Keolis Letbaner A/S

Naverland 20, DK-2600 Glostrup

Annual Report for 1 January - 31 December 2018

CVR No 18 51 80 90

The Annual Report was presented and adopted at the Annual General Meeting of the Company on

31/5. 2019

Inge L. Bodskov

Inge Harting Bodskov
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Keolis Letbaner A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Glostrup, 31/5.2019

Executive Board

Thomas Friis Brændstrup

Board of Directors

Peter Lanng Nielsen
Chairman

Arnaud Van Troeyen

Stéphanie de Lillo

Gry Miriam Olsen

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Executive Board

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Board of Directors

Peter Lanng Nielsen Chairman	Arnaud Van Troeyen	Stéphanie de Lillo

Gry Miriam Olsen

Independent Auditor’s Report

To the shareholders of Keolis Letbaner A/S

Opinion

We have audited the financial statements of Keolis Letbaner A/S for the financial year 1 January –31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January–31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31/5 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Birgit Morville Schrøder
statsaut. revisor
Mne21337

Company Information

The Company	Keolis Letbaner A/S Naverland 20 DK-2600 Glostrup CVR No: 18 51 80 90 Financial period: 1 January - 31 December Financial year: 23th financial year Municipality of reg. office: Albertslund
Board of Directors	Peter Lanng Nielsen, Chairman Arnaud Van Troeyen Stéphanie de Lillo Gry Miriam Olsen
Executive Board	Thomas Friis Brændstrup
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 DK-2000 Frederiksberg

Management's Review

Main activity

The Company's main activity is passenger transport with Light Rail under a contract with transport authorities.

Development in the year and economic situation

The income statement of the Company for 2018 shows a profit of DKK 6.856.605 and at 31 December 2018 the balance sheet of the Company shows equity of DKK 31.442.676.

The Light Rail in Aarhus is running very well and during the year the Light Rail system in Aarhus was expanded with the line to Odder. In the coming year it will be expanded with the line to Grenå, which means that the full network will be in place.

Expected development

The Company expects good results in the coming year and feel well positioned as the preferred Light Rail operator in Denmark . It is expected that the coming year will bring positive results.

Research and development

The Company has no special research and development activities.

Subsequent events

In 2019 the Company has taken over the contract with Odense Letbane from Keolis Danmark A/S for a consideration of DKK 12.280.000 and started up the mobilization. This will continue in the coming years. The contract includes maintenance of Rolling Stock and Transport System. In order to facilitate the maintenance work a subsidiary was acquired to carry out this activity.

The above event does not have any effect on 2018 and no other events have occurred which are considered to have a material effect on the assessment of the Financial Statements.

Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Gross profit	1	**50.503.006**	**34.988.527**
Staff expenses	2	-40.860.943	-24.898.288
Profit before amortization		**9.642.063**	**10.090.239**
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	3	-272.420	-184.350
Profit before financial income and expenses		**9.369.643**	**9.905.889**
Income from investment in subsidiaries	4	0	0
Financial income	5	272.444	264.840
Financial expenses	6	-847.883	-801.446
Profit before tax		**8.794.204**	**9.369.283**
Tax on profit for the year	7	-1.937.599	-2.062.230
Net profit for the year		**6.856.605**	**7.307.053**

Distribution of profit

	2018 DKK	2017 DKK
Proposed distribution of profit		
Retained earnings	6.856.605	7.307.053
	6.856.605	**7.307.053**

Balance Sheet 31 December

Assets

	Note	2018 DKK	2017 DKK
Software licenses		251.813	331.333
Intangible assets	8	**251.813**	**331.333**
Other fixtures and fittings, tools and equipment		590.128	682.043
Property, plant and equipment	9	**590.128**	**682.043**
Investment in subsidiaries	4	965.726	0
Financial assets		**965.726**	**0**
Fixed assets		**1.807.667**	**1.013.376**
Inventories		57.210	47.221
Inventories		**57.210**	**47.221**
Trade receivables		15.191.635	4.463.877
Receivables from group enterprises		11.721.553	10.337.561
Other receivables		5.394.685	274.949
Prepayments		316.927	178.658
Deferred tax asset		17.182	24.719
Receivables		**32.641-982**	**15.279.764**
Cash at bank and in hand		**14.143.233**	**14.081.971**
Currents assets		**46.842.425**	**29.408.956**
Assets		**48.650.092**	**30.422.332**

Balance Sheet 31 December

Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital	10	500.000	500.000
Retained earnings		30.942.676	24.086.071
Equity		**31.442.676**	**24.586.071**
Trade payables		11.575.147	238.738
Payables to group enterprises		228.423	300.056
Corporation tax		1.930.056	1.966.720
Other payables		3.473.790	3.330.747
Short-term debt		**17.207.416**	**5.836.261**
Debt		**17.207.416**	**5.836.261**
Liabilities and equity		**48.650.092**	**30.422.332**
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Statement of changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	500.000	24.086.071	24.586.071
Net profit for the year	0	6.856.605	6.856.605
Equity at 31 December	**500.000**	**30.942.676**	**31.442.676**

Notes to the Financial Statements

1 Gross profit

The company has chosen to show gross profit as per the Company Act paragraph 32. This means showing revenue, other income and costs plus other external costs in one line.

	2018 DKK	2017 DKK

2 Staff expenses

Wages and salaries	35.322.425	20.681.043
Pensions	2.745.591	1.675.771
Other social security expenses	571.581	491.334
Other staff expenses	2.223.346	2.050.140
	40.860.943	**24.898.288**
Average number of employees	**80**	**56**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Depreciation, amortization and impairment of intangible assets and property, plant and equipment

Amortization of intangible assets	79.520	63.627
Amortization of property, plant and equipment	192.900	120.723
	272.420	**184.350**

Notes to the Financial Statements

		2018	2017
		DKK	DKK
4	**Investments in subsidiaries**		
	Cost at 1 January	0	0
	Additions for the year	965.726	0
	Cost at 31 December	965.726	**0**
	Value adjustment at 1 January	0	0
	Adjustment purchase price	0	0
	Value adjustment at 31 December	**0**	0
	Carrying value 31 December	**965.726**	**0**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital (TDKK)	Votes and ownership
Keolis Odense Infrastruktur ApS	Albertslund	125	100%

		2018	2017
5	**Financial income**		
	Interest received from Group companies	272.354	264.840
	Other financial income	90	0
		272.444	**264.840**
6	**Financial expenses**		
	Bank interest	91.371	47.088
	Interest financial leasing	3.737	3.629
	Guarantee fee	750.000	750.000
	Other financial costs	2.775	729
		847.883	**801.446**
7	**Tax on profit for the year**		
	Current tax for the year	1.930.062	1.966.720
	Deferred tax adjustment	5.537	95.510
		1.937.599	**2.062.230**

Notes to the Financial Statements

8 Intangible assets

	Software licenses DKK
Cost at 1 January	1.147.451
Additions for the year	0
Cost at 31 December	1.147.451
Amortization at 1 January	816.118
Amortization for the year	79.520
Amortization at 31 December	895.638
Carrying amount at 31 December	**251.813**
Depreciated over	5 years

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost at 1 January	823.835
Additions for the year	100.985
Cost at 31 December	924.820
Depreciation at 1 January	141.792
Depreciations for the year	192.900
Depreciation at 31 December	334.692
Carrying amount at 31 December	**590.128**
Depreciated over	3-8 years
Including assets under finance leases amounting to	241.048

Notes to the Financial Statements

10 Equity

The share capital consists of 500,000 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2018	2017	2016	2015	2014
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	500.000	500.000	500.000	300.000	300.000
Capital increase	0	0	0	200.000	0
Share capital at 31 December	**500.000**	**500.000**	**500.000**	**500.000**	**300.000**

11 Contingent assets, liabilities and other financial obligations

Security

None

Contingent liabilities

A guarantee of DKK 100.000.000 has been issued in favour of Aarhus Letbane I/S. The guarantee is made to cover claims that Aarhus Letbane I/S may have against Keolis Letbaner A/S. The guarantee covers when operations have started.

The Company is jointly and severally liable for Payroll TAX related to the joint registration with the Parent Company.

The Danish group companies are jointly and severally liable for tax related to the joint taxation income.

Notes to the Financial Statements

12 Group information

The Group's direct parent is Keolis Danmark A/S. The ultimate parent is Keolis S.A. who prepares Consolidated Financial Statements, into which the Company is incorporated as a subsidiary.

Consolidated Financial Statements for Keolis S.A. may be obtained at the following address:

Keolis S.A.
20 rue Le Peletier
75320 PARIS CEDEX 09
France

Accounting Policies

Basis of Preparation

The Annual Report of Keolis Letbaner A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to small enterprises of reporting class B and election of certain provisions applying to reporting class C entities.

Financial Statements for 2018 are presented in DKK.

The Financial Statements have been prepared in accordance with the same principles as last year.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Keolis SA, France, the Company has not prepared consolidated financial statements.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Accounting Policies

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue comprise passenger transport, which is recognised in the income statement when delivery and transfer of risk have been made before year-end. The sale is considered effected based on the following criteria:

- driving has been made before year-end;
- a binding agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Accounting Policies

Driver wages and staff expenses

The item comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

The item comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with other Group companies. The tax effect of the joint taxation with the these companies is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses). The jointly taxed enterprises have adopted the on-account taxation scheme.

Balance Sheet

Intangible assets

Software licenses are measured at cost less accumulated depriciations and less any accumulated impairment losses. Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-8 years

Residual value are reassessed annually.

Assets costing less than DKK 13.200 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investment in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised as an impairment of receivables from subsidiaries, if any, or in provisions.

Accounting Policies

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales price.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning operating leases, insurance premiums, subscriptions and interest.

Dividend

Dividend distribution prop0sed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.