agent and the Consolidation Agent in respect of both the Notes and such other issues of notes), (vi) at least one Paying Agent having a specified office in a continental European city and provided further that, (A) so long as the Notes are listed on the Luxembourg Stock Exchange, the Issuer will maintain a Paying Agent and Transfer Agent in Luxembourg and (B) if and so long as the Notes are listed on Euronext Paris, the Issuer will maintain a Paying Agent and Transfer Agent in Paris, (vii) the Issuer will maintain such other agents as may be required by any other stock exchange on which the Notes may be listed (or any other relevant authority) and (viii) if the proposed European Union Directive on the taxation of savings income is adopted or if any law implementing or complying with or introduced in order to conform to such Directive is introduced, the Issuer will ensure that it maintains a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to any such Directive or law.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) *Unmatured Coupons and Receipts and unexchanged Talons:*

- (i) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Bearer Notes should be surrendered for payment together with all unexpired Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) If the Notes so provide, upon the due date for redemption of any Bearer Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexpired Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexpired Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.



(g) *Talons:*

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) *Non-Business Days:*

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Additional Financial Centres" in the applicable Pricing Supplement and:

- (i) in the case of a payment in a currency other than euro, where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) in the case of a payment in euro, which is a TARGET Business Day.

**8. 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 any Note be subject to withholding or deduction with respect to any taxes or duties whatsoever, the Issuer 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, Receipts 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, Receipts or Coupons, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment in France; or
- (ii) presented for payment 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, Receipt or Coupon; or
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the new European Union Directive on the taxation of savings income, as and when the proposed directive is adopted, or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (v) presented for payment 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 in these Conditions, "Relevant Date" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon

further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition.

## **9. Prescription**

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## **10. Events of Default**

Upon any of the following events (each an "Event of Default") taking place, the holder of any Note may give written notice to the Issuer through the Fiscal Agent at its specified office that such Note is immediately due and payable, whereupon the Early Redemption Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable, unless such Event of Default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:

- (i) default is made for more than 15 days in the payment of any principal and interest due in respect of the Notes; or
- (ii) default by the Issuer 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 the Issuer; or
- (iii) any other indebtedness for money borrowed by the Issuer becoming prematurely repayable following a default, or steps being taken to enforce any security in respect thereof, or the Issuer 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 the Issuer not being honoured when due and called upon; or
- (iv) the Issuer being dissolved or merged into a company, unless in such event the obligations of the Issuer pursuant to the Notes are assumed by such company either expressly by contract or by virtue of applicable law.

## **11. Replacement of Bearer Notes, Certificates, Receipts, Coupons and Talons**

If a Bearer Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of the Paying Agent in Luxembourg (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Bearer Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Bearer Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Bearer Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **12. Further Issues and Consolidation**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes ranking *pari passu* with the Notes and having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

The Issuer may also from time to time upon not less than 30 days' prior notice to Noteholders, without the consent of the holders of the Notes or Coupons of any Series, consolidate the Notes with notes of one or more other Series issued by it provided that, in respect of all periods subsequent to such consolidation, the notes of all such other Series are denominated in the same currency as such Notes (irrespective of the currency in which any notes of such other Series were originally issued) and otherwise, have the same terms and conditions as such Notes. Notice of any such consolidation will be given to the Noteholders in accordance with Condition 14. The Fiscal Agent shall act as the consolidation agent (in such capacity, the "Consolidation Agent").

With effect from their consolidation, the Notes and the notes of such other Series will (if listed prior to such consolidation) be listed on at least one European stock exchange on which either such Notes or the notes of such other Series were listed immediately prior to consolidation.

The Issuer shall in dealing with the holders of such Notes following a consolidation pursuant to this Condition 12 have regard to the interests of the holders of such Notes and the holders of the notes of such other Series, taken together as a class, and shall treat them alike.

### **13. Meetings of Noteholders and Modifications**

#### **(a) Meetings of Noteholders:**

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (other than as specifically provided in these Conditions) (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown in the applicable Pricing Supplement, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that are specified in the applicable Pricing Supplement may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

*These Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the applicable Pricing Supplement in relation to such Series.*

#### **(b) Modification of Agency Agreement:**

The Issuer shall only permit any modification (including for the purposes of giving effect to the provisions of Conditions 1(b) and 12) of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

### **14. Notices**

Notices to the holders of Registered Notes will be valid (i) if sent by mail to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a

Saturday or a Sunday) after the date of mailing (ii) in addition, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, if published in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and (iii) (in respect of any Notes listed on Euronext Paris and so long as the rules of that exchange so require), if published in a daily newspaper with general circulation in Paris (which is expected to be *La Tribune*). Notices to the holders of Bearer Notes shall be valid if published (i) in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*), (ii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in a daily newspaper with general circulation in Luxembourg. (which is expected to be the *Luxemburger Wort*) and (iii) (in respect of any Notes listed on Euronext Paris and so long as the rules of that exchange so require) in a daily newspaper of general circulation in Paris (which is expected to be *La Tribune*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe and so long as the Notes are listed on Euronext Paris and the rules of that exchange so require, in a French language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 14. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in each such newspaper.

Except in the case of Notes listed on the Luxembourg Stock Exchange or Euronext Paris, until such time as any definitive Notes are issued, there may (provided that in the case of Notes listed on any stock exchange, the rules of such stock exchange (or other relevant authority) so permit), so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the Noteholders. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## **15. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

## **16. Governing Law and Jurisdiction**

### **(a) Governing Law:**

The Notes, the Receipts, the Coupons, the Talons and the Agency Agreement are governed by, and shall be construed in accordance with, English law.

### **(b) Jurisdiction:**

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("Proceedings") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) *Service of Process:*

The Issuer irrevocably appoints Rail Europe Limited of 34 Tower View, West Malling, Kent ME19 4ED, its authorised agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

(d) *Immunity from Attachment:*

The assets and properties of the Issuer cannot be subject to any attachment or other enforcement proceedings in the Republic of France.

## **USE OF PROCEEDS**

The net proceeds of each issue of Notes will be applied by the Issuer in refinancing existing debt and financing its operations.

## FORM OF NOTES AND TRANSFER RESTRICTIONS

The Notes of each Series will be in either bearer form, with or without coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”) and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A.

### Initial Issue of Notes

Each Tranche of Bearer Notes having an original maturity of more than 365 days will initially be represented by a Temporary Global Note and each Tranche of Bearer Notes having an original maturity of 365 days or less will initially be represented by a Permanent Global Note. Upon the initial deposit of a Global Note with a common depository for Euroclear and Clearstream, Luxembourg (the “Common Depository”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and/or DTC and delivery of the relative Global Certificate to the Common Depository and/or a custodian for DTC (the “Custodian”), Euroclear, Clearstream, Luxembourg or DTC (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Upon the initial deposit of a Global Note with, or registration of Registered Notes in the name of, or any nominee for, and delivery of the relative Global Certificate to, Euroclear France (including where Euroclear France is acting as central depository), the *intermédiaires financiers habilités* (French banks or brokers authorised to maintain securities accounts on behalf of their clients (each an “Approved Intermediary”)) who are entitled to such Notes according to the records of Euroclear France will credit each subscriber with a principal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository or the Custodian may also be credited to the accounts of subscribers with Approved Intermediaries or (if indicated in the applicable Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear, Clearstream, Luxembourg and DTC held by Euroclear France or other clearing systems. Conversely, Notes that are initially deposited with Euroclear France or any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg, DTC or other clearing systems.

### Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, an Approved Intermediary, DTC or any other clearing system (an “Alternative Clearing System”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC, such Approved Intermediary or such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC, Euroclear France or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### Exchange of Interests in Global Notes

#### 1 Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below):

- (i) if the applicable Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “Summary of the Programme-Selling Restrictions”), in whole, but not in part, for the Definitive Notes defined and described below; and

- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the applicable Pricing Supplement, for Definitive Notes.

provided that purchasers in the United States and certain U.S. persons will not be able to receive Definitive Notes in bearer form.

Each Temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any Permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

## **2 Permanent Global Notes**

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Notes”, in part for Definitive Notes or, in the case of (iii) below, Registered Notes:

- (i) unless principal in respect of any Notes is not paid when due, by the Issuer giving notice to the Noteholders and the Fiscal Agent of its intention to effect such exchange;
- (ii) if the applicable Pricing Supplement provides that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the Fiscal Agent of its election for such exchange;
- (iii) if the Permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Fiscal Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and
- (iv) otherwise, (1) if the Permanent Global Note is held on behalf of Euroclear, Clearstream, Luxembourg, Euroclear France or an Alternative Clearing System, and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

## **3 Partial Exchange of Permanent Global Notes**

For so long as a Permanent Global Note is held on behalf of a clearing system and that clearing system so permits, such Permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the Permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the applicable Pricing Supplement) relating to Partly-paid Notes.

## **4 Delivery of Notes**

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. In this Offering Circular, “Definitive Notes” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.



## **5 Exchange Date**

“Exchange Date” means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due, 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

## **Modification of the Conditions of the Notes while in Global Form**

The Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

### **1 Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes.

### **2 Prescription**

Claims against the Issuer in respect of principal and interest in respect of Notes that are represented by a Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

### **3 Meetings**

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and at any such meeting, as having one vote in respect of each minimum Specified Denomination of Notes for which such Global Note may be exchanged. (All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

### **4 Cancellation**

Cancellation of any Note represented by a Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Global Note.

### **5 Purchase**

Notes represented by a Permanent Global Note may only be purchased by the Issuer if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

### **6 Events of Default**

Each Global Note and Global Certificate provides that the holder may cause such Global Note, or a portion of it, or Registered Notes represented by such Global Certificate, as the case may be, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note or Registered Notes which is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 17th July, 2002 (as supplemented from time to time) to come into effect in relation to the whole or a part of such Global

Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

## **7 Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. If any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system or an Approved Intermediary in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, Euroclear France or other relevant clearing system (as the case may be).

## **8 Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note and such Global Note is held on behalf of Euroclear and/or Clearstream, Luxembourg, may be exercised by the holder of the Global Note giving a notice of exercise in relation to the principal amount of the Notes in respect of which such option is exercised within the time limits set forth in that Condition and/or as required by the relevant clearing system and at the same time presenting or procuring the presentation of the Global Note to the Principal Paying Agent for notation accordingly. Whilst all of the Notes are represented by a Permanent Global Note and such Global Note is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices of exercise shall be given in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg (which may include notice being given on the instruction of the relevant holder by the relevant clearing system or any common depository therefor to the Principal Paying Agent by electronic means) in a form acceptable to the relevant clearing system from time to time.

## **9 Notices**

Notices to the holders of Registered Notes will be valid (i) if sent by mail to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing (ii) in addition, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, if published in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and (iii) (in respect of any Notes listed on Euronext Paris and so long as the rules of that exchange so require), if published in a daily newspaper with general circulation in Paris (which is expected to be *La Tribune*). Notices to the holders of Bearer Notes shall be valid if published (i) in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*), (ii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in a daily newspaper with general circulation in Luxembourg, (which is expected to be the *Luxemburger Wort*) and (iii) (in respect of any Notes listed on Euronext Paris and so long as the rules of that exchange so require) in a daily newspaper of general circulation in Paris (which is expected to be *La Tribune*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe and so long as the Notes are listed on Euronext Paris and the rules of that exchange so require, in a French language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with Condition 14. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in each such newspaper.

Except in the case of Notes listed on the Luxembourg Stock Exchange or Euronext Paris, until such time as any definitive Notes are issued, there may (provided that in the case of Notes listed on any stock exchange, the rules of such stock exchange (or other relevant authority) so permit), so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the Noteholders. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Fiscal Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Fiscal Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## **10 Partly-Paid Notes**

The provisions relating to Partly-Paid Notes are not set out in this Offering Circular, but will be contained in the applicable Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly-Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly-Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

## **11 Redenomination and Consolidation**

A Global Note or Global Certificate may be amended or replaced by the Issuer (in such manner as it considers necessary after consultation with the Redenomination Agent and/or the Consolidation Agent, as the case may be) for the purposes of taking account of the redenomination and/or consolidation of the Notes pursuant to Conditions l(b) and 12. Any consolidation may, in such circumstances, require a change in the relevant common depository or central depository or custodian or nominee, as the case may be.

## **Form of Registered Notes**

Registered Notes offered and sold outside the United States in reliance on Regulation S under the Securities Act will be represented by interests in an Unrestricted Global Certificate, in registered form, without interest coupons attached, which will be deposited on or about the Issue Date (i) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg with, and registered in the name of, BT Globenet Nominees Limited, as nominee for, the Common Depository and (ii) in the case of a Tranche intended to be cleared through Euroclear France, with, and registered in the name of Euroclear France or as otherwise agreed with Euroclear France. A beneficial interest in the Unrestricted Global Certificate may at all times be held only through Euroclear and Clearstream, Luxembourg or the Approved Intermediaries.

Registered Notes offered and sold to qualified institutional buyers as defined in, and in reliance on, Rule 144A will be represented by interests in a Restricted Global Certificate, in registered form, without interest coupons attached, which will be registered in the name of Cede & Co., as nominee for, and which will be deposited on or about the Issue Date with Deutsche Bank Trust Company Americas as custodian (the "Custodian") for, DTC. The Restricted Global Certificate (and any definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note described under "Transfer Restrictions in respect of Registered Notes".

Each Unrestricted Global Certificate will have an ISIN and each Restricted Global Certificate will have a CUSIP number.

## **Transfer Restrictions in respect of Registered Notes**

On or prior to the expiry of the distribution compliance period applicable to each Tranche of Notes, a beneficial interest in the Unrestricted Global Certificate may be transferred to a person who wishes to take delivery of such beneficial interest through the Restricted Global Certificate only upon receipt by the Registrar of a written certification from the transferor (in the applicable form provided in the Agency

Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After the expiry of the distribution compliance period, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Notes, as set out below.

Distribution compliance period shall mean the period that ends (40) forty days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue).

A beneficial interest in the Restricted Global Certificate may also be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Certificate only upon receipt by the Registrar of a written certification from the transferor (in the applicable form provided in the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any beneficial interest in either the Restricted Global Certificate or the Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Certificate will, upon transfer, cease to be a beneficial interest in such Global Certificate and become a beneficial interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Certificate for so long as such person retains such an interest.

Each person purchasing Notes from a Dealer or its affiliate (the "Vendor") pursuant to Rule 144A acknowledges that (i) it has not relied on the Vendor in connection with its investigation of the accuracy of the information contained in this Offering Circular or its investment decision and (ii) no person has been authorised to give any information or to make any representation concerning the Issuer or the Notes other than those contained in this Offering Circular, and, if given or made, such other information or representation should not be relied upon as having been authorised by the Issuer or the Vendor. This Offering Circular has been prepared by the Issuer solely for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons and for resales of the Notes to qualified institutional buyers in the United States and for the listing of the Notes on the Luxembourg Stock Exchange and Euronext Paris. The Issuer and the Vendor reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Notes which may be offered pursuant to Rule 144A. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person other than a qualified institutional buyer within the meaning of Rule 144A under the Securities Act to whom an offer has been made directly by the Vendor.

Each prospective purchaser of Notes offered in reliance on Rule 144A (a "144A Offeree"), by accepting delivery of this Offering Circular, will be deemed to have represented and agreed with respect to such Notes as follows:

- 1 such 144A Offeree acknowledges that this Offering Circular is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Offering Circular, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited; and
- 2 such 144A Offeree agrees to make no photocopies of this Offering Circular or any documents referred to therein and, if such 144A Offeree does not purchase Notes or the offering is terminated, to return this Offering Circular and all documents referred to herein to the Vendor.

***Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.***

Each purchaser of Registered Notes or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to represent, agree

and acknowledge as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

- 1 It is either (X) (A) a qualified institutional buyer within the meaning of Rule 144A, (B) acquiring the Notes for its own account or for the account of such a qualified institutional buyer and (C) aware, and each beneficial owner of such Notes has been advised, that the sale of the Notes to it is being made in reliance on Rule 144A, or (Y) outside the United States and is not a U.S. person.
- 2 It understands that the Notes are being offered and sold only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act or other applicable securities laws of any state of the United States and may not be reoffered, resold, pledged or otherwise transferred within the United States or to, or for the account or benefit of U.S. persons except in accordance with the applicable legend set forth below.
- 3 It understands that the Restricted Global Certificate and any Definitive Notes issued in exchange for an interest in any Restricted Global Certificate, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

**“THE NOTES IN RESPECT OF WHICH THIS CERTIFICATE HAS BEEN ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) TO THE ISSUER, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATIONS CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THE NOTES IN RESPECT OF WHICH THIS CERTIFICATE HAS BEEN ISSUED.”**
- 4 It understands that the Unrestricted Global Certificate and any Definitive Notes issued in exchange for an interest in any Unrestricted Global Certificate, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

**“THE NOTES IN RESPECT OF WHICH THIS CERTIFICATE HAS BEEN ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, RESOLD PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.”**
- 5 The Issuer, the Registrar, and the Dealers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If any purchaser of Notes offered in reliance on Rule 144A is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

- 6 It will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in the applicable legend above, if then applicable.
- 7 It understands that the Restricted Notes offered in reliance on Rule 144A will be represented by a Restricted Global Certificate and the Unrestricted Notes offered outside the United States in reliance on Regulation S will be represented by one or more Unrestricted Global Certificate. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate, it will be required to provide the Issuer and the Registrar with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

#### **Exchange of Interests in Global Certificates**

Registration of title to Notes initially represented by a Restricted Global Certificate in a name other than DTC or a successor depository or one of their respective nominees will not be permitted unless (i) DTC or such successor depository notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Certificate or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depository, (ii) principal in respect of any Notes is not paid when due (provided that the rules of DTC so permit) or (iii) the applicable Pricing Supplement specifies that the Restricted Global Certificate is exchangeable for definitive Registered Notes, and in any such case the Fiscal Agent has received a notice from the registered holder of the Restricted Global Certificate requesting exchange of the Restricted Global Certificate in full for individual definitive certificates (the "Certificates").

Registration of title to Notes initially represented by an Unrestricted Global Certificate in a name other than the nominee of the Common Depository or the name of Euroclear France (or its nominee), as the case may be, will not be permitted unless (i) Euroclear, Clearstream, Luxembourg or Euroclear France, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays statutory or otherwise) or announces an intention permanently to cease business or in fact does so, (ii) principal in respect of any Notes is not paid when due (provided that the rules of Euroclear, Clearstream, Luxembourg or Euroclear France, as the case may be, so permit) or (iii) the applicable Pricing Supplement specifies that the Unrestricted Global Certificate is exchangeable for definitive Registered Notes, and in any such case the Registrar or any Transfer Agent has received a notice from the registered holder of a specified amount of the Unrestricted Global Certificate requesting exchange of the Unrestricted Global Certificate for individual Certificates.

In such circumstances, the relevant Global Certificate shall be exchanged in full or in part, as the case may be, for Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Certificate must provide the Registrar with (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Certificates and (ii) in the case of the Restricted Global Certificate only, a fully completed, signed certificate substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, that the transfer is being made in compliance with the provisions of Rule 144A. Certificates issued in exchange for a beneficial interest in the Restricted Global Certificate shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "Transfer Restrictions".

The holder of a Registered Note may transfer such Registered Note in accordance with the provisions of Condition 2. Certificates may not be eligible for trading in the clearing systems.

Upon the transfer, exchange or replacement of a Certificate bearing the Rule 144A legend referred to under "Transfer Restrictions", or upon specific request for removal of the Rule 144A legend on a Certificate, the Issuer will deliver only Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory

evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer to ensure that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The Registrar will not register the transfer of or exchange of interests in a Global Certificate for Certificates for a period of three business days ending on the due date for any payment of principal. For the purposes hereof and for payment of interest, "business day" means a day on which commercial banks and foreign exchange markets are open for business in London and New York City.

#### **Euroclear, Clearstream, Luxembourg, Euroclear France and DTC Arrangements for Registered Notes**

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of the Common Depositary or Euroclear France (or its nominees) is the registered holder of a Global Certificate, DTC, Euroclear, Clearstream, Luxembourg, Euroclear France or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Certificate for all purposes under the Agency Agreement and the Notes. Payments of principal, interest and additional amounts, if any, in respect of the Global Certificates will be made to DTC, Euroclear, Clearstream, Luxembourg, Euroclear France or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, any Agent or any Dealer or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear, Clearstream, Luxembourg or Euroclear France, as the case may be, will be credited, to the extent received by, or on behalf of, Euroclear, Clearstream, Luxembourg or Euroclear France, as the case may be, from the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers or the accounts of Approved Intermediaries, as the case may be, in accordance with the relevant clearing system's rules and procedures.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC from the Fiscal Agent, all distributions of principal and interest with respect to book-entry interests in the Notes from the Fiscal Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

Interest on the Notes (other than interest payable on redemption) will be paid to the holder shown on the Register on the third business day before the due date for such payment so long as the Notes are represented by a Global Certificate, instead of on the fifteenth day before the due date for such payment (as provided by Condition 2(f)) so long as the Notes are in definitive form (the "Record Date"). Trading between a Restricted Global Certificate and a related Unrestricted Global Certificate will therefore be net of accrued interest from the relevant Record Date to the relevant Interest Payment Date.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because DTC, Euroclear, Clearstream, Luxembourg and Euroclear France (or Approved Intermediaries) can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes through Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of (i) BT Globenet Nominees Limited and (ii) Cede & Co. to reflect the amounts of Notes held through Euroclear, Clearstream, Luxembourg, Euroclear France and DTC, respectively. Beneficial ownership of Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg, Euroclear France and DTC, as the case may be.

Interests in each Unrestricted Global Certificate and Restricted Global Certificate will be in uncertified book-entry form.

*Trading between Euroclear and/or Clearstream, Luxembourg Accountholders and/or Approved Intermediaries.* Secondary market sales of book-entry interests in the Notes held through Euroclear,

Clearstream, Luxembourg or Euroclear France, as the case may be, to purchasers of book-entry interests in the Notes through Euroclear, Clearstream, Luxembourg or Euroclear France, as the case may be, will be conducted in accordance with the normal rules and operating procedures of Euroclear, Clearstream, Luxembourg or Euroclear France, as the case may be, and will be settled using the procedures applicable to conventional Eurobonds.

*Trading between DTC Participants.* Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System. Where payment is not effected in U.S. dollars, separate payments outside DTC are required to be made between the DTC participants.

*Trading between DTC Seller and Euroclear/Clearstream, Luxembourg/Euroclear France Purchaser.* When book-entry interests in Notes are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream, Luxembourg accountholder, as the case may be, wishing to purchase a beneficial interest in an Unrestricted Global Certificate (subject to such certification procedures as are provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York City time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the Custodian will instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee for DTC and evidenced by the relevant Restricted Global Certificate and (ii) increase the amount of Notes registered in the name of the nominee for the Common Depositary and evidenced by the relevant Unrestricted Global Certificate. Certificate book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date. See above for details of the Record Date for payments of interest.

The relevant procedures relating to transfers of book-entry interests in Notes to be transferred from the account of a DTC participant to the account of an Approved Intermediary will be in such manner as shall be agreed by DTC and Euroclear France at the relevant time.

*Trading between Euroclear/Clearstream, Luxembourg/Euroclear France Seller and DTC Purchaser.* When book-entry interests in Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder, as the case may be, to the account of a DTC participant wishing to purchase a beneficial interest in a Restricted Global Certificate (subject to such certification procedures as are provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg accountholder must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 19.45 hours, Brussels or Luxembourg time, one business day prior to the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholders, as the case may be. On the settlement date, the Common Depositary will (i) transmit appropriate instructions to the Custodian who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (ii) instruct the Registrar to (a) decrease the amount of Notes registered in the name of the nominee of the Common Depositary and evidenced by the relevant Unrestricted Global Certificate and (b) increase the amount of Notes registered in the name of the nominee for DTC and evidenced by the relevant Restricted Global Certificate. See above for details of the Record Date for payments of interest.

The relevant procedures relating to transfers of book-entry interests in Notes to be transferred from the account of an Approved Intermediary to the account of a DTC participant will be in such manner as shall be agreed between Euroclear France and DTC at the relevant time.

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in the accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.



Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg, Euroclear France and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Euroclear, Clearstream, Luxembourg and Euroclear France, none of Euroclear, Clearstream, Luxembourg, Euroclear France or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, any Agent or any Arranger or Dealer or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or Euroclear France (or any Approved Intermediary) or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency of any purpose of the arrangements described above.

# SOCIETE NATIONALE DES CHEMINS DE FER FRANÇAIS

## INTRODUCTION

### 1. Establishment

SNCF is a French public entity of an industrial and commercial character (*établissement public industriel et commercial* – “EPIC”) with autonomous management created under Act No. 82-1153 dated 30th December, 1982 and modified by the Reform Law on 13th February, 1997 as Act No. 97-135. Its duration is unlimited. As from 1st January, 1983, SNCF became the successor of the corporation created pursuant to the Laws of 31st August, 1937 and took over the name Société Nationale des Chemins de fer Français. The registered office of SNCF currently is at 34, rue du Commandant Mouchotte, 75014 Paris.

As with all *Etablissements Publics* (whether *Etablissements Publics Administratifs* (EPAs) or EPICs), the French State is ultimately responsible for the solvency of SNCF pursuant to Act No. 80-539 of 16th July, 1980 (the “Act of 1980”) on the execution of judgments on public entities. In the event that an EPIC defaults, the Act of 1980 assigns responsibility to the relevant supervisory authority (which in case of SNCF is the French State itself) which must either provide the EPIC with new resources or automatically approve the sums for which the EPIC is held liable by court order.

Moreover, court-ordered reorganisation and liquidation proceedings do not apply to EPICs (Article 620-2 of the *Code de Commerce* replacing Article 2 of the Act of 25th January, 1985).

### 2. SNCF's Objects

The Reform Law modifies Act No. 82-1153 dated 30th December, 1982 (the “Act of 1982”) which, *inter alia*, sets out SNCF objects. SNCF's new objects are to operate railway services over the national railway network and to manage the railway infrastructure on behalf of RFF, each in accordance with the principles applicable to public services. SNCF is empowered to carry out all activities directly or indirectly connected with such objects. The management of the railway infrastructure involves responsibility for traffic regulation, the security of the network and the good state of repair and maintenance of the infrastructure. It may create subsidiaries or take shareholdings in companies, groups or other entities, the purpose of which is related or contributes to that of SNCF.

### 3. Capital

The capital of SNCF amounts to € 4,270,897,305.31 and is totally owned by the French State. SNCF has no shares and pays no dividends.

### 4. Relation with Réseau Ferré de France (RFF)

SNCF's fixed assets relating to railway infrastructure existing as at 1st January, 1997 were transferred to RFF with effect from 1st January, 1997. They were detailed in the *Décret* No. 97-445 of 5th May, 1997 and principally comprised installations, tracks, signals, lighting, telecommunication devices and real estate on which such assets were located.

SNCF as Transportation Service Provider pays RFF fees for using the infrastructure which are determined in accordance with the *Décret* No. 97-446 of 5th May, 1997 and the decree of 30th December, 1997. This amounts to € 1,691 million in 2001 compared to € 1,561 million in 2000.

RFF makes payments to SNCF in respect of management activities. This amounts to €2,652 million in 2001 compared with € 2,617 million in 2000.

In parallel, there was a transfer of a liability of € 20.5 billion to RFF in consideration for the transfer of infrastructure assets on 1st January, 1997. This transfer resulted in the recognition in balance sheet assets of a RFF receivable. SNCF liabilities remained unchanged. As at 31st December, 2001 the amount outstanding of this debt is at € 13,798 million (see financial statements).

### 5. Relationship with the French State

Pursuant to the Act of 1982, a *Cahier des Charges*, an operating agreement entered into between the Republic of France and SNCF, was approved by *Décret* No. 83-817 dated 13th September, 1983 as modified by *Décret* No.99-11 dated 7th January, 1999. It sets out the conditions and general principles under which SNCF shall provide its services to the public and the basis of the contractual relationship of SNCF with both the French State and local authorities including the principle of compensatory payments.

SNCF receives compensatory payments from the French State: contributions which remunerate global services, specific works and subsidies to promote the development.

Following the signature of new agreements during 2000, the accounting classification of contributions received from the French State and local authorities was reviewed. As such, certain contributions (the contributions remunerating global services) are now recorded in Revenues (cf financial statements).

The Reform Law provided also a transfer of organisational responsibility for regional passenger rail transport to local authorities. The SRU (Urban Solidarity and Renewal) law was enacted on 13th December, 2000 with effect from January 2002, enacting the transfer to the local authorities of the responsibility for regional passenger rail transport. Article 129 of this law specifies local authorities have to sign contracts with SNCF to determine the managing and financial conditions of regional passenger rail services. By 9th July 2002, SNCF had signed agreements with all regions.

## **6. Special Debt Account**

In accordance with the corporate plan ("*contrat de plan*") signed by the French State and SNCF in 1990, a Special Debt Account was set up on 1st January, 1991. This account has no independent legal status, although separate accounting records are kept by SNCF.

The role of this account is to isolate part of the SNCF debt, in respect of which interest and capital payments are essentially made by the French State. Debt transferred to the Special Debt Account remains there until extinguished.

Debt corresponding to accumulated losses of SNCF at the end of 1989 was transferred (€5.8 billion).

In 1997 and 1999 further amounts were transferred (respectively € 4.4 billion and €0.6 billion).

The outstanding indebtedness of the Special Debt Account as at 31st December, 2001 amounts to € 8.941 billion (see Note 31 to the consolidated financial statements).

## **7. Corporate Plan**

The *Pacte de Modernisation* signed between SNCF and the French State on 18th November, 1996 defines the relationship between SNCF and the French State over the coming years. It also provides that the French State will continue to support SNCF financially in its role as provider of public services, and that agreements will be signed between SNCF and the State or local authorities. SNCF's retirement rules remain unchanged and the French State will continue to assume liability for the debt transferred to the Special Debt Account referred to above.

The first phase of SNCF's corporate plan was achieved in 1999 with the ambition to make SNCF an exemplary public service in France and in Europe with a return to equilibrium and debt stabilisation. The second phase 2000-2002 was launched in 2000 with a focus on customers, Europe and efficiency.

Overall, these two phases have been successful in achieving their aims except that the equilibrium was not restored on a long term basis. SNCF is currently preparing the third phase, 2003-2005, which will continue to focus on customers, Europe and efficiency and will aim to create the coherent conditions which would lead, by 2005, to the establishment of a balanced way to finance the substantial investments which are necessary to the company's continued development.

## MANAGEMENT REPORT FOR THE YEAR ENDED 31st DECEMBER, 2001

### **1. Group Presentation**

#### **1.1 SNCF Group Structure**

SNCF is comprised of partner companies, which express the effectiveness of the Group through their ability to capitalise on the complementary nature of their services.

A major travel and logistics player in Europe, SNCF Group is now able to fulfill increasingly global transport service requests: intermodality, transport-related services, logistics. Each Group company is active in one or more of the operating divisions making up the Group's activities:

- passenger transport and services;
- freight; and
- infrastructure and leveraging of SNCF's assets and know-how.

SNCF Participations, a 99.83 per cent. subsidiary, holds the majority of the Group's investments. Well beyond its own boundaries, SNCF Participations ensures the implementation of divisional strategies, performs a role of financial and legal control and offers its expertise on Group developments to all subsidiaries.

## SNCF GROUP SIMPLIFIED ORGANISATIONAL CHART

PASSENGER TRANSPORT AND SERVICES		FREIGHT				INFRASTRUCTURE AND LEVERAGING SNCF'S ASSETS AND KNOW-HOW				
TG.V, Mainline, Transilien, TER, Stations		SNCF RAIL FREIGHT				Infrastructure maintenance and management, Project management, Engineering				
International long distance transport	Regional & local public transport	Road Freight	Combined rail-road transport	Cereals and bulk	Port	Financing	SNCF International	Télécom développement	SFCI	SNEF
Eurostar	KEOLIS (ex VJA-Cariane)	Geodis Group	CNC	Logistra	Feron	Sefergie	Systra	Shem	SICF	Eurofima
THALYS		Geodis Logistics	Rough	CTC	Final delivery	Miscellaneous		AREP	SOCRIF	
Artesia		Geodis overseas	Froidcombi	SGW	VFLI	STSI				
		Bourgey Montreuil	Novatrans	Gramatex	Freight cars	SCI Ney				
LYRIA		Calberson	Districhrom	International	France wagons					
Elipso		Automobile	Ecorail	Fret International	Ernewa					
Ferry transport Seafrance		STVA	Parcel delivery							
		SCS								

SNCF Participations, a 99.83% subsidiary of the parent company, holds investments in and manages the majority of Group subsidiaries.

## **1.2 Significant events of the year**

### **1.2.1 Changes in Group structure**

The 2001 fiscal year saw few changes to the Group structure.

The principal change concerned the Züst Ambrosetti Group, controlled 48.72 per cent. as of 31st December, 2000. During the first half of 2001, this group was subject to a number of major restructuring measures. The spin-off of its activities, commenced in January 2001, enabled:

- the creation of Züst Ambrosetti Spa, a General Cargo operator with revenues of € 309 million, fully controlled by the Group as of 31st December, 2001. This transaction was fully consistent with the Group's decision to refocus on its core businesses and enabled the Group to strengthen the range of parcel services available in Italy; and
- the sale of its automobile activities and the realisation of a capital gain of € 22.5 million.

In addition, Gle-Commerce acquired a 20 per cent. interest in Maximiles in January 2001, in an ongoing effort to secure the loyalty of Voyages-SNCF.com online customers.

In the multimodal and multimedia information service production and marketing sector, Effia and Kéolis created Canal TP.

### **1.2.2 General policy**

#### **● Launch of the TGV Mediterranean line**

The launch of the TGV Mediterranean line in June, 2001 was an outstanding commercial success: over 11 million customers have traveled on this line since its launch. Despite the complexity of reorganising close to 20,000 train schedules across the entire South-East of France, punctuality on the Mediterranean line exceeded 88 per cent. at the beginning of 2002.

Train occupancy rates are extremely high on the Paris-Mediterranean and Lyon-Mediterranean segments, reaching 73 per cent. on average since the launch of the line.

#### **● Contracting regional transport activities**

The SRU Law (Urban Solidarity and Renewal), which transfers organisational responsibility for rail transport to the regions, requires the parent company to produce a 2000 fiscal year accounting base for each of its Regional Express Train (TER) activities. This work was completed during the first half of 2001 and enabled the certification of financial statements for the Transilien sector and 20 other TER activities.

The company thereby completed an important step in the contracting process, leading to the signature of agreements with 12 of the 20 regions by 15th March, 2002.

#### **● Rail Transport Package**

The construction of a European rail transport network took a major step forward in March 2001, with the publication of three new Rail Transport Package directives (2001/12 amending 91/440, 2001/13 amending 95/18 and 2001/14 replacing 95/19).

The first "Rail Transport Package" lays down the legal framework for the development of rail transport activities in Europe and relations between railroad companies and the different European Union Member States. The main terms and conditions of these directives are as follows:

- mandatory extension of access and transit rights to rail infrastructures of other Member States to encompass international groupings of rail operators for all types of international traffic and rail operators providing international combined transport services, with the introduction of access rights to the trans-European rail freight transport network (TERFN).
- ability for each Member State to extend the range of candidates which qualify for the allocation of markets (regulatory authorities, loaders, etc.)
- mandatory accounting separation of Freight activities, together with the production of publishable balance sheets and income statements.
- identification of four essential functions which must be entrusted to bodies which do not supply rail services (awarding of licenses, allocation of markets, infrastructure pricing policy, control of compliance with public sector obligations).

All European Union Member States must implement the Rail Transport Package by 15th March, 2003 at the latest.

- **Sernam restructuring**

In May 2001, the European Commission approved the takeover of SCS Sernam by Géodis. This approval opened the way to continue the process launched in 2000 with the spin-off of Sernam and enabled the signature of a further agreement with Géodis in December 2001, encompassing the following principal terms and conditions:

- € 419 million common stock increase subscribed by SNCF in 2001 (including € 276 million fully paid-up);
- immediate common stock reduction of € 195 million, in the amount of 2000 and 2001 losses;
- set-up of a € 34 million participating loan in 2001;
- acquisition by Géodis of a 15 per cent. interest in SCS Sernam in January 2002 (purchased for the nominal consideration of one euro);
- acquisition of a further 51 per cent. interest by Géodis before 2006.

Acquisition of this additional interest is contingent on satisfaction of a number of conditions and primarily the successful completion of the Sernam recovery plan and a return to profitability. The terms of the recovery plan are based on the plan approved by the European Commission on 28th May, 2001.

- **Labor conflicts**

The results for the year were heavily affected by labor unrest in the parent company in the spring, which resulted in the partial paralysis of production activities and a complete stop to rail freight and customer loading. This led to an immediate drop in revenues and the payment of compensation to certain customers, generating total losses for the Group of approximately € 160 million. The long-term impact on customer relations is more difficult to assess but will undoubtedly be negative.

### **1.2.3 Other events by division**

- **Passenger transport and services**

#### *Station upgrade and modernisation of Transilien rail equipment*

By the end of 2001, significant headway had been made on the Transilien programme. In the first stage, the emphasis has been placed on improving the stations: refurbishment and introduction of staffing, welcome and comfort standards, rewarded by the attribution of the Transilien network name. At the end of 2001, 199 stations had received this award, out of a target of 236 by the end of the 1999/2002 three-year programme.

Developing a more human environment has been a major aspect of this programme, in order to win-back the stations and improve passenger safety. At the end of 2001, 228 stations benefited from increased staffing, including – and especially – at night, as did 133 trains running after 9 p.m..

As part of the ambitious rolling stock modernisation programme, delivery was taken of 42 new Z2N cars with refrigerated ventilation and 60 refurbished Z6400 cars. In addition, a € 242 million refurbishment programme covering 936 cars was launched, co-financed by *Syndicat des Transports Ile de France* (STIF), the *Ile de France* Region (RIF) and SNCF. This programme aims to replace or renovate half of the existing asset pool, some 1,900 cars, by the end of 2004.

#### *Replacement of regional rail equipment (parent company TER activities)*

The modernisation and replacement of rolling stock continued, with close to 100 new regional railcars delivered to the Regions in 2001. On 13th December, the Company signed an agreement with Bombardier for the delivery of 500 large capacity railcars, including a firm commitment for the delivery of 192 cars commencing the beginning of 2004. Alongside this investment, SNCF updated its TER logo, in a bid to strengthen its public image as a modern operator, close to its customer base.

#### *Development of e-commerce activities*

[www.voyages-sncf.com](http://www.voyages-sncf.com) was ranked number one in a 2001 hit-list of French e-commerce sites published by “e-commerce Magazine” on 15th May, 2001. During the 2001 fiscal year, transactions

totaling € 162 million were processed by this site, representing an average of 135,000 visits daily by the end of the year.

The Group joined up with the tour operator, Expedia, which sells worldwide on the Internet, in order to offer voyages-sncf.com customers access to a range of tourist products manufactured or negotiated by Expedia with other service providers. The resulting virtual travel agency joint venture is controlled 53 per cent. by voyages-sncf.com and 47 per cent. by Expedia. The new site, officially launched on 4th December, 2001, enables the real-time preparation, reservation and purchase of trips by customers (reservation of train and plane ticket, hotel rooms, travel packages, car rental, etc.).

#### *South-Central concession in the UK*

At the end of 2000, Go-Via (a joint-venture between Kéolis (35 per cent.) and Go Ahead (65 per cent.)) was named the preferred candidate by the UK authorities for obtaining the 20-year operating licence for the South-Central rail network. Go-Via and Connex, the current holder of the South-Central licence finalised an agreement enabling Go-Via to purchase the franchise from Connex two years early (26th August, 2001) and thereby speed-up the implementation of the network modernisation programme. Go-Via became the owner of the company.

Kéolis recently acquired a 20 per cent. interest in the UK company Eastbourne Buses, with a purchase option to increase its investment to 49 per cent. This company, which provides urban services to the town of Eastbourne, will, in the long-term, enable economies of scale to be realised with train services, through rail franchises operated by joint ventures with Go Ahead (Thameslink and South Central).

A joint venture between Kéolis (45 per cent.) and First Group (55 per cent.) is currently seeking to be named the preferred candidate for the Trans Pennine rail franchise.

#### *Aéroports de Paris awards the Roissy internal line to Kéolis, in partnership with a Siemens subsidiary*

Kéolis, in partnership with Siemens, will be responsible for the construction, running and maintenance of the future unmanned subway at Roissy Charles de Gaulle airport, scheduled to open to the public in 2005. The success of this international call for bids strengthens Kéolis' position as the global leader in the running of unmanned subway lines and confirms its expertise in the airport sector.

#### *Continued operation of the Stockholm RER by Kéolis and expansion in Scandinavia*

The Citypendeln contract (Stockholm RER) was renegotiated in 2000. Citypendeln encountered further operating difficulties and commercial relations problems which have now been resolved.

In Denmark, Kéolis increased its interest in City Trafik, the leading privately-owned passenger transport group (from 10 per cent. to 32.6 per cent.).

#### *New Seafrance ship*

The major event in 2001 for Seafrance was the successful entry into the fleet of SF Rodin, delivered on 13th November, 2001 in Finland. The ship was brought into commercial service on 29th November, 2001 on the Calais-Dover line. This new ship, the highest-performing ever operated on this line, represents a decisive asset in improving the market position of Seafrance services, both in terms of capacity and quality. In addition, the productivity of Seafrance ships increased significantly in 2001, following a return to satisfactory profit levels by the car-ferries and more intensive utilisation of the *Nord Pas de Calais* ship.

### ● **Freight transport**

#### *Rail freight alliances*

The Freight Division entered into a number of alliances during the year:

- a French-Italian joint venture, Sideuropa (Trenitalia (50 per cent.), Fret international (50 per cent.)) was formed to develop iron and steel transportation between France and Italy, by extending the range of services offered to customers;
- the "Channel Rail Freight" alliance between Fret SNCF and English, Welsh & Scottish (EWS) seeks to develop rail freight activities through the Channel Tunnel: combined transport, automobile transport and traditional freight cars;



- an initial agreement was signed on 24th April, 2001 between SNCF and Office National Interprofessionnel des Céréales (ONIC) bringing together the “cereals and oilseed sectors” and rail transport;
- Agrifersa was created on 8th November, 2001 jointly with RENFE and two transport commissioners, TMF and Transfesa, in order to develop traffic between France and Spain in the cereals, oilseed and fertilizer sectors. This company offers comprehensive rail transport services encompassing the supply of freight cars, customs clearance, logistic services and final road delivery;
- a strategic committee bringing together Novatrans, CNC and SNCF was created in order to strengthen the Group’s presence at the European level; and
- an agreement was signed between SNCF and Deutsche Bahn to optimise French-German border crossings and develop common freight traffic. The two companies wish to introduce rail shuttles between the Woippy and Sibelin French marshalling yards and the Gremberg and Mannheim German marshalling yards, allocating a pool of inter-operable engines to this traffic. The extension of this new structure will later enable the serving of long-distance European corridors.

#### *Improvements to the combined transport service range*

An equal partnership agreement was signed with LOHR for the launch in France of the first rail shuttles for heavy vehicles. The Modalohr car-carrying freight car project offers an alternative solution to road congestion and a four-year trial will be launched between France and Italy at the end of 2002. The holding company C-Modalohr-Europe (CME), held 51 per cent. by the Group and 49 per cent. by Modalohr, was created for the purposes of this project. CME will control the subsidiaries responsible for managing the two transfer terminals, the company owning the Modalohr freight cars and the piggyback transport operator.

The opening in 2001 of the Lomme (operated jointly by CNC and Novatrans), Bayonne-Mouguerre (operated by Novatrans) and Bordeaux-Hourcade rail-road yards, should contribute to the development of combined transport by offering customers increased capacity.

#### *Acquisition of the logistics company Castle Services*

Castle Services, a logistic services company based in the UK, provides warehouse management, handling and transport (road, rail and sea) services. 90 per cent. of its customers are from the iron and steel industry, with the remaining 10 per cent. from the retail industry. This company provides SNCF Group with a logistics operator position in the cross-Channel market. The Group plans to consolidate and develop the range of services offered to iron and steel customers and expand its customer base to encompass other markets.

#### *VFLI Cargo, a new VFLI subsidiary*

On 7th November, 2001, Voies Ferrées Locales et Industrielles (VFLI) signed an agreement for the acquisition of the Houillères du Bassin de Lorraine (HBL) rail network. The Houillères network, the largest privately-owned rail network in France, comprises 206 km of track. It serves around ten industrial companies in the East Mosellan region and transported 5.3 million tonnes in 2001. VFLI Cargo is expected to generate revenues of € 18 million in 2002 and will be brought into the scope of consolidation in 2002.

VFLI also acquired the companies Locotract and Energie et Traction in 2001, to strengthen its rail transport and maintenance division.

#### *Creation of the subsidiary Fret SNCF Benelux*

Fret Benelux manages contracts covering traffic travelling from or to France, Belgium, the Netherlands and Luxembourg. In effect, 15 per cent. of parent company freight traffic, representing some 7.7 billion tonne-kilometers, travels from or to one of these countries, generating revenues of some € 207 million, 11 per cent. of Fret SNCF revenue in various sectors: iron and steel, chemicals, agricultural products and combined transport. In conjunction with the Benelux railway, the aim is to develop closer customer relations, offering a comprehensive door-to-door service.

#### *Replacement of the electrical engine pool*

In September 2001, SNCF decided to acquire 200 new electrical engines for the Freight Division. The contract comprised a firm tranche for 120 engines and an optional tranche for 80 engines, with

delivery scheduled between October 2005 and March 2007. This contract forms part of the engine pool replacement programme, which already provides for the purchase of 600 Freight traction engines, the first of which were delivered in 2001.

#### *Reorganisation of Sernam*

The Sernam conversion plan provided for the spin-off of its activities, with the creation of nine subsidiaries (partnerships), consisting of seven geographical subsidiaries, one business subsidiary (Sernam LDI, integrated logistics and distribution company) and Sernam Services (regrouping head office services). This major reorganisation was performed on 1st June, 2001.

The new heads of agreement signed by SNCF and Géodis in December 2001 provides, notably, for the implementation of a recovery plan and a return to profitability by 2006.

#### *Géodis restructures its activities around customer needs*

The company's strategic direction, which seeks to develop "high added-value" activities such as parcel delivery and logistic services, was confirmed. An activity structure by geographical area focused on customer needs was implemented to replace the traditional four-division structure (parcel delivery services, road transport, logistics and overseas).

Géodis Solutions houses the expert functions required by all group activities, enabling it to satisfy the requirements of major customers. Géodis Réseaux seeks to optimise the operation of parcel delivery and oversea networks.

Géodis decided to discontinue the activities of its UK subsidiary, United Distribution, whose recovery was proving more difficult than expected, on 31st January, 2002. It intends, nonetheless, to maintain its presence in the UK and Ireland in the parcel delivery, transport commission and logistic sectors.

#### ● **Infrastructure, leveraging of SNCF's assets and know-how**

The telecommunications market encountered many difficulties in 2001. Despite an unstable environment, which stepped-up price competition (delay in the roll-out of UMTS, difficulties encountered by France Telecom competitors with the unbundling of telecommunication services and the presence of players with excess capacity) Telecom Développement recorded a marked increase in volume. Furthermore, with a view to the opening up of the broadband and local traffic markets, Telecom Développement organised the necessary resources to ensure its presence on these markets.

AREP, the Group's architecture and urbanism firm, recently excelled with the construction of the TGV Mediterranean line stations and by winning competitions for the construction of stations in Nankin, Beijing and Shanghai.

A call for bids was launched in 2001 to find a new commercial partner for SHER and obtain better remuneration for its electricity production. Following this process, exclusive negotiations were commenced with Electrabel Group and are still ongoing to date.

## **2. SNCF Group**

On a constant Group structure basis, revenues rose 1.05 per cent. on last year.

## 2.1 Consolidated Net Income

	Year ended		Change	Change %
	31st December, 2001	31st December, 2000 (in € millions)		
<b>Consolidated Revenues</b> .....	<b>20,129</b>	<b>19,839</b>	<b>290</b>	<b>1.5</b>
Capitalised production and production for stock.....	659	589	70	11.9
Operating subsidiaries.....	134	235	(101)	-43.0
Purchases and external charges.....	(10,242)	(9,682)	(560)	5.8
Taxes and duties other than IT.....	(785)	(774)	(11)	1.4
Personnel costs .....	(8,741)	(8,602)	(139)	1.6
<b>Gross operating income</b> .....	<b>1,155</b>	<b>1,605</b>	<b>(450)</b>	<b>-28.1</b>
Depreciation, amortisation and provisions, net....	(1,132)	(1,192)	60	
Other operating income and expenses.....	(3)	(6)	3	
<b>Net operating income</b> .....	<b>20</b>	<b>407</b>	<b>(387)</b>	<b>-95.1</b>
<b>Net financial income/(expense)</b> .....	<b>(330)</b>	<b>(333)</b>	<b>3</b>	
<b>Net income from ordinary activities of consolidated companies</b> .....	<b>(310)</b>	<b>74</b>	<b>(384)</b>	
Exceptional items.....	149	46	103	
Income tax.....	(24)	49	(73)	
<b>Net income of consolidated companies</b> .....	<b>(185)</b>	<b>169</b>	<b>(354)</b>	
Share in earnings of equity affiliates.....	13	146	(133)	
Amortisation of goodwill .....	(38)	(19)	(19)	
<b>Consolidated net income</b> .....	<b>(210)</b>	<b>296</b>	<b>(506)</b>	
Minority interests .....	(70)	119	(189)	
<b>Net income for the year (Group Share)</b> .....	<b>(140)</b>	<b>177</b>	<b>(317)</b>	

### ● Financial statement comparability

The only factor impacting a year-on-year comparison of the 2001 consolidated financial statements is a change in the estimated useful lives of certain rolling stock held by the parent company. The depreciation period for the Network, Eurostar and Thalys TGVs was increased to 30 years with effect from 1st July, 2001. This adjustment to useful lives resulted in a € 46 million decrease in the net charge to depreciation (compared to a depreciation period of 15 years). At the end of 2001, all recently acquired TGV rolling stock was depreciated over 30 years.

### ● Net operating income

The only slight increase in revenues, notably following employee unrest in the parent company in March and April, was accompanied by a marked drop in Gross operating income (28 per cent.) and plummeting Net operating income (€ 20 million in 2001 compared to € 407 million in 2000).

The fall in Gross operating income (down € 450 million) is attributable to employee unrest in the spring, at an estimated cost to the Group of € 160 million, the loss of €91 million in State aid, TGV Mediterranean line launch costs estimated at € 75 million and a general slow-down in the economy which particularly affected the Freight Division.

### ● Net financial income/(expense)

The consolidated net financial expense is stable on last year at € 330 million (€ 333 million in 2000) due to:

- a €55 million increase in net exchange gains, attributable to favorable movements during the year in the euro/yen exchange rate; and
- offset by a € 51 million drop in net gains on finance lease transactions, following the signature of only one new contract in 2001.

- **Exceptional items**

Exceptional net income for the year of € 149 million, compared to € 46 million last year, breaks down as follows:

- capital gains of € 96 million from the sale of real-estate assets (rue Saint Lazare building, SNCF Participations head office and other buildings);
- capital gains of € 23 million realised on the demerger of the Züst Ambrosetti Group in 2001, compared with gains of € 73 million realised in 2000 on the sale of Extand to the British Post Office;
- net releases from provisions of € 112 million linked to the implementation of the Sernam restructuring plan and contractual changes; and
- costs of reorganisation and restructuring plans implemented or decided, in particular within the Géodis Group (€ 98 million).

- **Share in earnings of equity affiliates**

Equity affiliates' contribution to net income fell from € 146 million in 2000 to € 13 million in 2001, as the 2000 figure included exceptional income from Télécom Développement's subsidiary, Cegetel Fixe, following a debt waiver by Cegetel SA.

The Group share in the net income of the Kéolis Group created by the Via Cariane merger, after amortisation of goodwill, is € 4 million.

- **Income tax**

The tax charge for the year is € 24 million, compared to a tax gain of € 59 million in 2000 following the recognition of a deferred tax asset by Telecom Développement.

## **2.2 Cash Position and Finance Sources**

- **Cash position**

The Group's principal source of liquid resources is cashflow from operations (€ 741 million).

### *Net cash from operations*

Net cash from operating activities is equal to Cashflow adjusted for changes in working capital requirements. Cash flow from operations totalled € 741 million in 2001, compared to € 903 million in 2000.

The fall reflects the drop in Group operating income in 2001 and changes in working capital requirements (€ 74 million compared to € 329 million) following:

- a fall in various outstanding balances, such as amounts payable to or receivable from the French State, the RFF current account, advances and down payments paid or received; and
- partially offset by a marked drop in trade receivables, particularly in the Freight Division.

Cashflow, which covered 92 per cent. of investments in 2000, covered only 42 per cent. in 2001. Investment levels were, nonetheless, substantially lower in the 2000 fiscal year.

### *Net cash used in investing activities*

Net cash used in investing activities comprises tangible and intangible asset purchases and disposals, acquisitions of equity investments and investments in equity affiliates and net movements in other equity investments and marketable securities.

Net cash used in investing activities totalled € 1,746 million in 2001, compared to € 831 million in 2000, representing a € 915 million increase year-on-year.

- Asset purchases during the year totalled € 1,876 million and comprised:
 

– Tangible assets	1,880
– Intangible assets	44
– Unconsolidated equity investments	21
– Movements in amounts payable on asset purchases	(69)

Equity investments primarily consist of the acquisition of VFLI Cargo and Sealogis.
- The main capital gains and losses on disposal in 2001 break down as follows: (in € million)
 

– Sale of SNCF building on rue Saint-Lazare	73
– Sale of SNCF Participations head office	18
– Restructuring of Zust Ambrosetti	23
- Changes in the scope of consolidation had a negative impact of € 18 million in 2001 and primarily concerned Zust Ambrosetti (Géodis sub-group).

*Net cash from financing activities*

Net cash from financing activities totalled € 654 million in 2001, compared to net cash used in financing activities of € 524 million in the 2000 fiscal year.

Borrowings with an initial term of greater than three months increased by € 446 million, comprising net long-term loan issues of € 405 million and a € 41 million increase in cash borrowings.

After adjustment for changes in Group structure (€ 51 million, primarily relating to the entry of Zust Ambrosetti into the scope of consolidation), borrowings with an initial term of greater than three months increased by € 529 million. The SNCF parent company accounted for € 344 million of this increase, primarily through euro-denominated bond issues and US dollar bond issues hedged by euro swaps.

- **Sources of financing – Debt management**

Transactions during the year were either performed directly in euro at fixed or floating rates, or subject to swap contracts from the outset, converting foreign currency denominated commitments into euro-denominated floating rate commitments.

In order to maintain a major presence on the markets and reduce the financial charges paid by the Group, the financing policy comprised the performance of one major transaction in order to protect SNCF's position as a top quality issuer, together with a number of transactions of smaller unit volume, potentially structured and over shorter terms, in order to gain a cost price advantage.

As such, and applying the same strategy governing the major issues in 1999 and 2000, a € 500 million major issue, maturing 9th July, 2013 was launched at the end of June, 2001 by the parent company. Thanks to the longer term of this issue, it enabled SNCF to confirm its presence in the Euro zone, despite a more substantial portion of the loan being placed on the French market this year. 47 per cent. of the loan was placed in France, 13 per cent. in Benelux, 12 per cent. in Austria, 7 per cent. in Germany and 6 per cent. in Spain.

## 2.3 Employee and Social Policy

The annual average number of Group employees (fully consolidated companies) increased by 0.34 per cent. from 219,991 in 2000 to 220,747 in 2001.

	2001	2000	Change in %
SNCF(*) .....	184,695	182,804	1.03
Géodis Group .....	25,825	25,368	1.80
Cariane .....	-	3,576	-
Sernam Group .....	3,126	1,796	74.05
STVA Group .....	1,663	1,552	7.15
SeaFrance Group .....	1,188	1,264	(6.01)
Other subsidiaries and equity investments.....	4,250	3,631	17.04
<b>Total</b> .....	<b>220,747</b>	<b>219,991</b>	<b>0.34</b>

(\*) paid employees, including employees seconded to Group subsidiaries (3,340 in 2000 and 1,674 in 2001).

There was little change in the total number of SCS Sernam employees. A large number of employees seconded from SNCF returned to the parent company during the year and were replaced by new recruits.

	2001	2000	1999	1998
Parent company(*) .....	184,695	182,804	179,415	179,088
Subsidiaries.....	36,052	37,187	36,302	34,916
<b>Total</b> .....	<b>220,747</b>	<b>219,991</b>	<b>215,717</b>	<b>214,004</b>

(\*) paid employees

## 2.4 Parent Company Fixed Assets Register

During 2001, the parent company launched a major review, aimed at creating a register of fixed assets other than rolling stock, for which an asset register already exists.

Procedures comprised:

- improving the reliability of technical files existing at the end of 2000;
- allocating values to the newly-improved technical files, without distorting future depreciation flows; and
- implementing an asset management software package and corresponding accounting procedures for the processing of asset flows in 2001 and thereafter.

Following completion of these procedures, the parent company now has a fixed asset register representative of all its property, including those assets subject, since 1997, to conflicting interpretations of Law No. 97-135 of 02/13/97 and its application decrees.

Since 1999, the National Commission of Asset Allocation has been analysing and arbitrating the four main areas of disagreement: land used for freight purposes (CM4 lots), housing, passenger concourses in stations and the volume division of buildings. These assets are currently included in Group fixed assets.

In 2001 SNCF proposed a mechanism to RFF translating asset allocation decisions into financial terms, and involving the remuneration of all asset additions and disposals at a price at least equal to the net book value of the assets in the company's balance sheet. This financial compensation mechanism has not as yet been approved.

## 2.5 Outlook for the Future

### ● Passenger Transport and Services Division

*Stay ambitious in an increasingly difficult economic climate for both the parent company...*

The economic slowdown and difficulties associated with the development of European links and the business market, necessitate the implementation of measures aimed at revitalising the Group and improving performance levels.

Among these measures, which bear witness to the Group's high ambitions for 2002, are the passenger loyalty programme, specific actions targeting vendors ("Vitamin C" programme), a determination to extend existing market shares (with for example, the introduction of Transilien line directors) and the development of new TER service offers.

*. . . and its subsidiaries*

The Group is currently considering a new organisational structure for Eurostar, in order to consolidate cooperation between the French, British and Belgian networks and improve the efficiency of the structure.

Kéolis is a candidate for a new UK rail operating franchise, Wales and Borders, which will link the Welsh capital Cardiff with Manchester. The Strategic Rail Authority (SRA) will announce its decision in the autumn of 2002 and the franchise will commence operation at the beginning of 2003. 2002 is also a very important year for Kéolis in France, as 25 of its concessions will come up for renewal, including the Lille transport network concession at the end of the year. The recapitalisation of Kéolis is another major challenge for the Group.

### ● Freight Division

The first half of 2002 should see a pickup in certain activity sectors (continued growth in the automobile industry impacting favorably on flat-bar steel activities in the iron and steel industry, resumption of coal transportation, start-up of traffic relating to the construction of the TGV East high-speed line). These initial signs of a general improvement should enable the Freight Division to return to growth. Nonetheless, this could be affected by a number of factors not under the Group's control, such as the absence of a recovery in the economy or continued perturbations to Channel Tunnel traffic.

2002 is, above all, the final year of SNCF's freight transport monopoly. The network will open to competition in 2003. SNCF is not, however, sitting idle. Preparations are underway and an offensive policy has been launched in Europe, notably through partnerships and alliances, as the Group considers Europe an area ideally suited to the development of rail activities.

*Cooperation to lift technical borders*

On 24th January, 2001, the Chairmen of SNCF and DB announced a joint project to develop rail shuttles between four marshalling yards, creating a joint pool of engines capable of receiving the "different electrical currents feeding cross-border tracks".

This equipment inter-operability could enable the creation of major European freight corridors. The arrival of the European age will also be signaled by the bringing into service of the Alpine rail freeway at the end of 2002 or beginning of 2003. This new service will be assured in partnership with Trenitalia, Modalohr and the freeway company AREA. On 1st February, 2001, 35 double freight cars were ordered by the freight car owner and C-M-E subsidiary. These freight cars were submitted for approval in March 2002 and will be delivered at the end of December, 2002. The order represents an investment of over € 15 million.

The Freight Division is investing in inter-network co-operation, as the market opens up to competition.

*Break-even – a financial necessity*

All these measures will only come into their own, with the progressive return by the division to profits. Despite its public service attributes, notably as regards the environment, rail freight is, above all, a commercial activity which should be profitable. This is not only a necessity for the Group, but also, from now on, a European obligation. The Freight Division has set itself the objective of breaking even by 2005.

- **Infrastructure, leveraging of SNCF's assets and know-how**

Construction of the TGV East European line was commenced on 28th January, 2001 in Baudrecourt, Moselle. The total cost of this project is estimated at € 3.9 billion, including € 1 billion payable by SNCF. The first trains are scheduled to run in 2006, bringing Strasbourg only 2 hours 20 minutes from Paris, Colmar 2 hours 40 minutes and Mulhouse 3 hours 5 minutes.

### 3. Activity and Results by Division

Division contribution to revenues, gross operating income and net operating income breaks down as follows:

	<i>Passenger transport and services</i>	<i>Infra- structure, leveraging of SNCF's assets and know-how (in € million)</i>		<i>Group</i>
<b>Division revenues</b> .....	<b>8,562</b>	<b>6,662</b>	<b>4,945</b>	<b>20,129</b>
<b>Gross operating income</b> .....	<b>888</b>	<b>37</b>	<b>230</b>	<b>1,155</b>
as a % of revenues.....	10.4%	0.6%	4.6%	5.7%
<b>Net operating income</b> .....	<b>230</b>	<b>(283)</b>	<b>73</b>	<b>20</b>
as a % of revenues.....	2.7%	(4.3)%	1.5%	0.1%

#### 3.1 Passenger Transport and Services

This Division brings together all the passenger transport activities of the Group – rail (TGV and traditional mainline trains, Thalys, Eurostar, Regional Express Trains and Transilien), ferries (Seafrance) and bus, tram and subway (Via Cariane, now Kéolis, equity accounted in 2001) – as well as distribution activities and new services complementary to the intrinsic activities of the Division (Eiffa, MTI, voyages-sncf.com).

	<i>Year ended</i>		<i>Change</i>
	<i>31st December, 2001</i>	<i>31st December, 2000</i>	<i>%</i>
	<i>(in € million)</i>		
<b>Division revenues</b> .....	<b>8,562</b>	<b>8,562</b>	-
<b>Gross operating income</b> .....	<b>888</b>	<b>1,130</b>	<b>(21.4)%</b>
as a % of revenues.....	10.4%	13.2%	
<b>Net operating income</b> .....	<b>230</b>	<b>343</b>	<b>(33.0)%</b>
% of revenues.....	2.7%	4.1%	

On a constant Group structure basis (equity accounting of Cariane within Kéolis as of 31st December, 2000), consolidated division revenues rose 2.7 per cent. This was achieved despite a less favorable economic climate than in 2000 and reflects traffic perturbations in certain regions and the consequences of employee unrest; the strike in March and April generated a 2 per cent. drop in annual passenger traffic, equivalent to one week's production.

After marked growth in traffic in 2000, passenger traffic continued to increase in 2001 across all sectors (TGV up 7.9 per cent., Regional Express Trains up 3.3 per cent. and Transilien up 2.1 per cent.).

The contribution of Mainline activities to consolidated revenues increased 3.4 per cent. on last year, Regional Express Train activities 3.7 per cent., Transilien activities 1.9 per cent. and Seafrance activities 17 per cent.

On a constant Group structure basis, Gross operating income fell € 216 million, or 19.1 per cent. This drop was primarily due to the strike (impact of approximately € 75 million), the withdrawal of infrastructure fee subsidies received by the Division (€ 61 million), the launch of the TGV Mediterranean line (€ 75 million) and an increase in RFF infrastructure fees (13.6 per cent. rise).

On a constant Group structure basis, Division Net operating income fell € 105 million, or 30.6 per cent.



Net operating income benefited from the extension of the depreciation period for Eurostar, Thalys and Network carriages from 15 to 30 years. This change, which came into effect on 1st July, 2001 had a positive impact of € 46 million.

- **Long distance and international rail transport**

In a difficult economic climate, revenues rose 1.5 per cent. thanks to an 8.9 per cent. increase in domestic TGV traffic, with the launch of the highly promising TGV Mediterranean service which has already contributed some € 110 million to revenues, and to the Thalys service (7 per cent. increase in traffic and 11 per cent. rise in revenues). Starting 25th March, 2001, Thalys now transports Air France customers between Roissy Charles de Gaulle airport and Brussels. It also profited from the bankruptcy of Sabena and the subsequent discontinuation of Paris-Brussels and Amsterdam-Brussels services by DAT. The terrorists attacks of 11th September, 2001 in the USA had a limited impact on commercial activities, with the exception of Eurostar Group traffic which recorded a 2 per cent. drop.

The slowdown in economic growth had a tangible impact on Eurostar traffic and subsidiary sales abroad. The distribution of European rail products is down, the slowdown in economic activity having triggered a significant decrease in tourist travelling.

Revenue growth is also attributable to the success of the new pricing structure and, in particular, of commercial products which represent around one-third of total sales (12-25 and children's card, discovery range). In addition, the "Frequent Passenger" programme counted close to 200,000 members by the end of 2001.

The increase in traffic was achieved in a context of equipment under-capacity. The first double-decker TGV carriages were delivered in September, 2001. By the end of 2002, the TGV asset pool will comprise an additional 12 double-decker carriages.

Internet activities expanded rapidly, with voyages SNCF.com recording an 80 per cent. growth in sales volume. Eurovacations activities were, however, affected by the events of 11th September, 2001 and lag far behind the other internet activities.

The contribution of Long-distance and international transport activities (comprising SNCF Mainline activities and the GLI sub-group) to division gross operating income fell 22 per cent. from € 673 million in 2000 to € 522 million in 2001, while its contribution to division net operating income fell 13 per cent. from € 190 million to € 165 million.

The drop in Gross operating income is primarily due to an increase in infrastructure fees, which had a net impact of € 168 million, including the withdrawal of operating subsidies of € 61 million in 2000. This increase is mainly attributable to the launch of the TGV Mediterranean line (impact of € 75 million).

The more muted fall in Net operating income is primarily due to the extension of the depreciation period for Eurostar, Thalys and Network carriages from 15 to 30 years (€ 46 million).

- **Regional Express Trains (TER)**

The fall in the contribution of TER activities (net operating loss of € 73 million in 2001 compared to € 35 million in 2000) is mainly attributable to:

- the inclusion in 2001 of audit adjustments identified during the audit of the TER 2000 financial statements (€ 17 million);
- the consequences of the economic slowdown observed during the closing months of 2001; and
- the impact of employee unrest in the spring of 2001.

Despite this, TER service offering increased by 4.6 per cent. and income from operation grew 5.9 per cent.

- **Transilien**

As the second year of implementation of the SNCF-STIF contract, the 2001 fiscal year naturally focused on satisfying the Company's contractual commitments, in order to offer a higher quality service, while ensuring profitability.

Thankfully, a persistently poor punctuality record did not hold back traffic growth. SNCF remained well above the contractual maximum profit sharing level. Traffic realised by holders of *Intégrale* and *Imagine "R"* cards contributed to this growth.

The fall in this activity's contribution to consolidated net operating income from € 143 million in 2000 to € 120 million in 2001 is mainly attributable to:

- contractual indexing measures which continue to disadvantage activities (of around € 11 million); and
- increases in certain expense accounts such as rolling stock maintenance, compared with contractual remuneration levels based on the general concept of constant service offer constant price.

- **Kéolis**

This Group, which changed its name at the beginning of 2001, resulted from the merger in December 2000 of Via GTI, the leading privately-owned passenger public transport operator in France, and Cariane (an operator specialising in inter-urban transport). A leading operator in urban, inter-urban and light-rail transit systems, it reported activity volume of € 1.46 billion in 2001, compared with € 1.24 billion in the previous year. However, as the 2000 fiscal year was marked by major reorganisational measures and the sale of subsidiaries to Connex, a year-on-year comparison is of little relevance. Activity in the 2001 fiscal year was affected by national strike movements, primarily in the urban transport sector, which weighed heavily on the overall performance of French activities, without stopping them recording growth.

- **Ferry transport**

The general environment for Cross-Channel activities was not particularly favorable in 2001: foot-and-mouth disease in the UK, illegal immigration towards the UK, beginnings of an economic slowdown. However, after the major impact of employee and operating problems in the 2000 fiscal year, Seafrance enjoyed a marked turnaround in 2001, thanks to a return to satisfactory reliability levels. Seafrance improved its competitive position, in particular during the tourist high-season. Growth in car (up 12 per cent.) and truck (up 6 per cent.) traffic, which generate the major part of company margins, was key to the significant improvement in results.

2001 revenues rose 17 per cent. on 2000 to € 203 million, despite a dip in the pound sterling exchange rate (down 2 per cent.). With only a 11.2 per cent. increase in operating expenses, Seafrance's contribution to consolidated net income rose € 6 million (net income of € 2 million, compared to a net loss of € 4 million in 2000). The fall in fuel prices and a reduction in port taxes in France contributed to keeping a tight reign on purchases and external charges.

- **Transport-related services**

Parent company station activities were marked by the opening of three new stations for the launch of the TGV Mediterranean line (Valence, Aix and Avignon) and the development of ambitious station upgrade programmes.

Activity revenues (fees received in respect of businesses located in the stations, advertising, car parks, checkroom, etc.) totalled € 73 million, up 17 per cent. on the 2000 fiscal year.

### 3.2 Freight Division

The Freight Division brings together the freight and logistic activities of the Group, irrespective of the transport method (rail or road).

	<i>Year ended</i>		<i>Change</i>
	<i>31st</i>	<i>31st</i>	
	<i>December,</i>	<i>December,</i>	<i>%</i>
	<i>2001</i>	<i>2000</i>	
	<i>(in € million)</i>		
<b>Division revenues</b> .....	<b>6,622</b>	<b>6,512</b>	<b>1.7</b>
<b>Gross operating income</b> .....	<b>37</b>	<b>184</b>	<b>(79.8)%</b>
as a % of revenues.....	0.6%	2.8%	
<b>Net operating income</b> .....	<b>(283)</b>	<b>(69)</b>	<b>nm</b>
% of revenues.....	(4.3)	(1.1)	

Excluding the reorganisation of the Züst Ambrosetti Group, Division contribution to consolidated revenues fell by 3 per cent.

Division net operating income was affected by strikes both in the parent company and rail-using subsidiaries (CNC, STVA, Rouch, etc.), with an estimated impact of € 84 million.

- **SNCF Freight activities**

2001 was marked in France and Europe by a general slowdown in economic growth, particularly in the manufactured product, construction and public works and food-processing sectors. The intermediate goods sector, a major consumer of rail transport services, also fell, while consumer goods and automobile activities held up best.

In addition to the economic climate, activity levels were heavily affected by the strike in March and April and the resulting partial suspension of traffic, as well as recurring employee unrest at a number of locations which persisted up to the end of the year. The immediate consequences of the strike have been estimated at € 78 million and lost traffic at approximately 2 billion tonne-kilometers transported. These employee actions also led a number of customers to change their choice of transport method, the impact of which is difficult to measure.

In this context, activity contribution to consolidated revenues fell by € 140 million (7.2 per cent.) to € 1,799 million. The general trend over the last two years of high growth in traffic, marked an abrupt about-turn, with traffic levels falling 9 per cent. (50.4 billion tonne-kilometers in 2001 compared to 55.35 billion in 2000).

As a result, Gross operating income fell substantially (drop of € 167 million from net income of € 60 million in 2000 to a net loss of € 107 million in 2001), due also to a € 30 million drop in transport services. The net operating loss increased € 190 million to € 196 million.

- **Parcel delivery and logistic services**

*Sernam*

Even after inclusion of parent company activities in January 2000, the Sernam Group's contribution to consolidated revenues fell slightly.

While logistic services recorded growth of 53 per cent. on the 2000 fiscal year, trends in traditional parcel delivery services, both express and international, were more varied, and grouping activities fell back 4.8 per cent.

The new transport plan will not be operational before the beginning of 2002, but expenses were contained thanks to in-depth measures taken at branch level, cuts in head office real-estate and employee costs and a reduction in recourse to temporary staff and handling sub-contracting.

*Géodis*

Revenues rose by 1.1 per cent. (0.3 per cent. on a constant group structure and exchange rate basis), profiting essentially from the good level of French activities (up 3 per cent. on a constant group-structure basis). Parcel delivery services continued to enjoy buoyant demand, despite the slowdown observed during the second quarter and a more marked drop in the third quarter.

The European region (excluding France), recorded a slight drop of 1.9 per cent., primarily due to a steady fall in activity levels in the United Kingdom (United Distribution).

The Group's other international activities recorded a 14.3 per cent. drop in business volumes (on a constant group structure and exchange rate basis), following a marked slowdown in relations between Asia and Europe and, in particular, the drop in activity levels since September, primarily affecting air and sea transport commission businesses. Activity levels were also affected by restructuring measures in Latin America.

Net operating income rose significantly (€ 31 million, compared to € 17 million in 2000). The domestic parcel delivery division reported good results, up on last year despite an increase in employee costs as a result of activity growth and the full impact of the reduced working week. European parcel delivery activities once again reported substantial losses, mainly attributable to United Distribution. Géodis decided to discontinue the activities of its UK parcel delivery subsidiary on 31st January, 2002, as its turn around was proving more difficult than expected. Although still loss-making, overseas activities improved significantly on the 2000 fiscal year, notably in Africa. The restructuring measures launched in the road transport division in 1999 began to bear fruit. Logistic activity results were acceptable, but down significantly on last year. The Géodis Group recorded a high level of reserves in respect of necessary

restructuring measures and customer risks at the year end. As such, despite an increase in net operating income, Géodis reported a net loss for the year of € 138 million, compared to € 28 million in 2000.

- **Port activities**

Feron de Clebsattel recorded a marked drop in business volumes (8.8 per cent.) by its traditional sea shipping agency, container logistic and port handling activities. Its activity portfolio was significantly reshuffled following the transfer of Evergreen, effective 15th December, 2000, and the loss of the Sollac contract at the end of January 2001. Feron reported a net loss for the year of € 4 million, compared to net income of € 2 million in 2000.

- **Combined transport**

Combined rail-road transport activities slowed down considerably during the year.

CNC nonetheless managed to maintain revenues at their 2000 level of € 220 million. The strikes in April 2001 and the variable quality of rail links weighed heavily on business volumes. In addition to the structural problems encountered by combined transport activities, CNC also had to deal with an increase in the price of final deliveries, the implementation of decrees concerning the reduced working week, and an economic slowdown in the second half of the year. Ground transport activities suffered as a result of SNCF strikes and sea shipping activities were penalised by the strikes at Le Havre. The current restructuring plan has already enabled a significant reduction in production operating costs.

Novatrans business volumes fell back 6.3 per cent., although its contribution to net income of equity affiliates remained positive (€ 0.8 million).

Rouch Intermodal, purchased by the Group in July 2000, recorded revenue growth of 2.7 per cent., primarily attributable to its road activities, but suffered the full effects of the parent company strike and the increase in road sub-contracting costs. It contributed € 29 million to consolidated revenues.

- **Cereal and bulk**

Logistra continued to encounter problems with its rail links. Revenues fell slightly by 1.2 per cent. to € 53.7 million.

CTC contributed € 26 million to revenues, down 0.7 per cent. on last year, affected by the depressed climate in the cereal sector in the second half of the year. This subsidiary, whose activities are mainly rail-related, continues to incur freight car rental expenses even when traffic is interrupted by parent company strikes. As a result, it recorded a € 3 million drop in net operating income.

- **Automobile transport**

The automobile market held up well with 0.6 per cent. growth in registrations in Europe and 5.7 per cent. in France. STVA did not benefit fully from this growth in the French market, due to the erosion of the market share of its traditional clients (Ford and Renault). STVA contributed € 291 million to consolidated revenues in the year, compared to € 282 million in 2000 (up 3.2 per cent.). This increase is attributable to the increase in registrations and continued external growth.

Gross operating income is stable at € 26 million, following an increase in operating employee costs and overheads. Net operating income fell to € 7 million from € 11 million, due to:

- an increase in depreciation charges (up 18 per cent.) following a two-fold increase in capital expenditure between 2000 and 2001;
- a decrease in amounts released from provisions for freight car maintenance;
- an increase in lease finance charges linked to the purchase of new VMV freight cars; and
- difficulties encountered by UK companies.

### 3.3 Infrastructure, Leveraging of SNCF's Assets and Know-How

	Year ended		Change %
	31st December, 2001 (in € million)	31st December, 2000	
<b>Division revenues</b> .....	<b>4,945</b>	<b>4,765</b>	<b>3.8</b>
<b>Gross operating income</b> .....	<b>230</b>	<b>291</b>	<b>(21.0)%</b>
as a % of revenues.....	4.6%	6.1%	
<b>Net operating income</b> .....	<b>73</b>	<b>133</b>	<b>(45.1)</b>
% of revenues.....	1.5	2.8	

The increase in revenues is largely attributable to the surge in telecommunication activities which increased 52.7 per cent. on last year.

Division Gross operating income fell back 21 per cent. as a result of substantial pressure on Télécom Développement prices.

The contribution of hydro-electric power generation activities to division results was relatively constant.

- **Managing the infrastructure**

The TGV Mediterranean line was brought into service on schedule. This marked the end of one of the largest European worksites of recent years, which has had a determining impact on Infrastructure management activities.

As such, the 2001 fiscal year was a year of transition between work on the TGV Mediterranean line and work on the XIIth Plan and the TGV East line. RFF capital expenditure was below previous year levels, a drop only partially offset by an increase in capital expenditure on SNCF fixed installations, notably in the stations. The parent company contribution to consolidated revenues was, therefore € 3,729 million, down 5.3 per cent. on the 2000 figure of € 3,939 million.

At the beginning of 2001, the rail network was once again hit by bad weather. Floods caused damage, creating substantial work for Equipment maintenance staff, while geological problems (formation of underground cavities) seriously affected the operation of the TGV North line.

2001 also saw the full application of agreements regarding reductions in the working week. The Infrastructure manager must continue, through sustained productivity efforts, to ensure the maintenance of the network and the management of traffic, while guaranteeing the security of the rail system.

Gross operating income fell by € 51 million (€ 83 million in 2001 compared to € 134 million in 2000), and Net operating income by € 30 million (Net loss of € 1 million in 2001 compared to a Net income of € 29 million in 2000) primarily due to the withdrawal of State subsidies for the development of rail transport (€ 30 million).

- **Telecommunications**

This sector contributed € 1,075 million to Group revenues, a rise of some 53 per cent. on 2000. This increase is attributable to growth in traffic carried and was achieved despite substantial price decreases during the period.

The 82 per cent. increase in interconnection costs paid to France Télécom, despite a drop in selling prices, under an annual price-setting agreement, resulted in stable gross operating income (revenues minus interconnection costs). This situation, combined with costs associated with the arrival of new traffic in 2002, accounts for the drop in Telecom Développement net income and its contribution to the Group of only € 37 million compared to € 79 million last year (down 53 per cent.).

- **Electricity generation**

SHEM Group revenues fell slightly by 2.5 per cent. to € 78 million. Its contribution to net operating income fell € 6 million, but remains high at € 50 million.

## **4. Additional Information Concerning the Parent Company**

### **4.1 Parent company results**

#### **Financial statement comparability**

The only factor affecting a prior-year comparison of the 2001 financial statements is the change in the estimated useful life of certain rolling stock. The depreciation period for TGV Network, Eurostar and Thalys carriages was increased to 30 years with effect from 1st July, 2001. This change (compared to a depreciation period of 15 years) generated a € 43 million increase in net income, consisting of a € 29 million reduction in the net depreciation charge and a € 14 million reduction in net charges to operating provisions (in respect of equipment subject to Service Contract lease or Pickle lease financing arrangements). At the end of 2001, all recently acquired TGVs were being depreciated over 30 years.

#### **Results for the year**

The parent company financial statements for the year ended 31st December, 2001 report a net loss for the year of € 134 million, compared to a net income for the 2000 fiscal year of € 68 million.

Two major events in 2001 impact heavily on Company results: employee unrest in April and the launch of the TGV Mediterranean line in June.

Despite the strikes during the spring of 2001, passenger traffic continued to grow, benefiting from the launch of the TGV Mediterranean line and the development of Regional Express Train (TER) services (TGV traffic up 7.9 per cent.; total Mainline traffic up 2.3 per cent.; TER traffic up 3.3 per cent.; Transilien traffic up 2.1 per cent.).

Conversely, freight traffic fell significantly in 2001 (9.0 per cent.) as a result of the strike in March and April and a general economic slowdown in the second half of the year.

Company revenues were also affected by a reduction in work performed on behalf of RFF, following completion of the TGV Mediterranean worksites, not offset by other projects (TGV East line and projects detailed in XIIth State-Regional Plan Contracts).

The parent company is currently in the middle of stage two of its industrial project, as broken down between operations and departments. During the year the emphasis was placed on improving key rail production components and notably punctuality.

As the parent company accounts for over two-thirds of Group activity, the information presented on the 2001 consolidated results explains the majority of the parent company results.

In summary, 2001 parent company net income fell substantially on 2000, primarily as a result of:

- the impact of employee unrest in March and April 2001, estimated at € 145 million;
- the withdrawal of specific State subsidies to Mainline and Infrastructure activities of € 91 million;
- the bringing into service of the TGV Mediterranean line, with an estimated impact of € 75 million; and
- the economic slowdown, which impact heavily on freight revenues.

Gross operating income fell € 430 million on last year, to a loss of € 71 million. Net operating income includes a capital gain realised on the sale of the former head office building of € 73 million, limiting the drop in net operating income to € 202 million.

Note that the parent company did not record a tax charge in respect of the year due to tax losses carried forward (€ 502 million of ordinary tax losses and € 11,793 million of tax losses available for carry forward indefinitely).

### **4.2 Material movements in investments**

During fiscal 2001, equity investments increased € 419 million. No investments were sold. The increase corresponds entirely to the subscription of SCS Sernam stock issues (€ 276 million fully paid-up and € 143 million not fully paid-up), performed in December 2001 following the signature of a heads of agreement with Géodis.

### 4.3 Corporate governance

**The Board of Directors** of the Industrial and Commercial Public Institution SNCF comprises 18 members:

- Seven representatives of the French State appointed by decree, based on the report of the Transport Minister:
  - two at the recommendation of the Transport Minister;
  - one at the recommendation of the Economic and Finance Minister;
  - one at the recommendation of the Budget Minister;
  - one at the recommendation of the Minister responsible for planning and regional development;
  - one at the recommendation of the Industry Minister; and
  - the Chairman of the Board appointed from among directors and at their recommendation by a Council of Ministers Decree.
- Five members chosen for their expertise and appointed by decree:
  - a representative of passengers;
  - a representative of shippers;
  - two local councilors chosen for their knowledge of regional, department and local rail-related matters; and
  - an individual chosen for his personal expertise in the transport sector.
- Six members, including a management representative, elected by employees of the Company and its subsidiaries, with a minimum workforce of 200.

A Council of State (“Conseil d’Etat”) Decree lays down the parent company by-laws and sets the procedures for the appointment and election of Board members.

Board members are appointed for a five-year term of office. A director may not exercise more than three consecutive terms of office. Directors receive no compensation for their activities.

The Government Commissioner or, in his absence, the Assistant Government Commissioner has an advisory seat on the Board and all sub-committees and commissions created.

The head of the Transport Economic and Finance Control Office or his representative has an advisory seat on the Board and all sub-committees and commissions. The Board Secretary and the Central Company Committee Secretary also have a seat on the Board. The Board of Directors meets monthly.

In order to strengthen its analysis and decision-making capacity and in accordance with the terms of the bylaws, the Board of Directors has set up a number of specialised committees and commissions.

*Audit and Risk Committee*, responsible for reviewing the accounts, budget and risk control.

*Finance and Plan Commission*, responsible for dealing with questions concerning financial management, the budget and the annual and half-year financial statements.

*Group Commission*, consulted on matters concerning general policy and Group restructuring, Group company financial statements, acquisitions of new or additional investments and disposals, the creation, sale and winding up of subsidiaries.

*Regionalisation Commission*, responsible for monitoring matters concerning the regionalisation of regional and local passenger public transport services.

*Markets Commission*, consulted on projects involving contracts, public markets, acquisitions, disposals, building exchanges etc. exceeding a predetermined threshold set by the Board.

#### **Executive Management**

##### *Executive Committee*

The Chairman appoints the members of the Executive Committee and defines their tasks.

The Executive Committee collectively reviews, at the initiative of the Chairman or on the proposal of one of its members, development and strategic projects necessary to the development of the Group.

The Chairman approves decisions concerning all matters reviewed by the Executive Committee. In their areas of expertise, the Chairman delegates powers to Executive Committee members to enable them to act and decide in his name.

The powers delegated carry authority over all Company bodies.

#### 4.4 Extracts from the SNCF parent company financial statements

The key explanations concerning the company financial statements of the public institution SNCF are presented in the consolidated financial statements. As such, only the summary financial statements of SNCF are presented here.

The company financial statements may be obtained by simple request from SNCF (Management Control Division).

##### *Summary Income Statement*

	<i>Year ended 31st December,</i>	
	<i>2001</i>	<i>2000</i>
	<i>(in € million)</i>	
Revenues .....	14,227	14,348
Other income .....	603	553
Purchases and external charges.....	(6,165)	(6,032)
<b>Value added</b> .....	<b>8,665</b>	<b>8,869</b>
Operating subsidies .....	133	234
Taxes and duties other than IT.....	(641)	(645)
Personnel costs .....	(7,493)	(7,364)
<b>Gross operating income</b> .....	<b>664</b>	<b>1,094</b>
Depreciation, amortisation and provisions, net.....	(721)	(795)
Other operating income and expenses.....	(14)	(43)
<b>Net operating income</b> .....	<b>(71)</b>	<b>256</b>
Net financial expense.....	(105)	(155)
<b>Net income from ordinary activities</b> .....	<b>(176)</b>	<b>101</b>
Exceptional items.....	14	(79)
Income from tax grouping .....	28	45
<b>Net income/(loss) for the year</b> .....	<b>(134)</b>	<b>68</b>



*Summary Balance Sheet*

	<i>Year ended 31st December,</i>	
	<i>2001</i>	<i>2000</i>
	<i>(in € million)</i>	
Tangible and intangible assets .....	11,152	10,597
Réseau Ferré de France (RFF) receivable .....	14,297	16,256
Other long-term investments.....	3,381	3,382
Inventory and work-in-process.....	458	441
Operating receivables.....	7,046	6,691
Special Debt Account and Employee-Related Benefits Service Account assets.....	1,710	1,536
Cash and cash equivalents .....	1,039	1,323
Prepaid expenses and deferred charges.....	672	766
<b>Total assets</b> .....	<b>39,755</b>	<b>40,992</b>
Stockholders' equity.....	6,199	6,183
Reserves for contingencies and losses .....	1,358	1,686
Borrowings .....	20,147	21,617
Operating liabilities.....	8,799	8,336
Special Debt Account and Employee-Related Benefits Service Account liabilities.....	754	574
Accruals and deferred income .....	2,498	2,596
<b>Total liabilities and stockholders' equity</b> .....	<b>39,755</b>	<b>40,992</b>

*Summary Statement of Cashflow*

	<i>Year ended 31st December</i>	
	<i>2001</i>	<i>2000</i>
	<i>(in € million)</i>	
<b>Cash flow from company operations</b> .....	<b>637</b>	<b>1,035</b>
<b>Change in working capital requirements</b> .....	<b>(260)</b>	<b>(416)</b>
– Net cash from operations .....	377	619
– Net cash used in investing activities .....	(1,499)	(331)
– Net cash from/(used in) financing activities .....	620	(389)
<b>Increase/(decrease) in the cash balance</b> .....	<b>(502)</b>	<b>(101)</b>

## **CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated information set forth below for 2000 and 2001 is included for information purposes. The financial information appearing below should be read in conjunction with “Characteristics of Financial Year 2000 and Subsequent Events” and “Characteristics of Financial Year 2001 and Subsequent Events”. The consolidated financial statements of SNCF for 2000 and 2001 including the notes thereto have been audited by SNCF’s statutory auditors.

**CONSOLIDATED BALANCE SHEET AS OF 31st DECEMBER**  
(in € million)

	<i>Note</i>	<i>2001</i>	<i>2000</i>
<b>Assets</b>			
Goodwill .....	4	242	256
Intangible assets .....	5	120	117
Tangible assets .....	6	14,889	14,101
Reseau Ferre de France ("RFF") Receivable .....	7	14,297	16,255
Other long-term investments .....	8	887	823
Equity affiliates .....	9	366	426
<b>Total non-current assets</b> .....		<u>30,801</u>	<u>31,978</u>
Inventory and work-in-process .....	10	485	465
Operating receivables .....	11	6,090	5,675
Special debt account and employee-related benefits account – assets .....	31	1,711	1,537
Cash and cash equivalents .....	12	1,334	1,570
<b>Total current assets</b> .....		<u>9,620</u>	<u>9,247</u>
<b>Total assets</b> .....		<u><u>40,421</u></u>	<u><u>41,225</u></u>
	<i>Note</i>	<i>2001</i>	<i>2000</i>
<b>Liabilities and Stockholders' Equity</b>			
Capital .....		4,271	4,271
Reserves and accumulated profit .....		(55)	80
<b>Stockholders' Equity (Group Share)</b> .....	13	<u>4,216</u>	<u>4,351</u>
<b>Minority interests</b> .....	14	<u>220</u>	<u>301</u>
<b>Reserves for contingencies and losses</b> .....	15	<u>1,294</u>	<u>1,384</u>
Loans and borrowings .....	17,18	24,350	25,728
Operating liabilities .....	19	9,586	8,887
Special debt account and employee-related benefits account – liabilities .....	31	755	574
<b>Total liabilities</b> .....		<u>34,691</u>	<u>35,189</u>
<b>Total liabilities and stockholders' equity</b> .....		<u><u>40,421</u></u>	<u><u>41,225</u></u>

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31st DECEMBER**  
*(in € million)*

	<i>Note</i>	<i>2001</i>	<i>2000</i>
<b>Consolidated revenues</b> .....	20	20,129	19,839
Capitalised production and production for stock.....		659	589
Operating subsidies.....	22	134	235
Purchases and external charges.....	21	(10,242)	(9,682)
Taxes and duties other than IT.....		(785)	(774)
Personnel costs .....	23	(8,741)	(8,602)
<b>Gross operating income</b> .....		<u>1,155</u>	<u>1,605</u>
Depreciation, amortisation and provisions, net.....	24	(1,132)	(1,192)
Other operating income and expenses.....		(3)	(6)
<b>Net operating income</b> .....		<u>20</u>	<u>407</u>
<b>Net financial income/(expense)</b> .....	25	(330)	(333)
<b>Net income/(loss) from ordinary activities of consolidated companies</b> .....		<u>(310)</u>	<u>74</u>
<b>Exceptional items</b> .....	26	149	46
Income tax.....	27	(24)	49
<b>Net income (loss) of consolidated companies</b> .....		<u>(185)</u>	<u>169</u>
Share in earnings of equity affiliates.....	9	13	146
Amortisation of goodwill .....	4	(38)	(19)
<b>Consolidated net income/(loss)</b> .....		<u>(210)</u>	<u>296</u>
Minority interests .....	14	(70)	119
<b>Net income/(loss) for the year (group share)</b> .....		<u><u>(140)</u></u>	<u><u>177</u></u>

**CONSOLIDATED STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 31st DECEMBER**  
*(in € million)*

	<i>Note</i>	<i>2001</i>	<i>2000</i>
<b>Net income of consolidated companies</b> .....		(185)	169
Add-back of non-cash items:			
Depreciation, amortisation and provisions, net (excluding current asset provisions) .....		1,074	1,422
Deferred tax movement .....		2	(53)
Capital gains/(losses) on disposal .....		(137)	(304)
Other .....		46	(11)
<b>Cash flow from consolidated company operations</b> .....	30	800	1,233
Dividends received from equity affiliates .....		15	9
Change in working capital requirements .....		(74)	(329)
<b>Net cash from/(used in) operations</b> .....	30	741	903
Non-current asset purchases .....		(1,876)	(1,175)
Non-current asset disposals .....		168	173
Change in loans and receivables .....		(3)	26
Impact of changes in group structure .....		(18)	129
Other investment changes .....		(17)	16
<b>Net cash from/(used in) investing activities</b> .....	30	(1,746)	(831)
Dividends paid to minority interests in consolidated companies .....		(6)	(7)
New loans secured .....		2,202	1,645
Loan repayments .....		(1,797)	(2,133)
Investment subsidies received .....		290	263
Change in marketable securities <sup>(1)</sup> .....		(116)	(14)
Change in cash borrowings <sup>(1)</sup> .....		41	(332)
Other changes .....		40	54
<b>Net cash from/(used in) financing activities</b> .....	30	654	(524)
<b>Increase/(decrease) in cash balance</b> .....	30	(351)	(452)
Opening cash balance .....		(348)	57
Closing cash balance .....		(668)	(348)
Impact of exchange rate fluctuations .....		31	52
Impact of changes in accounting method .....		-	(5)

Notes:

(1) Portion with an initial maturity of more than 3 months.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*All amounts are in € million, unless stated otherwise*

### 1. Accounting Standards

Pursuant to Article 25 of the Orientation Law on Domestic Transport (LOTI) of 30th December, 1982, Société Nationale des Chemins de fer Français (SNCF), a state-owned industrial and commercial institution "is subject to the financial management and accounting rules applicable to commercial companies". SNCF keeps its accounting books and records in accordance with prevailing legislation and regulations in France.

As from 1st January, 2000, the consolidated financial statements are prepared in accordance with the new rules and methods applicable to consolidated financial statements, approved by the Ministerial Order of 22nd June, 1999 authorising CRC Regulation 99-02 issued by the French Accounting Standards Setting Body.

### 2. Comparability of the Financial Statements

#### Changes in Group Structure

A list of the main companies included in the scope of consolidation is presented in Note 33.

Changes in Group structure during the year primarily relate to the demerger into two companies of the Züst Ambrosetti group, equity accounted as 31st December, 2000:

- Züst Ambrosetti Spa is fully consolidated from 1st January, 2001
- the other company was sold during the year, generating a capital gain on disposal of €22.5 million.

#### Other Changes

Other than changes in Group structure, the only factor impacting the year-on-year comparison of the 2001 consolidated financial statements is the change in the estimated useful life of certain rolling stock. The depreciation period for Network, Eurostar and Thalys TGVs was increased to 30 years from 1st July, 2001. The impact of this change in estimated useful life (compared to a period of 15 years) on the Group share of 2001 net income for the year is €46 million (net charge to depreciation).

At the end of 2001, all recently acquired TGVs were being depreciated over 30 years.

### 3. Accounting Policies

#### Consolidation Policy

Companies over which SNCF exercises exclusive control, directly or indirectly, are fully consolidated. Companies over which control is exercised jointly with a limited number of stockholders are consolidated on a proportional basis.

Companies which the Group does not control but over which it exercises significant influence are equity accounted. Significant influence is deemed to exist when the Group holds a percentage interest of 20 per cent. or more.

Companies over which the Group exercises control or significant influence but which are not, as a whole, material to the consolidated financial statements are excluded from the scope of consolidation.

The SICF and SOCRIF sub-groups, comprising HLM low-rental housing companies, are not consolidated due to the regulatory restrictions applicable to HLM companies (see Note 8).

The financial statements of consolidated and equity accounted companies are adjusted in accordance with Group accounting policies.

The financial statements of all companies included in the scope of consolidation are drawn up to 31st December, 2001 (except for the Financière Systra financial statements drawn up to 30th September).

#### Translation of Foreign Company Financial Statements

The financial statements of foreign subsidiaries are translated into euro using the closing rate of exchange method:

- balance sheet accounts are translated at the year-end rate of exchange,
- income statement items are translated at the average annual rate of exchange,

- translation differences arising on the retranslation of opening balance sheet items (movement between opening and closing exchange rates) and income statement items (movement between average and closing exchange rates) are taken to Translation reserves in Consolidated stockholders' equity.

### **Translation of Foreign Currency Transactions**

Foreign-currency denominated transactions are translated at the exchange rate prevailing at the transaction date or at the appropriate hedge rate.

Foreign-currency denominated assets and liabilities are valued at the closing rate of exchange or the appropriate hedge rate and any gains or losses arising taken to the income statement.

### **Statement of Cashflows**

The Statement of Cashflows is prepared using the indirect method which involves adjusting company net income for non-cash income and expense items in order to determine Cashflow from operations.

The cash balance presented in the Statement comprises cash and cash equivalents, marketable securities, deposits and cash borrowings with an initial maturity of three months or less.

### **Goodwill**

Up until 31st December, 1999, the difference on consolidation recognised on the acquisition of an investment represented the difference between the acquisition cost of the investment and the relevant share in adjusted stockholders' equity of the company acquired. The residual difference not allocated to balance sheet items was recorded in balance sheet assets within Goodwill on consolidated investments.

As from 1st January, 2000, the difference between the acquisition cost of the investment and the fair value of identifiable assets and liabilities as of the acquisition date is recorded as goodwill. Operating assets are stated at their carrying value. Assets not intended for use in operations are stated at their estimated market value as of the acquisition date or, in the absence of a market value, at their expected realisable value.

Pursuant to the option offered by Regulation 99-02, acquisitions prior to 1st January, 2000 have not been adjusted in accordance with the new valuation rules.

Positive goodwill balances are recorded in consolidated assets and amortised over a period generally not exceeding 20 years.

Negative goodwill balances are recorded in Reserves for contingencies and losses in the balance sheet and released to income in accordance with the assumptions and objectives set at the time of the acquisition.

### **Intangible Assets**

Preliminary expenses are amortised in full in the year incurred.

Software is amortised over a period of one to five years, depending on its forecast economic life.

Purchased goodwill and market share is amortised over a period not exceeding 20 years, commencing the date of acquisition.

Assets are valued using methods specific to each category and enabling value movements over time to be monitored. The methods adopted refer to one or more physical or financial indicators enabling such values to be monitored on a regular basis.

An impairment reserve is booked when the market value of such assets is less than their net book value.

### **Tangible Assets**

Group tangible assets include assets made available by the French State, assets owned outright and assets held under lease finance agreements.

### **Public Domain Real Estate Assets made available by the French State**

The French Orientation Law on Domestic Transport (LOTI) lays down the terms of possession of assets entrusted to SNCF.

On the creation of the industrial and commercial public institution SNCF on 1st January, 1983, the real estate assets previously given under concession to the semi-public limited liability company which it succeeded, were appropriated to it.

These assets made available by the French State, without transfer of title, are recorded in the Group balance sheet in the relevant tangible asset accounts, to enable an economic assessment of Group performance.

Subject to legal provisions applicable to infrastructures deemed of general interest or public utility, the parent company exercises full management powers over all real estate assets entrusted to it or purchased by it.

Real estate assets held by the public institution, no longer used in the performance of its activities or which are part of its private domain, may be allocated to another purpose or sold by the public institution for profit.

### **Owned Assets**

Tangible assets owned outright are recorded in consolidated assets at acquisition or production cost.

Production cost comprises the cost of raw materials and labour used to manufacture the assets, including that of purchased spare parts. Interest costs are not capitalised.

The cost of overhauls performed at the end of the technical life of rolling stock, together with refurbishment and transformation costs, are capitalised in assets.

All costs incurred during the life of equipment (repair work on faulty spare parts and replacement of unusable and missing parts) are recorded as operating expenses.

Tangible assets are depreciated over their expected useful life, primarily using the straight-line method.

### **Depreciation Period**

Tangible assets are depreciated over the following periods:

- Buildings 10 to 50 years
- Industrial plant and machinery (excluding rolling stock) 3 to 20 years
- Overland transport equipment:
  - TGV high-speed trains 15 to 30 years
  - Electric locomotives 25 to 30 years
  - Diesel locomotives 20 to 30 years
  - Motorised carriages 15 to 30 years
  - Passenger carriages 20 years
  - Freight cars 7 to 15 years
  - Tractors, trailers (trucks) 4 to 10 years
  - Buses 8 years
- Rolling stock overhaul, refurbishment and transformation costs 7 years
- Ferries 8 to 14 years
- Other tangible assets 3 to 5 years

Depreciation charges relating to the assets held under concession agreements by the Group, which will be returned to the local and administrative authorities free of charge at the end of the concession period are recorded within Reserves for contingencies and losses.

### **Long-term Investments**

Investments in unconsolidated companies and other long-term investments are recorded in the balance sheet at acquisition cost net of any impairment reserves. Impairment reserves are booked when the fair value of an investment is less than its acquisition cost.



The fair value of an investment is its carrying value to the Group. This is determined taking account of the Group's share in net equity (potentially revalued), future profitability and, for listed companies, stock market trends.

### **Inventory**

Inventory is valued at the lower of cost price and net realisable value. Cost price is equal to acquisition or purchase cost. Purchase cost includes both direct and indirect production expenses.

Cost price is calculated using the weighted average cost method.

Inventory reserves are booked based on the age of items.

### **Operating receivables**

Receivables are stated at nominal value. An impairment reserve is booked when a potential risk of non-recovery arises. This reserve is determined based on an individual or statistical appraisal of non-recovery risk.

### **Marketable Securities**

Marketable securities are recorded in the balance sheet at the lower of acquisition cost and market value. The market value of listed shares is equal to the stock market price on the last day of the fiscal year.

Bonds are recorded on the acquisition date at face value adjusted for any premiums or discounts. The year-end value includes any accrued interest receivable.

Shares in French mutual funds (SICAV) are recorded at acquisition cost net of purchase charges. An impairment reserve is booked at the year-end when the net asset value is less than the acquisition cost.

Marketable debt securities are recorded at acquisition cost and interest taken to financial income on a time-apportioned basis.

### **Derivative Instruments**

Derivative instruments traded by SNCF Group to manage currency, interest rate and commodity risks are recorded off-balance sheet (see Note 18).

All hedging instruments used by the Group to manage long-term commitments are allocated, as a general rule, to borrowings on issue or to existing borrowings.

- **Currency derivatives**

The Group trades on the forex market to hedge foreign-currency denominated receipts and payments linked to debt servicing and commercial activities. The Group uses futures and forward contracts, swaps and forex options.

Forex option premiums received or paid are recognised in full to the income statement in the year of exercise.

- **Interest rate derivatives**

- ***Interest Rate Swaps and Swaptions***

The Group uses interest rate swaps and swaptions to hedge loan issues and manage its existing debt.

Option premiums received or paid are recognised in full in the income statement in the year of exercise.

Whenever possible, the Group seeks to cancel existing contracts in order to reduce the number of contracts covering the same loan and thereby reduce counterparty risk and commitment levels. Cash balances received or paid on the conclusion or cancellation of swaps are deferred over the term of the underlying commitment. However, when a debt restructuring operation calls for the implementation of options, the cash balance resulting from the cancellation of swaps following the exercise of these options is taken directly to the income statement, provided such cancellation is designed to optimise implementation of the strategy.

### ***Interest Rate Futures and Forward Contracts***

The Group may be called on to trade on interest rate forward markets, notably when preparing a loan issue or in order to manage interest-rate exposure on floating-rate assets and liabilities. Transactions are performed on both organised markets and over-the-counter.

Income and expenses on firm futures and forward contracts are deferred over the term of the underlying debt.

Option premiums received and paid are recognised in full in the year of exercise.

- **Commodity Derivative Instruments**

In order to optimise the average cost of fuel supplies, the Group trades in the petroleum hedge markets. Transactions traded primarily consist of swaps and swaptions.

Option premiums received and paid are recognised in full in the year of exercise.

### **Issue Premiums, Discounts and Expenses, Loan Redemption Premiums**

When an issue is performed at below par, the discount is deducted from the liability accounts. Expenses are recorded in deferred charges in balance sheet assets.

Discounts and expenses are released to the income statement on a straight-line basis over the loan term.

When an issue is performed at above par, the issue premium is allocated in priority to the amortisation of issue expenses; the residual balance represents:

- deferred income when the premium exceeds issue expenses,
- offset issue expenses, when the premium is less than issue expenses.

The residual balance is released to the income statement over the loan term.

### **Investment Subsidies**

The Group receives investment subsidies in the form of third party financing, primarily from regional authorities.

Investment subsidies are recorded as deferred income and released to operating income (deducted from Depreciation, amortisation and provisions) over the estimated economic life of the relevant assets.

### **Lease Financing**

Leased assets are recorded as purchases when the contract terms and conditions correspond to lease financing arrangements. Lease finance agreements are contracts whereby the lessor transfers to the lessee the right to use an asset for a given period in exchange for payment; the lessor transfers all benefits and risks inherent to ownership of the asset.

Such assets are recorded in assets at historical cost and depreciated over the same period as similar assets owned outright or public domain real estate assets made available by the French State.

Lease agreements not having the characteristics of lease financing arrangements are recorded as operating leases. Only the lease instalments are taken to income.

### **Sale and Lease-Back Transactions and Equivalent**

#### ***Sales and lease-back transactions***

Proceeds from the sale of assets to a lessor under a lease finance arrangement are cancelled in net income in the year of the transaction. Capital gains are released to the income statement in line with asset depreciation charges.

### **Other Transactions**

In addition, certain financial arrangements concern existing lease finance agreements.

As the existing equipment financing structure is not altered, the proceeds of such transactions are recognised in net financial income on signature of the agreements.

## **Deferred Tax**

The Group recognises deferred tax on all temporary differences between the tax and book values of assets and liabilities in the consolidated balance sheet.

Deferred tax is recorded using the liability method, applying the most recently voted tax rate at the year end applicable to the period in which the temporary differences are expected to reverse.

Deferred tax assets in respect of temporary differences and tax losses or credits carried forward are recognised when recovery is deemed probable.

Deferred tax balances are discounted to present value when the impact of such discounting is material and the reversal schedule for temporary differences and tax losses can be drawn up reliably.

## **Reserves for Contingencies and Losses**

### ***Reserves for Major Repairs***

These reserves are intended to cover foreseeable, material costs, not incurred each year and which primarily relate to freight cars.

### ***Reserves for Environmental Risks***

The Group provides for environmental risks when the realisation of the risk is deemed probable.

### ***Reserves for Disputes and Litigation***

The Group is involved in a certain number of disputes and litigation arising in the normal course of its activities and notably:

- performance guarantees received from companies supplying construction work; and
- guarantees granted to clients in the freight transportation sector covering incidents arising during transport.

Such disputes and litigation are provided based on an assessment of the related risk.

## **Restructuring Reserves**

The cost of restructuring measures is provided in full in the current year when such measures have been decided, in principle, and announced prior to accounts closure. Restructuring costs primarily consist of employee relocation, training and departure costs and the cost of writing-off non-current assets, inventory and other assets.

## **Self-Insurance Costs**

Up through 1999, the parent company provided its own insurance against the majority of its operating risks. In 2000, it took out insurance policies covering risks in excess of an initial level covered by self-insurance. Insurance premiums are expensed in the income statement.

## **Revenue and other Income Recognition**

### ***Transport Activities (Passengers, Freight)***

Revenue is recognised based on the effective transportation of passengers and freight.

Revenue recognised on the issue of a passenger transport ticket is adjusted at the period end for tickets issued but not used (taken to Deferred income).

### ***Contributions from the French State and Regional Authorities***

These contributions comprise price subsidies covering socially-motivated fare reductions introduced by the French State, contributions remunerating global or specific services and subsidies providing specific aids for development.

Contributions from the French State and Regional Authorities remunerating either global or specific services are recorded within Revenue.

### ***Engineering and Contracting Services performed by the Group***

Sub-contracting and project leader work performed by the Group is recognised on a percentage completion basis.

### ***Maintenance***

Maintenance income and income from the operation of the rail network is recognised in accordance with the contract negotiated with the network owner (“RFF”).

### **Research and Development Costs**

Research and development costs are expensed in the year incurred.

### **Ordinary and Exceptional Activities**

Net income from ordinary activities includes all recurring income and expense items directly relating to the operating activities of the Group.

Exceptional income and expenses comprise material items which, due to their nature, unusual character or non-recurrence cannot be considered inherent to the operating activities of the Group.

### **Division and Geographical Segment Information**

#### ***Business Segments***

Around its core businesses of passenger and freight transport and the delegated management of the infrastructure, SNCF has developed a number of activities performed by subsidiaries.

These primarily enrich, complement and extend the activities of the parent company in three operating divisions:

- passenger transport,
- freight,
- management of the railway infrastructure and enhancement of assets and know-how: Leveraging SNCF’s assets and know-how.

#### ***Segment Indicators***

The business segment indicators are:

- Revenue,
- Gross Operating Income,
- Net Operating Income.

Items common to the different divisions, SNCF Participations holding company costs and results specific to services rendered by the parent company (Traction, Equipment), are allocated to the operating divisions based on their respective contributions to Revenue.

The accounting methods adopted by each operating division are identical to those used in the preparation of the consolidated financial statements.

#### ***Inter-Division Transactions***

All material transactions between operating divisions are eliminated.

#### ***Geographical Areas***

As activities are essentially carried out in France, the geographical areas presented are France and Rest of the world. The latter category encompasses all activities performed abroad and the export activities of French Group companies.

#### **Employee Benefits**

Defined employee benefits (retirement and medical care) are estimated in accordance with prevailing actuarial standards. These commitments are not accrued but recorded off-balance sheet.

#### **Accounting Treatment of Employee-Related Service Accounts**

Pursuant to the French Act of 21st July, 1909, the employee-related services carried out by the parent company have no legal status but have been granted accounting and financial autonomy.

In order to ensure the comparability of the Group's financial statements with other industrial and commercial groups, total asset and liability accounts relating to these employee-related parent company services are presented in the Group balance sheet under the headings "Special debt account and employee-related benefits service account assets" and "Special debt account and employee-related benefits service account liabilities" respectively.

The financial statements of these employee-related services are presented in Note 31.

#### **Debt Transferred to the Special Debt Account ("SAAD")**

In accordance with the corporate plan ("contrat de plan") signed by the French State and the parent company in 1990, a Special Debt Account was set up on 1st January, 1991. This account has no independent legal status, although separate accounting records are kept by the parent company.

The role of this account is to isolate part of the SNCF debt, in respect of which interest and capital payments are essentially made by the French State. Debt transferred to the Special Debt Account remains there until extinguished.

A total of €10.7 billion has been transferred to the Special Debt Account: .

- €5.8 billion (€5.9 billion face value) on creation on 1st January, 1991,
- net liabilities of €4.4 billion on 1st January, 1997 (€4.4 billion face value),
- €0.6 billion on 1st January, 1999 (€0.61 billion face value) accompanied by an amendment to its structure by loan substitution.

Special Debt Account resources consist of an annual contribution from the French State of €677 million, paid in equal quarterly instalments and an annual payment by the parent company of €18 million, paid mid-year.

The excess of the French State contribution over net annual expenses is capitalised in the Special Debt Account. The parent company contribution is recorded in net financial income.

When loan repayments allocated to the Special Debt Account exceed the debt repayment capacity of the year, the shortfall is covered by interim financing deducted from French franc financing (now euro), directly or after swap contracts, secured by the parent company on the markets during the year.

As the respective balances were not of identical composition at the outset, nor were they expected to be during the life of the Special Debt Account, the decision was taken to equalise the financial charges borne by the two accounting structures once a year as follows:

- the effective charge rate borne by the debt allocated to the Special Debt Account and the debt retained by the parent company and the effective rate borne by the overall debt is calculated at each year end,
- the charge rates borne by Euro zone currency denominated debt recorded in the Special Debt Account and that retained by the parent company are equalised, such that each entity bears the overall charge rate. An equalisation payment is calculated and taken to net financial income for the year. Between 1999 and 2002 inclusive, the equalisation payment owed by the parent company is subject to a reduction of €85 million. This deduction will be reduced progressively between 2003 and 2005 (€38 million in 2003, €30 million in 2004, €23 million in 2005), before being withdrawn completely in 2006).

Total Special Debt Account assets and liabilities are presented in the Group balance sheet under the headings "Special Debt Account and Employee-related Benefits Account – Assets" and "Special Debt Account and Employee-related Benefits Account – Liabilities" respectively (see Note 31).

#### **4. Goodwill**

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
<i>Gross value</i> .....	<i>356</i>	<i>342</i>
<i>Amortisation</i> .....	<i>(114)</i>	<i>(86)</i>
<i>Net value</i> .....	<i>242</i>	<i>256</i>

As of 31st December, 2001, the principal goodwill balances, net of amortisation, concern:

- the Geodis sub-group in the amount of €66 million as of 31st December, 2001 (€73 million as of 31st December, 2000),
- the Kéolis sub-group in the amount of €112 million as of 31st December, 2001 (€110 million as of 31st December, 2000), following finalisation of fair value adjustments to identifiable assets and liabilities.

## 5. Intangible Assets

	<i>As of 31st December</i>	
	<i>2001</i>	<i>2000</i>
<b>Gross value:</b>		
Concessions, patents and similar rights .....	130	116
Purchased goodwill .....	25	26
Other intangible assets .....	98	79
<b>Gross value</b> .....	<u>253</u>	<u>221</u>
<b>Amortisation:</b>		
Concessions, patents and similar rights .....	103	82
Purchased goodwill .....	10	8
Other intangible assets .....	20	14
<b>Amortisation</b> .....	<u>133</u>	<u>104</u>
<b>Net value</b> .....	<u><u>120</u></u>	<u><u>117</u></u>

The main additions during the year totalled €44 million, and primarily concerned Télécom Développement and SNCF.

## 6. Tangible Assets

	<i>31st December, 2000<sup>(1)</sup></i>	<i>Additions/ charges</i>	<i>Disposals/ releases</i>	<i>Changes in Group structure</i>	<i>Other<sup>(2)</sup></i>	<i>31st December, 2001</i>
<b>Gross value</b>						
Land .....	1,378	36	(14)	20	–	1,420
Buildings .....	6,471	294	(40)	91	16	6,832
Industrial and technical plant.....	2,043	234	(14)	5	43	2,311
Rail transport equipment	15,991	480	(35)	–	55	16,491
Road transport equipment.....	419	36	(81)	2	1	337
Sea shipping transport equipment.....	60	91	–	–	–	151
Other tangible assets .....	508	128	(27)	9	9	627
Assets under construction	1,115	581	(9)	7	(77)	1,617
<b>Total gross value</b>	<u>27,985</u>	<u>1,880</u>	<u>(220)</u>	<u>134</u>	<u>47</u>	<u>29,826</u>
<b>Depreciation</b>						
Land .....	45	5	(3)	(1)	–	46
Buildings .....	2,597	154	(26)	18	2	2,745
Industrial and technical plant.....	1,065	169	(10)	3	(5)	1,222
Rail transport equipment	9,457	674	(34)	–	46	10,143
Road transport equipment.....	418	35	(67)	1	–	387
Sea shipping transport equipment.....	56	1	–	–	–	57
Other tangible assets .....	246	104	(21)	6	2	337
<b>Total depreciation</b> .....	<u>13,884</u>	<u>1,142</u>	<u>(161)</u>	<u>27</u>	<u>45</u>	<u>14,937</u>
<b>Net value</b> .....	<u><u>14,101</u></u>	<u><u>738</u></u>	<u><u>(59)</u></u>	<u><u>107</u></u>	<u><u>2</u></u>	<u><u>14,889</u></u>

(1) The 2000 fiscal year presentation was refined to present Sea shipping transport equipment on a separate line.

(2) Other movements comprise transfers between gross value and depreciation and exchange rate movements.

Changes in Group structure primarily relate to the full consolidation of Züst Ambrosetti SpA in the amount of €92 million.

SNCF continued to invest heavily (+€1,375 million), acquiring rail equipment at a cost of €828 million (double-decker TGVs, TER and Transilien equipment) and fixed installations at a cost of €547 million (including buildings of €232 million).

Other notable additions included:

- the roll-out of cable and site infrastructures and the acquisition of transmission and commutation equipment by Télécom Développement in the amount of €200 million.
- the acquisition of the ship, Rodin, by Seafrance for €91 million,
- Géodis Group capital expenditure of €72 million

The principal disposals during the year concerned the parent company in the net book amount of €12 million and notably the former head office building at 88, rue Saint Lazare (€11.1 million) and the sale of SNCF Participations' head office in Levallois with a net book value of €1 million.

Assets recorded in tangible assets and held under lease finance agreements break down as follows:

	<i>As of 31st December, 2001</i>		
	<i>Gross</i>		
	<i>value</i>	<i>Deprec.</i>	<i>Net value</i>
Land .....	31	0	31
Buildings .....	279	(79)	200
Railway equipment .....	4,357	(2,451)	1,906
Sea shipping transport equipment .....	91	(1)	90
Other non-current assets .....	42	(38)	4
<b>Total</b> .....	<u>4,800</u>	<u>(2,569)</u>	<u>2,231</u>

### **Parent Company Fixed Assets Register**

During 2001, the parent company launched a major review, aimed at creating a register of fixed assets other than rolling stock, for which an asset register already exists.

Procedures comprised:

- improving the reliability of technical files existing at the end of 2000,
- allocating values to the newly-improved technical files, without distorting future depreciation flows,
- implementing an asset management software package and corresponding accounting procedures for the processing of asset flows in 2001 and thereafter.

Following completion of these procedures, the parent company now has a fixed asset register representative of all its property, including those assets subject, since 1997, to conflicting interpretations of Law n° 97-135 of 02/13/97 and its application decrees.

In 1999, the National Commission of Asset Allocation launched an analysis of the four main areas of disagreement: land used for freight purposes (CM4 lots), housing, passenger concourses in stations and the volume division of buildings. These assets are currently included in Group fixed assets.

In 2001, SNCF proposed a mechanism to RFF translating asset allocation decisions into financial terms, and involving the remuneration of all asset addition and disposals at a price at least equal to the net book value of the assets in the company's balance sheet. This financial compensation mechanism has not as yet been approved.

### **7. Réseau Ferre de France Receivable**

Article 7 of the Law of 13th February, 1997 creating Réseau Ferré de France (RFF), provides for the transfer of a liability of €20.5 billion to Réseau Ferré de France in consideration for the transfer of infrastructure assets on 1st January, 1997.

This transfer resulted in the recognition in balance sheet assets of a RFF receivable. Company liabilities remained unchanged.

The RFF receivable was constructed line-by-line to provide it with a maturity, currency and interest rate structure identical in all manners to the company debt of €30.3 billion as of 31st December, 1996, after swap contracts.

The exchange rates initially adopted for foreign currencies included in the receivable were rates as of 31st December, 1996.

Deferred income and expenses representing premiums and issue costs and income and expenses on swap contracts were also transferred, materialised by a cash payment. This payment is recorded in the company accounts in the form of deferred income and released to the income statement in line with the maturities of the corresponding transactions.

An agreement signed by the two institutions evidences the RFF receivable.



## Debt Maturities after Adjustment for Derivatives

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
<b>Maturing within:</b>		
Less than 1 year .....	1,984	2,009
1 to 5 years .....	6,770	7,086
More than 5 years .....	5,044	6,598
<b>Total</b> .....	<u>13,798</u>	<u>15,693</u>
Accrued interest receivable .....	499	562
<b>Total</b> .....	<u>14,297</u>	<u>16,255</u>

## Currency Structure after Adjustment for Derivative Instruments and excluding Accrued Interest Receivable (after Swaps)

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Euro .....	12,311	14,003
Swiss francs .....	1,140	1,423
Pound sterling .....	347	267
<b>Total</b> .....	<u>13,798</u>	<u>15,693</u>

## Interest Rate Structure after Adjustment for Derivatives and Excluding Accrued Interest Receivable

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Fixed rate .....	10,495	12,312
Floating rate .....	3,303	3,381
<b>Total</b> .....	<u>13,798</u>	<u>15,693</u>

The reduction in the receivable over the period is consistent with loan repayments

## 8. Other Long-term Investments

	<i>As of 31st December, 2001</i>		<i>As of 31st December, 2000</i>	
	<i>Gross</i>	<i>Amortization and reserves</i>	<i>Net</i>	<i>Net</i>
Unconsolidated investments .....	394	(42)	352	344
Loans to unconsolidated investments .....	284	(1)	283	225
Loans .....	153	(19)	134	203
Deposits received .....	83	0	83	0
Other long-term investments .....	36	(1)	35	51
<b>Total</b> .....	<u>950</u>	<u>(63)</u>	<u>887</u>	<u>823</u>

Unconsolidated investments break down as follows:

	%	<i>Stock- holders'</i>	<i>Net</i>	<i>NBV of</i>
	<i>interest</i>	<i>equity</i>	<i>income</i>	<i>investment</i>
SICF .....	100.00	487	15	289
SOCRIF .....	99.77	81	0	0
Other unconsolidated investments .....	-	-	-	63
<b>Total</b> .....				<u>352</u>

The SICF and SOCRIF sub-groups are not consolidated due to regulatory restrictions regarding the appropriation of earnings applicable to HLM (low-rental housing limited liability companies):

- the liquidation surplus which may be distributed to stockholders is limited to 50 per cent. of the par value of securities held,
- distributable earnings are limited to 5 per cent. of common stock each year.

Balance sheets as of 31st December, 2001 were as follows (in € million):

***SICF sub-group (as of 31st December, 2001)***

Net non-current assets.....	1,893	Stockholders' equity.....	487
		<i>(including net income for the year of €12 million)</i>	
Net current assets.....	204	Reserves for contingencies and losses	117
Prepaid expenses and deferred charges	67	Liabilities .....	1,424
<b>Total Assets</b> .....	<u>2,163</u>	Accruals and deferred income	136
		<b>Total Liabilities &amp; SHs' equity</b> .....	<u>2,164</u>

***SOCRIF sub-group (as of 31st December, 2001)***

Net non-current assets.....	170	Stockholders' equity.....	86
		<i>(including net income for the year of €2 million)</i>	
Net current assets.....	14	Reserves for contingencies and losses	2
<b>Total Assets</b> .....	<u>184</u>	Liabilities .....	96
		<b>Total Liabilities &amp; SHs' equity</b> .....	<u>184</u>

## 9. Equity Affiliates

	As of 31st December, 2001			As of 31st December, 2000
	% interest	Net income	Investment	Investment
Eurofima.....	24.90	7	150	142
Ermewa SA Suisse.....	44.91	(2)	69	70
Géodis Group.....	-	2	9	66
Kéolis Group <sup>(1)</sup> .....	43.42	4	50	57
Systra Group.....	35.07	(0)	19	27
Transfesa.....	16.30	2	21	20
Ermewa.....	30.75	4	19	17
SNCM.....	20.00	(0)	11	11
STVA Group	-	1	7	6
FRP Group.....	20.00	1	5	4
Novatrans.....	39.10	1	5	4
Feron Group <sup>(2)</sup> .....	-	(5)	(0)	-
Other investments.....	-	(2)	1	2
<b>Total</b> .....	-	13	366	426

Notes:

(1) Formerly Via Cariane as of 31st December, 2000

(2) Negative contribution to stockholders' equity (€5 million reserve for subsidiary risks as of 31st December, 2001).

Movements in investments in equity affiliates break down as follows:

	<i>Year ended</i>	
	<i>31st December,</i>	<i>2000</i>
	<i>2001</i>	<i>2000</i>
<b>Opening balance</b> .....	426	326
Share in net income.....	13	146
Transfer to equity affiliates and other account reclassifications.....		(21)
Changes in Group structure.....	(69)	99
Movement in share of negative net equity (Reserves for contingencies and losses).....	5	(125)
Dividends paid.....	(11)	(9)
Exchange rate fluctuations.....	2	9
Acquisitions and common stock increases	0	1
<b>Closing balance</b> .....	<u>366</u>	<u>426</u>

Changes in Group structure during the year primarily relate to the demerger into two companies of the Züst Ambrosetti group, equity accounted as of 31st December, 2000:

- Züst Ambrosetti Spa is fully consolidated from 1st January, 2001
- the other company was sold during the year, generating a capital gain on disposal of €22.5 million.

#### 10. Inventory and Work-in-process

	<i>As of 31st December, 2001</i>			<i>As of 31st December,</i>
	<i>Gross</i>	<i>Reserves</i>	<i>Net</i>	<i>2000</i>
				<i>Net</i>
Raw materials.....	574	204	370	349
Other supplies.....	36	0	36	64
Production work-in-process.....	79	0	79	52
<b>Total</b> .....	<u>689</u>	<u>204</u>	<u>485</u>	<u>465</u>

#### 11. Operating Receivables

	<i>As of 31st December, 2001</i>			<i>As of 31st December,</i>
	<i>Gross</i>	<i>Reserves</i>	<i>Net</i>	<i>2000</i>
				<i>Net</i>
Trade receivables and related accounts.....	3,2202	(167)	3,055	3,554
Payments on account of orders.....	112		112	31
Employee-related receivables.....	33	(0)	33	30
Amounts receivable from the French State.....	1,244		1,244	1,209
Other operating receivables.....	1,194	(169)	1,025	122
Prepaid expenses and deferred charges.....	621		621	729
<b>Total</b> .....	<u>6,426</u>	<u>(336)</u>	<u>6,090</u>	<u>5,675</u>

## 12. Cash and cash equivalents

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
<b>Initial maturities of more than three months and/or exposed to interest-rate risk</b> .....	229	113
French and foreign bonds .....	99	103
Medium-term marketable debt instruments .....	130	10
<b>Initial maturities of less than three months, not exposed to interest-rate risk</b> .....	758	1,234
Negotiable debt instruments.....	272	691
French mutual funds (SICAV) .....	397	493
Marketable debt instrument repurchase agreements .....	80	25
Foreign currency investments.....	9	25
<b>Accrued interest receivable</b> .....	3	1
<b>Cash in hand and at bank</b> .....	344	222
<b>Total cash and cash equivalents</b> .....	<u>1,334</u>	<u>1,570</u>

Only marketable securities with an initial maturity of three months or less fall within the definition of Cash for the purposes of the Consolidated Statement of Cashflows.

## 13. Stockholders' equity

Movements in stockholders' equity (Group share) break down as follows:

	<i>Common stock</i>	<i>Reserves and net income for the year</i>	<i>Translation differences</i>	<i>Total Group share</i>
<b>As of 31st December, 1999</b> .....	4,271	(98)	4	4,177
Exchange rate fluctuations.....			7	7
Consolidated net income – Group share.....		177		177
Other .....		(10)		(10)
<b>As of 31st December, 2000</b> .....	4,271	69	11	4,351
Exchange rate fluctuations.....			5	5
Consolidated net income – Group share.....		(140)		(140)
<b>As of 31st December, 2001</b> .....	4,271	(71)	16	4,216

## 14. Minority Interests

	<i>Year ended 31st December,</i>	
	<i>2001</i>	<i>2000</i>
<b>Opening balance</b> .....	301	213
Dividend distribution.....	(6)	(7)
Exchange rate fluctuations.....	–	1
Changes in group structure.....	(5)	(8)
Minority interests share in net income .....	(70)	119
Other .....	–	(17)
<b>Closing balance</b> .....	220	301

The minority interest share in the 2001 net loss primarily concerns the Géodis and Télécom Développement sub-groups, for a net loss of € 80 million and net income of € 13 million respectively.

## 15. Reserves for Contingencies and Losses

Reserves for contingencies and losses break down as follows:

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
SERNAM restructuring <sup>(1)</sup> .....	159	271
Tax, social security and customs risks <sup>(2)</sup> .....	224	277
Environmental risks <sup>(3)</sup> .....	111	141
Additional amortisation and Major repairs <sup>(4)</sup> .....	146	144
Litigation and disputes <sup>(5)</sup> .....	311	173
Compensation for work-related injuries and miscellaneous.....	116	107
Restructuring costs <sup>(6)</sup> .....	103	71
Risks on asset disposals.....	21	26
Risks on subsidiaries.....	21	16
Negative goodwill.....	3	6
Euro compliance reserve.....	1	19
Other reserves for contingencies and losses .....	78	133
<b>Total</b> .....	<u>1,294</u>	<u>1,384</u>

- (1) A new heads of agreement signed by SNCF and Géodis in December 2001 lays down new terms and conditions for the takeover of SCS Sernam by Géodis. The main characteristics of this agreement are as follows:
- € 419 million common stock increase subscribed by SNCF in 2001, including € 276 million fully paid-up
  - € 195 million capital reduction, in the amount of the fiscal years 2000 and 2001 losses
  - set-up of a € 34 million participating loan in 2001
  - acquisition of a further 15 per cent. interest in the common stock of SCS Sernam in 2002 by Géodis, for the nominal consideration of € 1
  - acquisition of a further interest by Géodis in 2006, bringing its total interest to 51 per cent.
- Acquisition of this additional interest is contingent on satisfaction of a number of conditions, primarily the successful completion of the Sernam recovery plan and a return to profitability. The terms of the recovery plan are based on the plan approved by the European Commission decision on 28th May, 2001 and served as the basis for calculation of the reserve at the end of December 2001.
- (2) In the interest of prudence, the parent company raises reserves in respect of all contested tax and social security revised assessments, which mainly consist of the following:
- VAT on onboard catering € 53 million
  - 1991 to 1993 business tax rebates repayable € 41 million
  - Social security disputes € 65 million
- Amounts released from reserves during the year primarily relate to the partial repayment of 1991 to 1993 business tax rebates.
- (3) Environmental risks primarily concern:
- pollution clean-up and compliance work on hydrocarbon storage sites €36 million
  - asbestos-related costs € 70 million
- Ongoing work on the identification and estimation of environmental risks led to a partial release of the provision during the year.
- (4) This line item mainly comprises additional amortisation to reduce the value of electricity power plants held under concession by the SHERM Group to nil by the end of the concession (€ 58 million as of 31st December, 2001) and reserves for major repair work on freight cars.
- (5) The increase during the year primarily relates to Réseau Ferré de France claims and Géodis parcel delivery activities.
- (6) Including € 77 million in respect of restructuring measures decided by Géodis

## 16. Employee Benefits

Employee benefits (retirement and medical care and similar commitments) calculated using the projected unit credit method are as follows:

	<i>Commitments as of 31st December, 2001</i>	<i>Commitments as of 31st December, 2000</i>
Employee pensions .....	3,289	3,010
Medical care.....	1,075	1,055
Compensation for work-related injuries (retired employees and widows).....	536	460
<b>Total off-balance sheet commitments</b> .....	<u>4,900</u>	<u>4,525</u>

The following valuation assumptions were adopted:

Net discount rate.....	5.5 per cent.
Inflation rate .....	1.5 per cent.
Life expectancy table.....	SNCF male table plus INSEE 94-96 table up to 55 years and TC8890 after 100 years
Rate of salary increase .....	2.5 per cent.
Rate of increase in pensions and medical care benefits .....	2.5 per cent.

- **Retirement benefit commitments**

Retirement benefit commitments primarily result from the Law of 21st July, 1909 defining the special regime applicable to SNCF employees and Article 30 of the SNCF terms of reference defining, with effect from 1st January, 1970, the share of such costs borne by the French State.

In return for the payment of standard contributions, the French State finances the SNCF employee retirement benefit scheme in the amount of a "standard" benefits scheme. Standard contribution levels and the benchmark scheme were reviewed regularly until 1990. The Decree of 27th February, 1991 set the standard contribution level at 36.29 per cent. of total payroll costs, broken down between employee contributions of 7.85 per cent. and employer contributions of 28.44 per cent.

All benefits specific to the SNCF scheme, created in 1990, compared with the benchmark scheme, are financed by SNCF and its employees. The different benefits relate to the definition of the pension base (successive integration of residence compensation percentages, implementation of the new remuneration system) and an increase in the minimum pension level.

- **Medical care and other commitments**

The Company finances medical care benefits provided to active and retired employees itself, via the SNCF medical care fund and the SNCF senior executive medical care fund.

Benefits include the reimbursement of medical costs, temporary accommodation allowances, retirement allowances and death allowances. Part of these guarantees are covered by the national redistribution mechanism under the Social Security healthcare regime.

As such, only additional healthcare coverage, temporary accommodation allowances, retirement allowances and death allowances are borne by the Company. These constitute the SNCF employee medical care regime, financed by employee and employer contributions over and above contributions to the national redistribution mechanism and benefiting active and retired employees.

- **Compensation for work-related injuries**

The Company itself finances compensation for work-related injuries owed to active and retired employees.

Payments made to retired employees and surviving spouses are viewed by SNCF as additional pensions. As such, the probable present value of these additional pension payments is included in off-balance sheet commitments.

Annual compensation for work-related injuries owed to active employees is viewed as additional remuneration. A reserve is booked to cover the probable present value of such payments.

***2001 expense in respect of retirement benefit and medical care commitments***

The increase in commitments during fiscal year 2001 was the result of:

- standard calculation:
  - financial cost linked to discounting factors,
  - cost of entitlement vested in the year due to the acquisition of an additional year of service
  - payment of services,
  - payment of employee contributions,
- changes during the year:
  - scheme amendments
  - actuarial variances resulting from changes in assumptions or relating to differences between assumptions made at the beginning of the year and their effective realisation during the year.

The 2001 pension cost includes a scheme amendment to incorporate a residence compensation half point in the liquid pension base in 2001 fiscal.

Changes in actuarial assumptions concern the use of more recent mortality tables in the calculation of compensation for work-related injuries.

These movements can be broken down as follows:

	<i>Pension</i>	<i>Medical care &amp; other</i>	<i>Compensation</i>	<i>Total</i>
<b>Commitments at the end of 2000</b> .....	3,010	1,055	460	4,525
Financial cost .....	166	58	25	249
Cost of vested entitlement .....	54	20	-	74
Payments made .....	(237)	(82)	(59)	(378)
Employee contributions .....	21	8	-	29
Amendments .....	257	-	-	257
Actuarial variances .....	18	16	110	144
<b>Commitments at the end of 2001</b> .....	<u>3,289</u>	<u>1,075</u>	<u>536</u>	<u>4,900</u>

**Simulated application of the preferred method recommended by Regulation 99.02.**

The provision of all commitments as required by the preferred method recommended by Regulation 99-02 on consolidation rules and methods, would have the following impact on the SNCF Group financial statements:

	<i>Impact in € million</i>
<b>Reserves for contingencies and losses</b> .....	4,467
<b>Stockholders' equity as of 01/01/2001</b> .....	(4,230)
<b>2001 net income</b> .....	(147)
<b>Stockholders' equity as of 12/31/2001</b> .....	(4,467)

The assumptions and methods adopted for the purposes of this simulation are as follows:

- amortisation of the impact of amendments on entitlement not definitively vested, on a straight-line basis over the average employment term within the Group, that is 13.5 years in the case of the pension scheme,
- spreading of actuarial variances resulting from changes in assumption and differences between assumptions made and their effective realisation, in accordance with the corridor principle.

This method of amortising actuarial variances involves the recognition of actuarial variances only when they exceed, in absolute value, 10 per cent. of the higher of commitment levels and the value of underlying financial assets, if any. The fraction exceeding this 10 per cent. limit is spread over the life expectancy of scheme beneficiaries, starting in the fiscal year following that in which the actuarial variances arise.

The difference between total commitments as of 31st December, 2001 and reserves for contingencies and losses calculated in accordance with the preferred method recommended by Regulation 99.02, breaks down as follows:

<b>Reserves for contingencies and losses</b> .....	4,467
<b>Actuarial variances not recognised</b> .....	+245
<b>Amendments to past service benefits not recognised</b> .....	+188
<b>Commitments as of 31st December, 2001</b> .....	4,900



## 17. Loans and Borrowings

Loans and borrowings recorded in the balance sheet consist of long-term loans issued by the Group (excluding the parent company Special Debt Account), liabilities relating to lease finance operations entered into by the Group and cash borrowings.

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
<b>Long-term borrowings</b> .....	18,078	19,736
Bond issues.....	15,477	17,138
Other long-term borrowings.....	1,999	1,935
Accrued interest payable .....	602	663
<b>Cash borrowings</b> .....	1,931	1,839
Treasury notes .....	1,135	996
EMTN .....	–	22
Deposits received .....	247	389
Other borrowings .....	30	0
Bank overdrafts .....	513	430
Foreign currency-denominated borrowings.....	5	0
Accrued interest payable .....	1	2
<b>Liabilities excluding lease financing</b> .....	<u>20,009</u>	<u>21,575</u>
Lease finance liabilities .....	4,341	4,153
Lease finance liabilities .....	4,299	4,105
Accrued interest payable .....	42	48
<b>Loans and borrowings</b> .....	<u>24,350</u>	<u>25,728</u>

Guaranteed borrowings total € 5 million.

### Long-term borrowings

Maturities of long-term borrowings, including lease finance liabilities, after adjustment for derivative instruments

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Maturing within 1 year .....	4,013	3,756
Maturing within 1 to 5 years .....	10,145	10,239
Maturing after 5 years .....	7,324	8,872
Neutralisation of swap contracts.....	293	342
<b>Long-term borrowings excluding accrued interest</b> .....	21,775	23,178
<b>Accrued interest payable</b> .....	644	711
<b>Long-term borrowings</b> .....	22,419	23,889

Currency structure of long-term borrowings, including lease finance liabilities, after adjustment for derivative instruments and excluding accrued interest payable

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Euro.....	19,298	20,216
Swiss franc .....	1,754	2,170
Pound Sterling .....	398	285
Japanese Yen .....	–	187
Other .....	32	9
Neutralisation of swap contracts.....	293	311
<b>Long-term borrowings excluding accrued interest payable</b> .....	21,775	23,178

Interest rate structure of long-term borrowings, including lease finance liabilities, after adjustment for derivative instruments and excluding accrued interest payable

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Fixed rate.....	14,188	15,658
Floating rate.....	7,294	7,209
Neutralisation of swap contracts.....	293	311
<b>Long-term borrowings excluding accrued interest payable.....</b>	<b>21,775</b>	<b>23,178</b>

#### **Long-term borrowings net of the Réseau Ferre de France (RFF) receivable**

The structure of the RFF receivable is described in Note 7.

Maturities of net long-term borrowings, including lease finance liabilities, after adjustment for derivative instruments

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Maturing within 1 year.....	2,029	1,747
Maturing within 1 to 5 years.....	3,375	3,153
Maturing after 5 years.....	2,280	2,274
Neutralisation of swap contracts.....	293	311
<b>Net Long-term borrowings excluding accrued interest.....</b>	<b>7,977</b>	<b>7,485</b>
<b>Accrued interest payable.....</b>	<b>145</b>	<b>149</b>
<b>Net Long-term borrowings.....</b>	<b>8,122</b>	<b>7,634</b>

Currency structure of net long-term borrowings, including lease finance liabilities, after adjustment for derivative instruments and excluding accrued interest payable

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Euro.....	6,986	6,213
Swiss franc.....	614	747
Japanese Yen.....	–	187
Other.....	84	27
Neutralisation of swap contracts.....	293	311
<b>Net Long-term borrowings excluding accrued interest payable.....</b>	<b>7,977</b>	<b>7,485</b>

Interest rate structure of net long-term borrowings, including lease finance liabilities, after adjustment for derivative instruments and excluding accrued interest payable

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Fixed rate.....	5,275	5,005
Floating rate.....	2,409	2,169
Neutralisation of swap contracts.....	293	311
<b>Net Long-term borrowings excluding accrued interest payable.....</b>	<b>7,977</b>	<b>7,485</b>

## Maturities of cash borrowings

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
<b>Initial maturity of 3 months or less</b>	1,856	1,805
Treasury notes .....	1,071	996
Bank overdrafts .....	514	430
Deposits received .....	239	379
Other borrowings .....	32	0
<b>Initial maturity of more than 3 months</b> .....	75	34
Treasury notes .....	64	0
EMTN .....	-	22
Deposits received .....	10	10
Accrued interest payable	1	2
<b>Cash borrowings</b> .....	1,931	1,839

Only cash borrowings with an initial maturity of three months or less fall within the definition of Cash for the purposes of the Consolidated Statement of Cashflows.

## 18. Derivative Instruments

### Foreign exchange instruments

#### Currency swaps

In order to reduce its exposure to exchange rate fluctuations on certain borrowings, the Group enters into currency swaps. Such hedges are matched specifically against the corresponding borrowing.

The nominal amount of currency swaps as of 31st December, 2001 is as follows:

<i>(in millions)</i>	<i>Commitments received</i> <i>(in foreign currency)</i>	<i>Commitments given</i> <i>(in euro)</i>
Euro	687	687
Pound sterling .....	176	274
Norwegian krone .....	400	50
Danish krone .....	400	54
Swiss franc .....	200	124
US dollar .....	1,550	1,533
Hong Kong dollar .....	350	50
Japanese yen .....	85,540	691

#### Forward Currency Purchases

	<i>Foreign Currency</i>
US Dollar <sup>(1)</sup> .....	USD 30 million
Pound Sterling <sup>(2)</sup> .....	GBP 9 million

Notes:

- (1) Finance activity hedges  
(2) Operating activity hedges

#### Currency Options

	<i>As of 31st</i> <i>December,</i> <i>2001</i>
Sale Euro call .....	255

### Interest rate instruments

In managing the interest rate risk exposure of its borrowings, the Group trades on the interest rate swap and swaption market.

Swap and swaption outstandings, represented by their nominal outstandings, are as follows:

	<i>Net long-term borrowings</i>	<i>Net short-term borrowings</i>
Floating rate payable swaps .....	9	–
Fixed rate receivable swaps .....	3,191	832
Fixed rate payable swaps .....	4,438	427
Index-based swaps .....	1,382	–
Sale of swaptions .....	1,200	–

### Commodity instruments

As part of its ordinary activities, the Group trades on petroleum product forward markets in order to optimise its fuel supply costs. The corresponding commitments are presented below:

	<i>Volume (in tons)</i>
Commodity swaps .....	209,500
Sale of commodity swaptions .....	29,500

### Management of counterparty risk

The main transactions which generate counterparty risk are primarily:

#### *Financial investments:*

Financial investments are diversified. They primarily consist of marketable debt instruments (certificates of deposit, commercial paper), treasury note repos and subscriptions to French mutual funds (SICAV).

A counterparty approval procedure exists, with investment volume and term limits for each counterparty.

#### *Derivatives:*

Derivative transactions seek to manage the interest rate and foreign exchange risk resulting from normal activities. They are restricted to regulated market and over-the-counter transactions with approved counterparties with which a framework agreement has been signed. A guarantee framework agreement is also signed with certain counterparties in order to limit counterparty risk.

### Market value of derivatives

Procedures for valuing derivative instruments as of 31st December, 2001 differ according to the nature of the instrument concerned.

The fair value of conventional interest rate and currency swaps was calculated by discounting future flows, leg by leg, using zero coupon curves as of 28th December, 2001.

Other interest rate and currency swap transactions were valued at prices provided as of 28th December, 2001 by financial institution counterparties of the company.

The fair value of OTC currency options was determined using the company valuation model.

All market parameters used in this valuation were obtained from contributors external to the company.

The market value of derivatives corresponds to the amount payable (-) or receivable (+), excluding accrued interest, to cancel these commitments.

Estimated market values as of 31st December, 2001 (excluding accrued interest) are presented below:

	<i>Estimated market value (excluding accrued interest) as of 28th December, 2001</i>	<i>Profitability (premiums - market value) as of 28th December, 2001</i>
<b>Management of forex risk</b>		
Currency swaps.....	530	-
Currency options.....	(12)	2
<b>Management of interest rate risk</b>		
Interest rate swaps.....	(11)	(3)
Options.....	(6)	(3)

## 19. Operating Liabilities

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Accounts payables and related accounts.....	2,584	2,526
Payments on account received on orders.....	179	221
Employee-related payables.....	928	822
Amounts payable to the French State.....	1,593	1,626
Other operating liabilities.....	1,334	887
Accruals and deferred income.....	2,968	2,805
<b>Total</b> .....	<u>9,586</u>	<u>8,887</u>

As of 31st December, 2001, accrual and deferred income accounts comprise net investment subsidies of € 1,956 million and deferred income relating to operations.

## 20. Revenue

	<i>Year ended 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Passenger transport <sup>(1)</sup> .....	8,562	8,562
Freight.....	6,622	6,512
Infrastructure and leveraging of SNCF's assets and know-how.....	4,945	4,765
<b>Total</b> .....	<u>20,129</u>	<u>19,839</u>

(1) The 2000 fiscal year revenues include €224 million in respect of the Cariane sub-group, no longer included in consolidated revenues following its transfer to Kéolis and its equity accounting in this sub-group

## 21. Purchases and External Charges

	<i>Year ended 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Purchases (including inventory movements).....	3,118	2,804
Sub-contracting.....	2,815	2,613
Rental.....	596	632
Réseau Ferré de France infrastructure fees.....	1,691	1,562
Other external charges.....	2,022	2,071
<b>Total</b> .....	<u>10,242</u>	<u>9,682</u>

The increase in this line item is primarily attributable to the rise in Télécom Développement interconnection costs, in line with the increase in traffic.

## 22. Operating Subsidies

	<i>Year ended 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Subsidies for Infrastructure fees .....	0	61
Combined transport subsidies .....	76	79
Infrastructure development subsidies.....	0	31
Employee-related subsidies .....	43	46
Other operating subsidies .....	15	18
<b>Total</b> .....	<u>134</u>	<u>235</u>

The fall in this line item is consistent with the scheduled reduction in State subsidies.

## 23. Employee Costs and Numbers

	<i>Year ended 31st December,</i>	
	<i>2001</i>	<i>2000</i>
<b>Employee costs</b>	8,741	8,602
<b>Average number of employees (full-time equivalent)</b>	220,747	219,991

### Management compensation

Total compensation paid to members of Group management and decision-making bodies (Executive Committee members during 2001) in respect of fiscal year 2001 was € 1 million (€ 1 million in 2000).

## 24. Depreciation, Amortisation and Operating Provisions

	<i>Year ended 31st December,</i>	
	<i>2001</i>	<i>2000</i>
<b>Depreciation and amortisation (net)</b> .....	(977)	(1,048)
<b>Provisions (net)</b> .....	(155)	(144)
Non-current assets.....	(4)	(18)
Current assets.....	1	(22)
Contingencies and losses.....	(152)	(104)
<b>Total</b> .....	<u>(1,132)</u>	<u>(1,192)</u>

## 25. Net Financial Income/(Expense)

	<i>Year ended 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Cash management and borrowing costs, net.....	(378)	(430)
Net gains on lease finance transactions .....	21	73
Income from unconsolidated equity investments.....	33	22
Other financial income and expenses.....	(6)	2
<b>Total</b> .....	<u>(330)</u>	<u>(333)</u>

## 26. Exceptional Items

Exceptional items break down as follows:

	Year ended 31st December,	
	2001	2000
Capital gains on asset disposals .....	134	256
<i>France Rail Publicité</i> .....	-	142
Extand .....	-	73
<i>SNCF Building – rue Saint Lazare</i> .....	73	
<i>SNCF Building – rue de Londres</i> .....	-	41
<i>SNCF Participations head office</i> .....	18	
<i>Other disposals</i> .....	43	
Tax and social security revised penalties .....	(10)	(114)
Reorganisation costs .....	(115)	(57)
Sernam restructuring .....	112	15
Environmental risk provisions .....	24	(46)
Other .....	4	(8)
<b>TOTAL</b> .....	<b>149</b>	<b>46</b>

The fiscal year 2001 was marked by a high level of capital gains on disposal (€ 134 million), exceptional costs relating to reorganisation and restructuring measures implemented or decided, in particular by the Géodis Group (€ 98 million), and net releases from reserves following the implementation of the Sernam restructuring plan and contractual changes thereto (see Note 15).

## 27. Income Tax

### Analysis of the tax charge

The income tax charge breaks down as follows:

	Year ended 31st December,	
	2001	2000
Current tax charge .....	(17)	(8)
Deferred tax (charge)/income .....	(7)	57
Total tax (charge)/income .....	(24)	49

The deferred tax charge recognised in the year primarily relates to Télécom Développement and Géodis.

### Effective Tax Rate

The effective tax rate is of little informational value due to the level of tax losses carried forward not recognised in the scope of the SNCF tax group.

### Deferred Tax Recognised

As of 31st December, 2001 and 2000, such assets primarily relate to Télécom Développement:

	As of 31st December,	
	2001	2000
Tax losses carried forward (asset) .....	(52)	(58)
Temporary differences (liability) .....	2	1

### Tax Assets Not Recognised

SNCF opted for the tax grouping regime on 1st July, 1988. As of 31st December, 2001, the tax group comprised 34 subsidiaries (31 subsidiaries in 2000). The main subsidiaries are SHEM Group, Grandes Lignes Internationales (*GLI*), Société d'Équipement des Grands Itinéraires (*SEGI*), Sceta Parc, SNCF Participations and certain of its subsidiaries.

Tax losses carried forward as of 31st December, 2001 totalled € 12.3 billion and included:

- ordinary tax losses of € 0.5 billion
- evergreen losses (deferred tax depreciation) of € 8.3 billion, recognised since the creation of the tax consolidation group,
- evergreen losses (deferred tax depreciation) of € 3.5 billion, recognised prior to the creation of the tax consolidation group.

## 28. Division and Geographical Information

The following table breaks down the key operating headings by SNCF Group division:

	<i>Year ended 31st December,</i>	
	<i>2001</i>	<i>2000</i>
<b>Passenger transport and services</b>		
Revenues .....	8,562	8,562
Gross operating income .....	888	1,130
Net operating income .....	230	343
<b>Freight</b>		
Revenues .....	6,622	6,512
Gross operating income .....	37	184
Net operating income .....	(283)	(69)
<b>Infrastructure and leveraging SNCF's assets and know-how</b>		
Revenues .....	4,945	4,765
Gross operating income .....	230	291
Net operating income .....	73	133
<b>Total SNCF Group</b>		
Revenues .....	20,129	19,839
Gross operating income .....	1,155	1,605
Net operating income	20	407

Break down by geographical area	<i>Year ended 31st</i>		<i>Year ended 31st</i>	
	<i>December, 2001</i>		<i>December, 2000</i>	
	<i>in €</i>		<i>in €</i>	
	<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>
<b>Revenue:</b> .....	20,129		19,839	
France.....	16,204	80	16,130	81
Rest of the world .....	3,925	20	3,709	19
<b>Net non-current assets:</b> .....	15,101		14,217	
France.....	14,673	98	14,035	99
Rest of the world .....	337	2	182	1

## 29. Off-balance sheet commitments

*Financial commitments*

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
<b>Commitments given:</b>		
Guarantees issued in respect of loans secured by employees.....	67	77
Endorsements and guarantees <sup>(1)</sup> .....	1,087	1,096
Other commitments .....	39	39
<b>Total commitments given</b> .....	1,193	1,212
<b>Commitments received:</b>		
Bank guarantees .....	501	441
Bank credit lines.....	256	296
Other guarantees and endorsements.....	84	84
<b>Total commitments received</b> .....	841	820

(1) Including guarantees of € 778 million granted by SNCF in respect of Sofiap (formerly Socrif) bank borrowings. In addition, as part of its international activities, the Group issued performance bonds of GBP 39.3 million to the UK Ministry of Transport to guarantee commitments of its subsidiary ICCR Limited vis-à-vis this authority.



Retirement benefit, medical care and similar commitments are presented in Note 16.

Financial commitments are presented in Note 18.

#### Other commitments given

In the course of its ordinary activities, the Group entered into capex-related commitments in respect of its rail transport activities. These commitments amount to € 1.8 billion as of 31st December, 2001.

Agreements concerning the takeover of VIA GTI resulted in Paribas and SNCF Participations granting each other, in separate agreements, three promises to purchase or sell the VIA GTI stock still held by Paribas, expiring 31st July, 2003.

On 18th May, 2000, VIA GTI granted a guarantee to Storstockholms Lokaltrafik on behalf of Citypendeln in the amount of SEK 300 million.

#### Other commitments received

Within the framework of existing partnership agreements, Cegetel granted SNCF a promise to purchase its interest in Télécom Développement over a five-year period expiring July 2002.

SNCF Participations holds a preferential right to purchase, in full or in part, the 55 per cent. stake held by its founder stockholder, Ermewa, at a price to be determined by common agreement at the time of the transaction.

### 30. Consolidated Statement of Cashflows

Cashflow from consolidated company operations in fiscal year 2001 totalled € 800 million. After adjustment for current asset reserves (€ 7 million), working capital provided by operations is € 807 million (€ 1,244 million in 2000). This drop is consistent with the downturn in Group net operating income in 2001.

#### Closing cash balance – Increase/(decrease) in cash balance

The closing cash balance breaks down as follows:

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Cash at bank and in hand .. .. .	344	222
Marketable securities with an initial maturity of less than 3 months .. .. .	761	1,235
Deposits received with an initial maturity of less than 3 months .. .. .	83	–
Cash borrowings with an initial maturity of less than 3 months .. .. .	(1,856)	(1,805)
<b>Cash balance per the Consolidated Statement of Cashflows .. .. .</b>	<b>(668)</b>	<b>(348)</b>

The marked drop in cash flow from operating activities between 2000 and 2001, combined with a substantial increase in Group capital expenditure, necessitated recourse to external borrowings and resulted in a deterioration in the Group cash balance, of € 355 million and € 351 million respectively.

#### ANALYSIS OF CASH USED IN INVESTING ACTIVITIES

● Non-current asset additions during 2001 totalled €1,876 million and break down as follows:

- tangible assets (Note 6) € 1,880 million
- intangible assets € 44 million
- unconsolidated investments € 21 million
- movements in amounts payable on fixed asset additions (€ 69 million)

Stock subscriptions primarily concerned VFLI Cargo and Sealogis.

- The principal capital gains and losses on disposal in fiscal 2001 were as follows:
  - sale of the SNCF rue Saint Lazare building € 73 million
  - sale of SNCF Participations' head office € 18 million
  - restructuring of Züst Ambrosetti € 23 million
- Changes in Group structure generated a net cash outflow of € 18 million in 2001 and primarily concerned the Géodis sub-group, Züst Ambrosetti (net cash outflow of € 19 million).

#### ANALYSIS OF GROUP NET DEBT

The Statement of Cashflows shows a € 446 million increase in borrowings with an initial maturity of over 3 months, comprising a net increase in long-term borrowings of € 405 million and an increase in cash borrowings of € 41 million.

After adjustment for changes in Group structure (+ € 51 million, primarily relating to the entry of Züst Ambrosetti into the scope of consolidation), borrowings with an initial maturity of over 3 months increased € 529 million. The parent company, SNCF, accounts for € 344 million of this increase, which primarily concerns euro-denominated bond issues (and US dollar bond issues hedged by euro swaps).

#### CHANGES IN WORKING CAPITAL REQUIREMENTS

The € 74 million decrease in working capital requirements during the year is primarily attributable to:

- a marked deterioration in various outstanding balances such as amounts payable to or receivable from the State, the RFF current account and advances and down payments,
- partially offset by a significant drop in trade receivables, particularly in respect of freight activities.

### 31. SNCF Financial Statements for the Special Debt Account and Employee-Related Benefits Account

#### Balance sheet

	<i>As of 31st December, 2001</i>				<i>As of 31st December, 2000</i>			
	<i>Pension Fund</i>	<i>Medical care</i>	<i>Other Funds</i>	<i>Total</i>	<i>Pension Fund</i>	<i>Medical care</i>	<i>Other Funds</i>	<i>Total</i>
<b>Assets</b>								
Non-current assets.....	28	2	39	69	29	2	39	70
Current assets.....	1,153	205	21	1,379	1,166	148	23	1,337
<b>Total Assets.....</b>	<b>1,181</b>	<b>207</b>	<b>60</b>	<b>1,448</b>	<b>1,195</b>	<b>150</b>	<b>62</b>	<b>1,407</b>
<b>Liabilities &amp; Stockholders' Equity</b>								
Net equity.....	40	48	30	118	39	32	29	100
Other liabilities.....	88	174	35	297	93	188	35	316
Intergroup account.....	1,053	(15)	(5)	1,033	1,063	(70)	(2)	991
<b>Total Liabilities &amp; Stockholders' Equity.....</b>	<b>1,181</b>	<b>207</b>	<b>60</b>	<b>1,448</b>	<b>1,195</b>	<b>150</b>	<b>62</b>	<b>1,407</b>
<b>Total Liabilities &amp; Stockholders' Equity excl. Intergroup Account</b>	<b>128</b>	<b>222</b>	<b>65</b>	<b>415</b>	<b>132</b>	<b>220</b>	<b>64</b>	<b>416</b>

*Income Statement*

	<i>As of 31st December, 2001</i>				<i>As of 31st December, 2000</i>			
	<i>Pension Fund</i>	<i>Medical care</i>	<i>Other Funds</i>	<i>Total</i>	<i>Pension Fund</i>	<i>Medical care</i>	<i>Other Funds</i>	<i>Total</i>
<b>Expenses</b>								
Benefits paid to members	4,355	1,443	219	6,017	4,288	1,439	228	5,955
Other expenses .....	62	53	11	126	55	55	11	121
<b>Total expenses .....</b>	<b>4,417</b>	<b>1,496</b>	<b>230</b>	<b>6,143</b>	<b>4,343</b>	<b>1,494</b>	<b>239</b>	<b>6,076</b>
<b>Income</b>								
Members' contributions.....	326	25	1	352	312	25	1	338
Employer contributions.....	1,180	451	10	1,641	1,126	442	10	1,578
Compensations and contractual payments.....	2,724	1,012	209	3,945	2,715	1,006	220	3,941
Other income .....	187	24	11	222	190	26	10	226
<b>Total income .....</b>	<b>4,417</b>	<b>1,512</b>	<b>231</b>	<b>6,160</b>	<b>4,343</b>	<b>1,499</b>	<b>241</b>	<b>6,083</b>
<b>Net Income/(loss) .. .. .</b>	<b>0</b>	<b>16</b>	<b>1</b>	<b>17</b>	<b>0</b>	<b>5</b>	<b>2</b>	<b>7</b>

**SNCF Balance Sheet and Income Statement for the Special Debt Account**

**Balance Sheet**

	<i>As at 31st December,</i>	
	<i>2001</i>	<i>2000</i>
<i>Assets</i>		
Miscellaneous assets .. .. .	262	129
Intergroup accounts .. .. .	76	29
<b>Total .. .. .</b>	<b>338</b>	<b>158</b>
Total excluding Intergroup accounts .. .. .	262	129

*Liabilities and SHs' Equity*

	<i>As at 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Capital contribution for the year (See Note 2.5) .. .. .	15	23
Accumulated deficits <sup>(1)</sup> .. .. .	(9,157)	(9,204)
Net income for the year .. .. .	19	24
<b>Total .. .. .</b>	<b>(9,123)</b>	<b>(9,157)</b>
Borrowings <sup>(2)</sup> .. .. .	9,291	9,288
Other liabilities .. .. .	170	27
<b>Total .. .. .</b>	<b>338</b>	<b>158</b>
Total excluding Intergroup accounts .. .. .	338	158

Notes:

- (1) The Accumulated deficits balance is reduced each year by net income from the Special Debt Account and the prior year capital contribution.
- (2) Including accrued interest payable.

<b>Income Statement</b>	<i>As at 31st December,</i>	
	<i>2001</i>	<i>2000</i>
<b>Expenses</b>		
Financial expenses .. .. .	666	760
Other expenses .. .. .	0	0
Net income for the year .. .. .	19	24
<b>Total</b> .. .. .	<u>685</u>	<u>784</u>

<b>Income</b>	<i>As at 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Financial income .. .. .	5	112
French State contribution .. .. .	662	654
SCNF contribution .. .. .	18	18
<b>Total</b> .. .. .	<u>685</u>	<u>784</u>

As of 31st December, 2001, Special Debt Account liabilities, after swap contracts, amounted to € 8.9 billion, excluding accrued interest payable.

#### **Maturities of Special Debt Account Borrowings**

	<i>As at 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Maturing within less than 1 year .. .. .	76	0
1 to 5 years .. .. .	4,443	4,281
More than 5 years.. .. .	4,411	4,649
Neutralisation of swaps .. .. .	11	7
<b>Special Debt Account borrowings excl. accrued interest payable</b> .. .. .	<u>8,941</u>	<u>8,937</u>
Accrued interest payable .. .. .	350	351

#### **Currency Structure of Special Debt Account borrowings, excluding accrued interest payable**

The currency breakdown of borrowings allocated to the Special Debt Account, before adjustment for derivative instruments, is as follows:

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Euro .. .. .	8,806	8,806
Swiss franc .. .. .	135	131
<b>Special Debt Account borrowings excl. accrued interest payable</b> .. .. .	<u>8,941</u>	<u>8,937</u>

The currency breakdown of borrowings allocated to the Special Debt Account, after adjustment for derivative instruments, is as follows:

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Euro .. .. .	8,930	8,930
Neutralisation of swaps .. .. .	11	7
<b>Special Debt Account borrowings excl. accrued interest payable</b> .. .. .	<u>8,941</u>	<u>8,937</u>

### Interest Rate Structure of Special Debt Account borrowings, excluding accrued interest payable

The breakdown by interest rate type of borrowings allocated to the Special Debt Account, after adjustment for derivative instruments and the cash balance mechanism is as follows:

	<i>As of 31st December,</i>	
	<i>2001</i>	<i>2000</i>
Fixed rate.. .. .	7,035	6,659
Floating rate.. .. .	1,895	2,271
Neutralisation of swaps.. .. .	11	7
<b>Special Debt Account borrowings excl. accrued interest payable .. .. .</b>	<b>8,941</b>	<b>8,937</b>

### 32. Litigation and Disputes

In the course of its operating activities, the Group is involved in a number of legal proceedings and disputes, unresolved at the year end. Reserves are raised to cover the charges associated with these disputes where they are considered probable and they can be quantified or estimated with reasonable accuracy.

In 1999, the SNCF was involved in two proceedings before the European Commission concerning Sernam. The complaint behind the first proceeding was withdrawn by the plaintiff during 2000. The second proceeding concerns European Commission notification of the Sernam restructuring plan.

This second complaint was examined by the Commission together with the notification filed by the Company concerning restructuring subsidies. A decision was handed down by Brussels on 28th May, 2001, authorising SNCF to undertake the transaction involving Sernam and Géodis. Financial assistance for the implementation of the restructuring plan and the takeover by Géodis Group may not exceed € 448 million.

### 33. Scope of Consolidation

A list of the main consolidated subsidiaries is presented below. A comprehensive list of all subsidiaries may be obtained by simple request to the company registered office.

**Percentage interest:** share in the common stock of the consolidated company held by the consolidating company, either directly or indirectly

**Percentage control:** percentage of voting rights held by the consolidating company in the consolidated company, either directly or indirectly.

	% control	% interest
<i>Passenger transport and services</i>		
<b>Direct SNCF subsidiaries</b>		
<b>Fully consolidated</b>		
Seafrance .. .. .	100.00	100.00
<b>Direct SNCF Participations subsidiaries</b>		
<b>Fully consolidated</b>		
Grandes Lignes International .. .. .	100.00	99.80
Equity affiliate		
Kéolis	43.51	43.42
<i>Freight</i>		
<b>Direct SNCF subsidiaries</b>		
<b>Fully consolidated</b>		
SCS SERNAM .. .. .	100.00	100.00
<b>Direct SNCF Participations subsidiaries</b>		
<b>Fully consolidated</b>		
France Wagons .. .. .	100.00	99.80
Sté de Transports de Véhicules Automobiles (S.T.V.A.) .. .. .	80.91	80.35
Cie Nouvelle de Conteneurs (C.N.C.) .. .. .	76.05	72.86
Cie de Transports de Céréales (C.T.C.) .. .. .	53.06	62.56
Géodis .. .. .	43.32	43.23
<b>Equity affiliate</b>		
ERMEWA SA - GENEVE .. .. .	45.00	44.91
<b>Direct Géodis subsidiaries</b>		
<b>Fully consolidated</b>		
Bourgey Montreuil Holding .. .. .	100.00	43.23
Calberson SA .. .. .	100.00	43.23
<i>Infrastructure, leveraging of SNCF's assets and know-how</i>		
<b>Direct SNCF subsidiaries</b>		
<b>Fully consolidated</b>		
Sté Française de Construction Immobilière (S.F.C.I.) .. .. .	100.00	100.00
SNCF Participations .. .. .	99.83	99.80
Sté Hydro-Electrique du Midi (S.H.E.M.) .. .. .	99.62	99.62
Télécom Développement .. .. .	50.01	50.01
<b>Direct SNCF Participations subsidiaries</b>		
<b>Fully consolidated</b>		
SNCF International .. .. .	100.00	99.80

*The only major change in Group structure in 2001 concerned the demerger of Züst Ambrosetti into two companies, within the Géodis sub-group.*

**STATUTORY AUDITORS' REPORT  
ON THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER, 2001**

*The following is a free translation of the statutory auditors' report on the consolidated financial statements for the year ended 31st December, 2001. References in this translation to the "company" are to SNCF and to the "Group" are to SNCF and its consolidated subsidiaries.*

In our capacity as statutory auditors, we have audited the accompanying consolidated financial statements of the SNCF for the year ended 31st December, 2001, presented in euro, in accordance with French accounting principles.

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with French professional standards except for the matters described below. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The implementation of the passenger transport revenue monitoring system has progressed during the year. However, some uncertainties remain in respect of such revenues for the year ended 31st December, 2001 and may only be resolved once the system has been actually implemented.

As explained in note 6, differences of opinion remain between RFF and SNCF as to ownership of certain fixed assets as well as to conditions of transfers which could result from future settlement of this matter. We are not able to evaluate the impact of this situation on the consolidated financial statements for the year ended 31st December, 2001.

Except for these matters, in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31st December, 2001, and the results of the Group's operations included in the consolidation for the year then ended, in accordance with French accounting principles.

Without qualifying the opinion, we draw your attention to note 2 to the consolidated financial statements, which states that the useful economic life of certain equipment has been revised.

We have also reviewed the information contained in the Director's report. Except for the effect of the facts described above, we have nothing to report with respect to the fairness of such information and its consistency with the consolidated financial statements.

The Statutory Auditors  
French original signed by

CALAN RAMOLINO & Associés  
Membre de Deloitte Touche Tohmatsu

ERNST & YOUNG Audit

Etienne Jacquemin

Pascal Pincemin

Patrick Gounelle

Francis Gidoïn

27th March, 2002

## CAPITALISATION

The following unaudited table sets out the capitalisation of SNCF (including Special Debt Account) as at 30th April, 2002 (in € million).

		<i>Principal amounts outstanding</i>	<i>Equivalent in EUR</i>
3 <sup>3</sup> / <sub>4</sub> % Bonds due 2002.....	CHF	250.00	170.99
2% Bonds due 2004.....	CHF	300.00	205.18
7% Bonds due 2004.....	CHF	450.00	307.78
5 <sup>1</sup> / <sub>4</sub> % Bonds due 2005.....	CHF	300.00	205.18
4 <sup>1</sup> / <sub>8</sub> % Bonds due 2005.....	CHF	200.00	136.79
4.5% Bonds due 2006.....	CHF	300.00	205.18
5% Bonds due 2015.....	CHF	200.00	136.79
Loans from European Investment Bank.....	CHF	200.9	137.41
6 <sup>3</sup> / <sub>8</sub> % Bonds due 2004.....	DKK	400.00	53.81
SNCF Mutual funds 2002.....	EUR	138.58	138.58
7% Bonds due 2002.....	EUR	60.10	60.10
SNCF Mutual funds 2003.....	EUR	158.69	158.69
9% Bonds due 2003.....	EUR	2,247.62	2,247.62
SNCF Mutual funds 2004.....	EUR	184.58	184.58
8.60% Bonds due 2004.....	EUR	2,415.01	2,415.01
8 <sup>1</sup> / <sub>8</sub> % Bonds due 2004.....	EUR	37.18	37.18
Zero coupon Bonds due 2004.....	EUR	76.22	76.22
SNCF Mutual funds 2005.....	EUR	202.53	202.53
8 <sup>1</sup> / <sub>4</sub> % Bonds due 2005.....	EUR	2,515.25	2,515.25
SNCF Mutual funds 2006.....	EUR	219.31	219.31
6% Bonds due 2006.....	EUR	1,981.84	1,981.84
SNCF Mutual funds 2007.....	EUR	28.77	28.77
8% Bonds due 2007.....	EUR	457.35	457.35
6 <sup>3</sup> / <sub>4</sub> % Bonds due 2007.....	EUR	914.69	914.69
8 <sup>3</sup> / <sub>8</sub> % Bonds due 2007.....	EUR	400.00	400.00
FRN Bonds CNO-TEC10 due 2007.....	EUR	304.90	304.90
F/FRN Notes due 2007.....	EUR	83.59	83.59
7 <sup>1</sup> / <sub>2</sub> % Bonds due 2008.....	EUR	1,829.39	1,829.39
6 <sup>3</sup> / <sub>4</sub> % Bonds due 2009.....	EUR	457.35	457.35
4 <sup>3</sup> / <sub>8</sub> % Bonds due 2009.....	EUR	1,000.00	1,000.00
57 8% Bonds due 2010.....	EUR	500.00	500.00
6 <sup>3</sup> / <sub>4</sub> % Bonds due 2013.....	EUR	609.80	609.80
5 <sup>5</sup> / <sub>8</sub> % Bonds due 2013.....	EUR	500.00	500.00
8 <sup>1</sup> / <sub>2</sub> % Bonds due 2021.....	EUR	60.10	60.10
8 <sup>7</sup> / <sub>8</sub> % Bonds due 2023.....	EUR	907.07	907.07
Private Placements.....	EUR	76.22	76.22
Loans from the Paris Regional District and misc.....	EUR	180.23	180.23
Loans from ECSC.....	EUR	133.82	133.82
Loans from European Investment Bank.....	EUR	275.24	275.24
Loans from European Investment Bank.....	GBP	387.55	626.29
5 <sup>3</sup> / <sub>8</sub> % Bonds due 2027.....	GBP	350.00	565.61
Reverse Dual Currency Bonds JPY/AUD due 2006.....	JPY	12,000.00	103.75
Reverse Dual Currency Bonds JPY/AUD due 2006.....	JPY	15,000.00	129.69
F/FRN Bonds due 2015.....	JPY	20,000.00	172.92
Reverse Dual Currency Bonds JPY/AUD-DEM-USD due 2015	JPY	10,000.00	86.46
7 <sup>1</sup> / <sub>2</sub> % Bonds due 2002.....	NOK	400.00	52.82
Floating Rate Credit due 2002.....	USD	150.00	166.52
6 <sup>1</sup> / <sub>2</sub> % Bonds due 2002.....	USD	250.00	277.53
5 <sup>5</sup> / <sub>8</sub> % Bonds due 2003.....	USD	500.00	555.06
5 <sup>3</sup> / <sub>8</sub> % Bonds due 2005.....	USD	300.00	333.04
<b>Total long-term debt.....</b>			<b>23,584.22</b>



Notes:

- (1) The foregoing table does not include the equivalent (as at 30th April, 2002) of approximately € 3.580 billion principal amount outstanding under rolling stock lease financing contracts with Eurofima.
- (2) Translation of foreign currencies to euros in this table have been made at the rates as of 30th April, 2002.
- (3) References in this table to CHF are to Swiss Francs, to DKK are to Danish Kroners, to € and EUR are to Euro, to GBP are to Great Britain Pounds, to JPY are Japanese Yen, to NOK are to Norwegian Kroners and to USD are to United States Dollars.
- (4) The capitalisation of SNCF in the foregoing table does not take account of the net debt owing by SNCF as a result of the € 12.327 billion owed by RFF to SNCF following the Reform.
- (5) SNCF has a € 7,000,000,000 Euro Medium Term Note Programme, dated 19th July, 2001.  
The foregoing table does not include the equivalent (as at 30th April, 2002) of € 850.32 million private placements issued under this Programme.
- (6) Save as disclosed above, there has been no material change in the capitalisation of SNCF since 30th April, 2002.

The following unaudited table sets out at 30th April, 2002 the aggregate payments (expressed in € million) required to be made in respect of principal on the outstanding long-term debt of SNCF (including Special Debt Account and lease financing contracts with EUROFIMA) as modified by currency exchange agreements:

	<i>(EUR millions)</i>						
	2002	2003	2004	2005	2006	2007	2008
EUR.. .. .	1,287.50	3,657.44	3,142.30	3,150.71	2,868.37	2,375.27	1,838.83
CHF.. .. .	304.19	0.51	499.11	341.97	205.19	0.00	0.00
GBP.. .. .							
<b>Total</b> .. .. .	<b>1,591.69</b>	<b>3,657.95</b>	<b>3,641.44</b>	<b>3,492.68</b>	<b>3,073.56</b>	<b>2,375.27</b>	<b>1,838.83</b>

	<i>(EUR millions)</i>						
	2009	2010	2011	2012	2013	Balance	Total
EUR.. .. .	1,854.45	938.70	410.59	502.41	1,118.99	2,595.13	25,740.72
CHF.. .. .	0.00	0.00	0.00	0.00	0.00	274.19	1,625.16
GBP.. .. .			103.24	69.53	0.00	168.70	341.47
<b>Total</b> .. .. .	<b>1,854.45</b>	<b>938.70</b>	<b>513.83</b>	<b>571.94</b>	<b>1,118.99</b>	<b>3,038.02</b>	<b>27,707.35</b>

## RECENT DEVELOPMENTS

### **Appointment of Statutory Auditors**

Pursuant to article 30 of the French *loi* n° 84-148 of 1st March, 1994, and following the favourable opinions of the President of the *Commission des Opérations de Bourses* and the President of the *Commission Nationale d'Inscription des Commissaires aux Comptes*, the Economy, Finance and Industry Minister appointed as the statutory auditors of SNCF for the fiscal years 2002 to 2007 the following firms:

**ERNST and YOUNG Audit**

Represented by Mr. Patrick GOUNELLE and Mr. Francis GIDOIN  
4, rue Auber  
75009 PARIS

and

**MAZARD et GUERARD**

Represented by Mr. Gilles RAINAUT and Mr. Jean-Louis LEBRUN  
125, rue de Montreuil  
75011 PARIS

### **Telecom Development**

SNCF decided not to exercise the put option, valid until 11th July, 2002, granted to it by Groupe CEGEDEL in respect of SNCF's participation in Télécom Développement. SNCF remains a 50.01 per cent. shareholder alongside Groupe CEGEDEL.

SNCF will continue discussions on developments and possible methods of bringing together the parties which would facilitate the reinforcement of synergies between Télécom Développement and CEGEDEL.

### **SHEM – Société hydroélectrique du midi**

A commercial partnership agreement is currently being negotiated between SHEM, SNCF and Electrabel.

### **Geodis**

A capital increase is currently under consideration for the Geodis Group. SNCF-Participation, a 99.83 per cent. owned subsidiary of SNCF and majority shareholder of Geodis (43.32 per cent.), intends to subscribe that capital increase on a pro rata basis to its current shareholding in Geodis.

### **Keolis**

Keolis, a 43.51 per cent. owned subsidiary of SNCF-Participations, has been selected by the Swedish authorities as their preferred bidder to take over from « Busslink » in the operation of bus lines in the suburbs of Stockholm.

## SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in an amended and restated Dealer Agreement dated 17th July, 2002 (the "Dealer Agreement"), between the Issuer, the Permanent Dealers and the Arrangers, the Notes will be offered by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to issue Notes directly on its own behalf to Dealers that are not Permanent Dealers and who agree to be bound by the restrictions below. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the update of the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the applicable Pricing Supplement.

The Issuer has agreed to indemnify the Dealers and the Arrangers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### United States

The Notes have not been and will not be registered under 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 Dealer Agreement provides that the Dealers may directly or through their respective agents or affiliates which are U.S. registered broker-dealers arrange for resales of Notes in registered form in the United States to qualified institutional buyers pursuant to Rule 144A.

Notes in bearer form 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 of 1986 and regulations thereunder.

In connection with any Notes which offered or sold outside the United States in reliance on Regulation S ("Unrestricted Notes") each Dealer has agreed that neither it nor its affiliates nor any person acting on its or their behalf and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Unrestricted Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable Tranche of which such Unrestricted Notes are a part as determined, and certified to the Issuer and the relevant Dealer by the Fiscal Agent or, in the case of Notes issued on a syndicated basis, by the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Unrestricted Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Unrestricted Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each issuance of index-, commodity- or currency-linked Notes may be subject to such additional U.S. selling restrictions as the relevant Dealer(s) may agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

## **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to Notes which have a maturity of one year or more, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (ii) in relation to any Notes having a maturity of less than one year from the date of issue, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;
- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (iv) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **France**

*The Dealer Agreement contains a full description of the selling restrictions that may apply in France with respect to a particular issue of Notes.*

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public of the Republic of France, the Offering Circular or any other offering material relating to Notes, and that such offers, sales and distributions have been and shall only be made in the Republic of France to qualified investors (*investisseurs qualifiés*), as defined in and in accordance with Articles L.411-1 and L.411-2 of the *Code Monétaire et Financier* and *décret* No.98-880 of 1st October, 1998.

Investors in France may only participate in the issue of Notes for their own account in accordance with the conditions set out in *décret* No.98-880 of 1st October, 1998. Notes may only be issued, directly or indirectly, to the public in the Republic of France in accordance with Articles L.411-1 and L.411-2 of the *Code Monétaire et Financier*.

## **Germany**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the Federal Republic of Germany other than in compliance with the German Securities Selling Prospectus Act (*Wertpapierverkaufsprospektgesetz*) of 13th December, 1990, as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities.

## **Japan**

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and other relevant

laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular, any other offering material or any Pricing Supplement and obtain any consent, approval or permission required for the purchase, offer or sale of Notes under the laws and regulations in force in any jurisdiction to which it is a subject or in which it makes such purchases, offers or sales and neither the Issuer nor any other Dealer shall have responsibility therefor.

## FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

### SOCIETE NATIONALE DES CHEMINS DE FER FRANÇAIS

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the € 7,000,000,000  
Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 17th July, 2002. This Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs.]

[If the Notes must be redeemed before the first anniversary of their date of issue, and the issue proceeds are to be accepted in the United Kingdom, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.]

- |   |   |   |
|---|---|---|
| 1 | Issuer:   | Société Nationale des Chemins de fer Français   |
| 2 | (i) Series Number:  | [●]   |
|   | (ii) Tranche Number:  | [●]   |
|   |   | <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)</i>                  |
| 3 | Specified Currency or Currencies:                                     | [●]   |
| 4 | Aggregate Nominal Amount:   |   |
|   | (i) Series:   | [●]   |
|   | (ii) Tranche:   | [●]   |
| 5 | (i) Issue Price:  | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)] |
|   | (ii) Net proceeds:  | [●] <i>(Required only for listed issues)</i>  |
| 6 | Specified Denominations:  | [●]   |
| 7 | [(i)] Issue Date [and Interest Commencement Date]:                    | [●]   |
|   | [(ii) Interest Commencement Date (if different from the Issue Date):] | [●]   |
| 8 | Maturity Date:  | <i>[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to (specify the relevant month and year)]</i>       |
| 9 | Interest Basis:   | [[●] per cent. Fixed Rate]  |

- [[*specify reference rate*] +/- ] per cent.  
Floating Rate]
- [Zero Coupon]
- [Index Linked Interest]
- [Other (*specify*)]
- (further particulars specified below)
- 10 Redemption/Payment Basis: [Redemption at par]
- [Index Linked Redemption]
- [Dual Currency]
- [Partly Paid]
- [Instalment]
- [Other (*specify*)]
- 11 Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
- 12 Put/Call Options: [Put]
- [Call]
- [(further particulars specified below)]
- 13 Status of the Notes: Unsubordinated
- 14 Listing: [Euronext Paris/Luxembourg/Other (*specify*)/None]
- 15 Method of distribution [Syndicated/Non-syndicated]

**PROVISION RELATING TO INTEREST (IF ANY)  
PAYABLE**

- 16 **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate(s) of Interest: ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear] (*If payable other than annually consider amending Conditions*)
- (ii) Interest Payment Date(s): ] in each year
- (iii) Fixed Coupon Amount(s): ] per ] in nominal amount
- (iv) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate*]
- (v) Day Count Fraction (Condition 5(j)): ]
- [*Consider if day count fraction for euro denominated issues should be on an Actual/Actual-ISDA or Actual/Actual-ISMA basis*]

(vi)	Determination Date(s) (Condition 5(j)):	<i>[Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)]</i> in each year
(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/ <i>give details</i> ]
17	<b>Floating Rate Provisions</b>	[Applicable/Not Applicable] ( <i>If not applicable, delete the remaining subparagraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate for Notes denominated in euro</i> )
(i)	Specified Period(s)/Specified Interest Payment Dates:	[●]
(ii)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other ( <i>give details</i> )]
(iii)	Additional Business Centre(s) (Condition 5(j)):	[●]
(iv)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other ( <i>give details</i> )]
(v)	Interest Period Date(s):	[Not Applicable/ <i>specify dates</i> ]
(vi)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
(vii)	Screen Rate Determination (Condition 5(b)(iii)(B)):	
	– Relevant Time:	[●]
	– Interest Determination Date:	[[●] [TARGET] Business Days in [ <i>specify city</i> ] for [ <i>specify currency</i> ] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
	– Primary Source for Floating Rate:	[ <i>Specify relevant screen page or “Reference Banks”</i> ]
	– Reference Banks (if Primary Source is “Reference Banks”):	[ <i>Specify four</i> ]
	– Relevant Financial Centre:	[ <i>The financial centre most closely connected to the Benchmark – specify if not London</i> ]
	– Benchmark:	[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark]
	– Representative Amount:	[ <i>Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount</i> ]
	– Effective Date:	[ <i>Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period</i> ]



	- Specified Duration:	[Specify period for quotation if not duration of Interest Accrual Period]
(viii)	ISDA Determination (Condition 5(b)(iii)(A)):	
	- Floating Rate Option:	[●]
	- Designated Maturity:	[●]
	- Reset Date:	[●]
	- ISDA Definitions: (if different from those set out in the Conditions)	[●]
(ix)	Margin(s):	[+/-] [●] per cent. per annum
(x)	Minimum Rate of Interest:	[●] per cent. per annum
(xi)	Maximum Rate of Interest:	[●] per cent. per annum
(xii)	Day Count Fraction (Condition 5(j)):	[●]
(xiii)	Rate Multiplier:	[●]
(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
	(i) Amortisation Yield (Condition 6(b)):	[●] per cent. per annum
	(ii) Day Count Fraction (Condition 5(j)):	[●]
	(iii) Any other formula/basis of determining amount payable:	[●]
19	<b>Index Linked Interest Note Provisions</b>	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
	(i) Index/Formula:	[Give or annex details]
	(ii) Calculation Agent responsible for calculating the interest due:	[●]
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[●]
	(iv) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(v) Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
	(vi) Additional Business Centre(s) (Condition 5(j)):	[●]
	(vii) Minimum Rate of Interest:	[●] per cent. per annum
	(viii) Maximum Rate of Interest:	[●] per cent. per annum
	(ix) Day Count Fraction (Condition 5(j)):	[●]

20	<b>Dual Currency Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Rate of Exchange/Method of calculating Rate of Exchange:	[Give details]
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]
	(v) Day Count Fraction (Condition 5(j)):	[●]

**PROVISIONS RELATING TO REDEMPTION**

21	<b>Call Option</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●]
	(iii) If redeemable in part:	[●]
	(a) Minimum nominal amount to be redeemed:	[●]
	(b) Maximum nominal amount to be redeemed:	[●]
	(iv) Option Exercise Date(s):	[●]
	(v) Description of any other Issuer's option:	[●]
	(vi) Notice period (if other than as set out in the Conditions):	[●]
22	<b>Put Option</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●]
	(iii) Option Exercise Date(s):	[●]
	(iv) Description of any other Noteholders' option:	[●]
	(v) Notice period (if other than as set out in the Conditions):	[●]
23	<b>Final Redemption Amount</b>	[Nominal amount/Other/See Appendix]

24 **Early Redemption Amount**

- (i) Early Redemption Amount(s) payable on redemption for taxation reasons (Condition 6(c)) or an event of default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●]
- (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 6(c)): [Yes/No]
- (iii) Unmatured Coupons to become void upon early redemption (Bearer Notes only) (Condition 7(f)): [Yes/No/Not Applicable]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

25 **Form of Notes**

- [Bearer Notes/Exchangeable Bearer Notes/Registered Notes]  
[Delete as appropriate]
- (i) Temporary or permanent global Note/Certificate: [Temporary Global Note/Certificate exchangeable for a permanent Global Note/Certificate which is exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]  
[Temporary Global Note/Certificate exchangeable for Definitive Certificates on [●] days' notice]  
[Permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]  
[Unrestricted Global Certificate/  
Restricted Global Certificate]
- 26 Additional Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates: [Not Applicable/Give details. Note that this item relates to the place of payment, and not interest period end dates, to which item 17(iii) relates]
- 27 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
- 28 Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
- 29 Details relating to Instalment Notes: [Not Applicable/give details]
- (i) Instalment Amount(s): [●]
- (ii) Instalment Date(s): [●]
- (iii) Minimum Instalment Amount: [●]
- (iv) Maximum Instalment Amount: [●]

- |    |  |  |
|----|--|--|
| 30 | Redenomination, renominatisation and reconventioning provisions: | [Not Applicable/The provisions [in Condition 1(b)] [annexed to this Pricing Supplement] apply] |
| 31 | Consolidation provisions:  | [Not Applicable/The provisions [in Condition 12] [annexed to this Pricing Supplement] apply]   |
| 32 | Other terms or special conditions: <sup>2</sup>                  | [Not Applicable/give details]  |

#### **DISTRIBUTION**

- |    |   |                               |
|----|---|-------------------------------|
| 33 | (i) If syndicated, names of Managers:                           | [Not Applicable/give names]   |
|    | (ii) Stabilising Manager (if any):                              | [Not Applicable/give name]    |
|    | (iii) Dealer's Commission:                                      | [●]                           |
| 34 | If non-syndicated, name of Dealer:                              | [Not Applicable/give name]    |
| 35 | If non-syndicated, name of Dealer:                              | [Not Applicable/give name]    |
| 36 | Additional selling restrictions: (*French selling restrictions) | [Not Applicable/give details] |

#### **OPERATIONAL INFORMATION**

- |    |   |   |
|----|---|---|
| 37 | ISIN Code:  | [●]   |
| 38 | Common Code:  | [●]   |
| 39 | CUSIP Code:   | [●]   |
| 40 | CINS Code:  | [●]   |
| 41 | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and Euroclear France and the relevant identification number(s): | [Not Applicable/give name(s) and number(s)] |
| 42 | Delivery:   | Delivery [against/free of] payment          |
| 43 | The Agents appointed in respect of the Notes are:   | [●]   |

#### **GENERAL**

- |     |  |                               |
|-----|--|-------------------------------|
| 44  | Additional steps that may be taken following approval by an Extraordinary Resolution in accordance with Condition 13(a):                                 | [Not Applicable/give details] |
| 45  | The aggregate principal amount of Notes issued has been translated into euro at the rate of [●], producing a sum of (for Notes not denominated in euro): | [Not Applicable/euro{●}]      |
| [46 | Euroclear France to act as Central Depository  | [Specify, if yes]]            |
| [47 | Details of any additions or variations to the Dealer Agreement:]   | [●]                           |

<sup>2</sup> If full terms and conditions are to be used, please add the following here:

"The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary."

The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the pricing supplement.

## **[LISTING APPLICATION**

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the €7,000,000,000 Euro Medium Term Note Programme of Société Nationale des Chemins de fer Français.]

**[THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR ANY JURISDICTION OF THE UNITED STATES [AND THE NOTES COMPRISE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS]. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE [OFFERED OR SOLD/OFFERED, SOLD OR DELIVERED] WITHIN THE UNITED STATES [OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)). THIS PRICING SUPPLEMENT HAS BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S [AND WITHIN THE UNITED STATES TO “QUALIFIED INSTITUTIONAL BUYERS” IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”) [AND FOR LISTING OF THE NOTES ON THE [LUXEMBOURG/PARIS] STOCK EXCHANGE]. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A]. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE NOTES AND DISTRIBUTION OF THIS PRICING SUPPLEMENT, SEE “SUBSCRIPTION AND SALE” IN THE OFFERING CIRCULAR.]**

## **[STABILISING**

In connection with this issue, [*insert name of Stabilising Manager*], or any person acting for him, may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the Stabilising Manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

## **MATERIAL ADVERSE CHANGE STATEMENT**

[Except as disclosed in this document, there/There]\* has been no significant change in the financial or trading position of the Issuer or of the Group since [insert date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer or of the Group since [insert date of last published annual accounts.]

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\* If any change is disclosed in the Pricing Supplement, it will require approval by the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (for London-listed deals) or the Stock Exchange(s) as the case may be. Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular [comprising supplementary listing particulars] rather than in a Pricing Supplement.

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Offering Circular [and the supplemental Offering Circular] referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer:

By: \_\_\_\_\_

Duly authorised

## GENERAL INFORMATION

### Clearing Systems

Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg clearing systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the Sicovam number, if any, for each Series will be contained in the Pricing Supplement relating thereto. The Issuer will make an application with respect to any Restricted Notes of a Registered Series to be accepted for trading in book-entry form by DTC. Acceptance by DTC of Restricted Notes of each Tranche of a Registered Series will be confirmed in the applicable Pricing Supplement. The CINS and CUSIP numbers, if any, for each Series will be contained in the Pricing Supplement relating thereto. Application may be made for acceptance for trading of Restricted Notes in Portal.

### Consents and Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of France in connection with the issue and performance of the Notes.

### Listing

1. In connection with the application to list the Notes issued under the Programme on the Luxembourg Stock Exchange, a legal notice relating to the issue of the Notes and copies of the constitutive documents of the Issuer will be deposited with the Chief Registrar of the District Court in Luxembourg (“*Greffier en Chef du Tribunal d’Arrondissement de et à Luxembourg*”) where such documents may be examined and copies obtained. The Luxembourg Stock Exchange has allocated to the Programme the number 12027 for listing purposes.
2. Prior to listing of any Notes on Euronext Paris, a prospectus incorporating this Offering Circular and referred to as the “*Document de Base*” is required to be submitted to, and approved by, the COB and a registration number granted by the COB with respect to it. In addition, the Pricing Supplement applicable to an issue of Notes is currently required to be approved at the time of the relevant issue. The relevant approval in relation to this Offering Circular has not at the date of this Offering Circular been granted by the COB and no registration number has been granted by the COB in relation to any *Document de Base*. The relevant approval in relation to each issue of Notes will be evidenced by the issue of a visa by the COB. The visa number will be disclosed in the applicable Pricing Supplement.
3. In connection with any application to list Notes on Euronext Paris:
  - (a) a legal notice relating to the issue of such Notes will be published in the *Bulletin des Annonces Légales Obligatoires* prior to such listing;
  - (b) the Pricing Supplement applicable to such issue will be submitted to the approval of the COB and the relevant approval will be evidenced by the issue of a visa by the COB which will be disclosed in the applicable Pricing Supplement applicable to the relevant Notes and by publication in the *Bulletin d’Euronext Paris S.A.*; and
  - (c) the Pricing Supplement applicable to such issue will specify the additional places in Paris at which documents required to be made available for inspection may be inspected during normal business hours.

### Significant or Material Change

Save as disclosed herein, there has been no significant change in the financial or trading position of the Issuer or the Group since 31st December, 2001 and no material adverse change in the financial position or prospects of the Issuer or the Group since 31st December, 2001.

### Litigation

Except as disclosed in this Offering Circular, the Issuer is not involved in any legal or arbitration proceedings which are material in the context of the Programme or the issue of the Notes under the Programme nor, so far as the Issuer is aware, are any such proceedings pending or threatened.

**U.S. Tax Wording**

Each Bearer Note, Receipt, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.

**Documents available**

Copies of the latest annual report and consolidated accounts of the Issuer and all amendments and supplements (including the Pricing Supplements) to this Offering Circular may be obtained free of charge, and copies of the Agency Agreement and the Deed of Covenant will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding. The Issuer does not publish interim balance sheets or income statements.

**Proposed EU Savings Directive**

On 13th December, 2001, the Council of the European Union published a revised document for a new directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, except that Austria, Belgium and Luxembourg will instead operate a withholding system for a transitional period in relation to such payments. The proposed directive is not yet final, and may be subject to further amendment and/or clarification.

**Contracts (Rights of Third Parties) Act 1999**

The Contracts (Rights of Third Parties) Act 1999 (the “Act”) was enacted on 11th November, 1999 and provides that persons who are not parties to a contract governed by the laws of England and Wales or Northern Ireland may be given enforceable rights under such contract. Unless specifically provided in the applicable Pricing Supplement to the contrary, this Programme expressly excludes the application of the Act to any issue of Notes under the Programme.

## **ISSUER**

**Société Nationale des Chemins de fer Français**  
34, rue du Commandant Mouchotte  
75699 Paris Cedex 14  
France

## **DEALERS**

**ABN AMRO Bank N.V.**  
250 Bishopsgate  
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**Dresdner Bank Aktiengesellschaft**  
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Germany

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**Nomura International PLC**  
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**UBS AG,**  
**acting through its business group**  
**UBS Warburg**  
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England

## **ARRANGER**

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England

## **FISCAL AGENT, PRINCIPAL PAYING AGENT AND TRANSFER AGENT**

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England

## **REGISTRAR AND TRANSFER AGENT**

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U.S.A.



**PAYING AGENT AND TRANSFER AGENT**

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Luxembourg

**CALCULATION AGENT**

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**LUXEMBOURG LISTING AGENT**

**Deutsche Bank Luxembourg S.A.**  
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L-1115 Luxembourg  
Luxembourg

**PARIS LISTING AGENT**

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France

**AUDITORS**

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92075 Paris La Défense  
France

**Ernst & Young Audit**  
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France

**LEGAL ADVISERS**

**To the Issuer**

*in respect of French law*

**Société Nationale des Chemins de fer Français**  
**Direction Juridique**  
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75436 Paris Cedex 09  
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**To the Dealers**

*in respect of English law*

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75009 Paris  
France

