
Keolis Letbaner A/S

Naverland 20, DK-2600 Glostrup

Annual Report for 1 January - 31 December 2019

CVR No 18 51 80 90

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

10/6. 2020


Inge Hatting 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 Lethaner A/S for the financial year 1 January - 31 December 2019.

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 2019 of the Company and of the results of the Company operations for 2019.

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

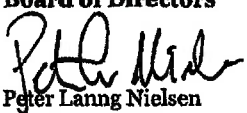
We recommend that the Annual Report be adopted at the Annual General Meeting.

Glostrup, 10/6, 2020


Executive Board


Thomas Friis Brændstrup

Board of Directors


Peter Lann Nielsen
Chairman


Arnaud Van Troeyen


Stéphanie de Lillo

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 2019, 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 2019 and of the results of the Company's operations for the financial year 1 January–31 December 2019 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, 10/6. 2020

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: 24th financial year
Municipality of reg. office: Albertslund

Board of Directors

Peter Lanng Nielsen, Chairman
Arnaud Van Troeyen
Stéphanie de Lillo

Executive Board

Thomas Friis Brændstrup

Auditors

Ernst & Young
Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
DK-2000 Frederiksberg

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	<u>2019</u> TDKK	<u>2018</u> TDKK	<u>2017</u> TDKK	<u>2016</u> TDKK	<u>2015</u> TDKK
Key figures					
Profit/loss					
Revenue	61.816.205	53.694.013	38.649.450	9.433.286	1.779.954
Gross profit	9.385.291	9.642.063	10.090.239	3.976.811	-474.696
Profit/loss before financial income and expenses	9.118.840	9.369.643	9.905.889	3.203.252	-474.696
Net profit for the year	6.457.206	6.856.605	7.307.052	2.299.092	2.281.284
Balance sheet					
Balance sheet total	46.623.285	48.650.092	30.422.332	18.840.668	16.799.884
Equity	28.321.482	31.442.676	24.586.071	17.279.018	14.979.926
Ratios					
Gross margin	15,2%	18,0%	26,1%	42,2%	-26,7%
Profit margin	14,8%	17,5%	25,6%	34,0%	-26,7%
Return on assets	23,7%	27,8%	40,2%	18,0%	-5,9%
Solvency ratio	60,8%	64,6%	80,8%	91,7%	82,2%
Return on equity	24,4%	28,1%	34,9%	14,3%	30,5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

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 2019 shows a profit of DKK 6.457.206 and at 31 December 2019 the balance sheet of the Company shows equity of DKK 28.321.482.

The Light Rail in Aarhus is running very well and the operational performance has continuously improved. On 30 April 2019 the line to Grenå was opened and the planned network in Aarhus is now fully in operation.

On 1. January 2019 the Company acquired the contract concerning the operation of light rail in Odense. The contract was acquired from the Parent Company for a consideration of DKK 12.280.000. The mobilization of this contract started immediately in the beginning of 2019 and is progressing as planned, despite delays in constructing the light rail lines in Odense.

The capitalized portion of the mobilization costs amount to DKK 1.211.338 and prepaid mobilization to DKK 4.750.475. With the employment of key staff the mobilization is expected to gain momentum in the end of 2020 and in 2021.

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, especially when Light Rail in Odense will commence operations in 2021.

Research and development

The Company has no special research and development activities.

Statutory Reporting on Corporate Social Responsibility

Keolis Letbaner A/S is a responsible company, which abide by national laws and regulations. We work diligently within many aspects of corporate social responsibility, in which diversity, climate and environmental issues has attracted greatest attention. However, Keolis Letbaner A/S has not prepared an

Management's Review

independent report on its work with CSR and, instead, we refer to Keolis Group's 2019 UN Communication on Progress report. The full Statutory Report on CSR, in accordance with Danish Financial Statements Act section 99a, can be accessed through the following link:

<https://www.unglobalcompact.org/participation/report/cop/create-and-submit/advanced/440080>

Environmental issues

Operating our light rail system does not impact the environment in any significant way and we do not maintain light rail vehicles or infrastructure. In all other aspects we strive to use the most environmental solutions.

Diversity

As part of Keolis's work with CSR, diversity has been among the paramount areas in which we aspire to provide fulfilling work to refugees in Denmark. Furthermore, Keolis Group has established an annual event called Keolife, which utilizes the best ideas and practices of employees' to be implemented in the rest of the Group.

Intellectual capital resources

Keolis Letbaner A/S has always worked actively to attract and retain well qualified manpower at all levels of the organization. As part of these efforts, the qualifications of the employees are continuously upgraded through in house, but also to a high degree external, training.

Share of the underrepresented gender

Target figures for the Board of Directors

Keolis Letbaner A/S had a target of having representation of at least 1 from the underrepresented gender among the 3 members (33,3%) of the Board of Directors elected by the general meeting. At present this is fulfilled.

Thus we have achieved our original goal, but the Company will continue to seek better representation for women.

Management's Review

Equal opportunities at other management levels of Keolis Letbaner A/S

Company Management has prepared an equal opportunities policy comprising all other management levels of the Company. The policy is part of Keolis Letbaner A/S's staff and diversity policy and includes requirement for inviting female candidates to job interviews in connection with filling vacant executive positions as well as active encouragement of female employees to stand as candidates for the Board of Directors and other cooperation fora. There will be focus on this policy going forward and it is expected that further results will appear within the coming years.

On other management levels there are 10 men and 4 women

Subsequent events

In March the Corona virus meant that Denmark went into a lock down as announced by the prime minister on 11 March 2020. It did not however effect our driving schedules as we are paid gross according to our contract and not according to ridership.

Following the above the Corona virus lock down have not had any impact on results in 2020, which are in line with our expectations.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Revenue	1	61.816.205	53.694.013
Operating expenses		-2.678.053	-3.191.008
Staff expenses	2	<u>-49.752.861</u>	<u>-40.860.942</u>
Profit before amortization		9.385.291	9.642.063
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	3	<u>-266.451</u>	<u>-272.420</u>
Profit before financial income and expenses		9.118.840	9.369.643
Income from investment in subsidiaries	4	2.649	0
Financial income	5	32.993	272.444
Financial expenses	6	<u>-942.829</u>	<u>-847.883</u>
Profit before tax		8.211.653	8.794.204
Tax on profit for the year	7	<u>-1.754.447</u>	<u>-1.937.599</u>
Net profit for the year		<u>6.457.206</u>	<u>6.856.605</u>

Distribution of profit

	<u>2019</u> DKK	<u>2018</u> DKK
Proposed distribution of profit		
Retained earnings	<u>6.457.206</u>	<u>6.856.605</u>
	<u>6.457.206</u>	<u>6.856.605</u>

Balance Sheet 31 December

Assets

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Mobilization Odense contract		1.211.338	0
Software licenses		<u>172.293</u>	<u>251.813</u>
Intangible assets	8	<u>1.383.631</u>	<u>251.813</u>
Other fixtures and fittings, tools and equipment		<u>531.548</u>	<u>590.128</u>
Property, plant and equipment	9	<u>531.548</u>	<u>590.128</u>
Investment in subsidiaries	4	<u>968.375</u>	<u>965.726</u>
Financial assets		<u>968.375</u>	<u>965.726</u>
Fixed assets		<u>2.883.554</u>	<u>1.807.667</u>
Inventories		<u>57.210</u>	<u>57.210</u>
Inventories		<u>57.210</u>	<u>57.210</u>
Trade receivables		9.799.645	15.191.635
Receivables from group enterprises		724.828	11.721.553
Other receivables		1.231.267	5.394.685
Prepayments		49.572	316.927
Deferred tax asset	10	<u>3.167.775</u>	<u>17.182</u>
Receivables		<u>14.973.087</u>	<u>32.641.982</u>
Cash at bank and in hand		<u>28.709.434</u>	<u>14.143.233</u>
Currents assets		<u>43.739.731</u>	<u>46.842.425</u>
Assets		<u>46.623.285</u>	<u>48.650.092</u>

Balance Sheet 31 December

Liabilities and equity

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Share capital	11	500.000	500.000
Retained earnings		<u>27.821.482</u>	<u>30.942.676</u>
Equity		<u>28.321.482</u>	<u>31.442.676</u>
Other payables, holiday pay fund		<u>563.467</u>	<u>0</u>
Long-term debt		<u>563.467</u>	<u>0</u>
Trade payables		5.793.169	11.575.147
Payables to group enterprises		302.163	228.423
Prepaid mobilization		4.750.475	0
Corporation tax		2.203.435	1.930.056
Other payables		<u>4.689.094</u>	<u>3.473.790</u>
Short-term debt		<u>17.738.336</u>	<u>17.207.416</u>
Debt		<u>18.301.803</u>	<u>17.207.416</u>
Liabilities and equity		<u>46.623.285</u>	<u>48.650.092</u>
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Statement of changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Right at book value</u> DKK	<u>Total</u> DKK
Equity at 1 January	500.000	30.942.676	0	31.442.676
Net profit for the year	<u>0</u>	<u>6.457.206</u>	<u>-9.578.400</u>	<u>-3.121.194</u>
Equity at 31 December	<u>500.000</u>	<u>37.399.882</u>	<u>-9.578.400</u>	<u>28.321.482</u>

Notes to the Financial Statements

1 Revenue	<u>2019</u> DKK	<u>2018</u> DKK
Domestic revenue related to passenger transportation	<u>61.816.205</u>	<u>53.694.013</u>
	<u>61.816.205</u>	<u>53.694.013</u>

2 Staff expenses

Wages and salaries	42.303.772	35.322.425
Pensions	3.478.717	2.745.591
Other social security expenses	788.957	571.581
Other staff expenses	<u>3.181.415</u>	<u>2.223.345</u>
	<u>49.752.861</u>	<u>40.860.942</u>
Average number of employees	<u>99</u>	<u>80</u>

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	79.520
Amortization of property, plant and equipment	<u>186.931</u>	<u>192.900</u>
	<u>266.451</u>	<u>272.420</u>

Notes to the Financial Statements

	<u>2019</u> DKK	<u>2018</u> DKK	
4 Investments in subsidiaries			
Cost at 1 January	965.726	0	
Additions for the year	<u>0</u>	<u>965.726</u>	
Cost at 31 December	<u>965.726</u>	<u>965.726</u>	
Value adjustment at 1 January	0	0	
Result for the year	<u>2.649</u>	<u>0</u>	
Value adjustment at 31 December	<u>2.649</u>	<u>0</u>	
Carrying value 31 December	<u>968.375</u>	<u>965.726</u>	
Investments in subsidiaries are specified as follows:			
<u>Name</u>	<u>Place of registered office</u>	<u>Share capital (TDKK)</u>	<u>Votes and ownership</u>
Keolis Odense Infrastruktur ApS	Albertslund	125	100%
5 Financial income			
Interest received from Group companies	32.993	272.354	
Other financial income	<u>0</u>	<u>90</u>	
	<u>32.993</u>	<u>272.444</u>	
6 Financial expenses			
Bank interest	188.854	91.371	
Interest financial leasing	3.979	3.737	
Guarantee fee	749.996	750.000	
Other financial costs	<u>0</u>	<u>2.775</u>	
	<u>942.829</u>	<u>847.883</u>	
7 Tax on profit for the year			
Current tax for the year	2.203.441	1.930.062	
Tax on book value adjustment contract write down	2.701.600	0	
Deferred tax adjustment	<u>-3.150.594</u>	<u>5.537</u>	
	<u>1.754.447</u>	<u>1.937.599</u>	

Notes to the Financial Statements

8 Intangible assets

	<u>Mobilization Odensen LR</u> DKK	<u>Software licenses</u> DKK	<u>Contract for Odense LR</u> DKK
Cost at 1 January	0	1.147.451	0
Additions for the year	<u>1.211.338</u>	<u>0</u>	<u>12.280.000</u>
Cost at 31 December	<u>1.211.338</u>	<u>1.147.451</u>	<u>12.280.000</u>
Amortization at 1 January	0	895.638	0
Write down according to book value method	0		-12.280.000
Amortization for the year	<u>0</u>	<u>79.520</u>	<u>0</u>
Amortization at 31 December	<u>0</u>	<u>975.158</u>	<u>-12.280.000</u>
Carrying amount at 31 December	<u>1.211.338</u>	<u>172.293</u>	<u>0</u>
Depreciated over		<u>5 years</u>	

9 Property, plant and equipment

	<u>Other fixtures and fittings, tools and equipment</u> DKK
Cost at 1 January	924.820
Additions for the year	<u>128.351</u>
Cost at 31 December	<u>1.053.171</u>
Depreciation at 1 January	334.692
Depreciations for the year	<u>186.931</u>
Depreciation at 31 December	<u>531.623</u>
Carrying amount at 31 December	<u>531.548</u>
Depreciated over	<u>3-8 years</u>
Including assets under finance leases amounting to	<u>128.351</u>

Notes to the Financial Statements

10 Deferred tax asset	<u>2019</u> DKK	<u>2018</u> DKK
Deferred tax		
Deferred tax 1 January	17.182	24.719
Adjustment of deferred tax for the year	<u>3.150.593</u>	<u>-7.537</u>
Deferred tax 31 December	<u>3.167.775</u>	<u>17.182</u>

Deferred tax relates to

Contract right Odense	2.315.657	0
Property plant and equipment	67.088	17.182
Internal leasing	3.670	0
Mobilization expensed for tax purposes and taxable prepayments	<u>781.360</u>	<u>0</u>
Deferred tax 31 December	<u>3.167.775</u>	<u>17.182</u>

11 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:

	<u>2019</u> DKK	<u>2018</u> DKK	<u>2017</u> DKK	<u>2016</u> DKK	<u>2015</u> DKK
Share capital at 1 January	500.000	500.000	500.000	500.000	300.000
Capital increase	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>200.000</u>
Share capital at 31					
December	<u>500.000</u>	<u>500.000</u>	<u>500.000</u>	<u>500.000</u>	<u>500.000</u>

Notes to the Financial Statements

12 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.

A performance guarantee of DKK 30.000.000 has been issued in the favour of Odense Letbane P/S. The guarantee will be increased to DKK 50.000.000 when operations start.

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.

13 Related parties

Controlling interest

SNCF

Ultimate parent

Keolis Danmark A/S

Controlling shareholder

Transactions with related parties

	<u>2019</u> TDKK	<u>2018</u> TDKK
Sale of services to related parties	1.303.639	0
Purchase of service from parent company	-297.652	0
Purchase of service for re-invoicing to Odense Light Rail	-5.813.779	0
Purchase of contract Odense Light Rail from parent company	-12.280.000	0
Sale of service to parent company	2.274	0
Purchase of guarantee from Keolis S.A.	-229.163	-250.000
Interest income from parent company	32.993	272.445
Interest expense parent company - leasing	-3.979	-3.737
Receivables from parent company	724.834	11.721.553
Payables to parent company	-61.571	0
Payable to other related parties	-18.096	0
Payable leasing debt to related parties	-222.496	-228.423

Where applicable VAT is included in above figures, as the Company cannot recover VAT due to Public Transportation activity.

Notes to the Financial Statements

14 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

15 Subsequent events

In March the Corona virus meant that Denmark went into a lock down as announced by the prime minister on 11 March 2020. It did not however effect our driving schedules as we are paid gross according to our contract and not according to ridership.

Following the above the Corona virus lock down have not had any impact on results in 2020, which are in line with our expectations.

Accounting Policies

Basis of Preparation

The Annual Report of Keolis Letbaner A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium enterprises of reporting class C.

Financial Statements for 2019 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.

Intra-group business combinations

The book value method is applied to business combinations such as acquisition of equity investments, mergers, demergers, additions of assets and share conversions, etc., in which entities controlled by the Parent Company are involved, provided that the combination is considered completed at the acquisition date without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognized in equity.

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;

Accounting Policies

- 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.

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 on-account 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.

Accounting Policies

Balance Sheet

Intangible assets

Software licenses are measured at cost less accumulated depreciations 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.

Mobilization of contract

Mobilization costs in connection with Light Rail contracts are capitalized. Cost include salary and preparatory costs to meet the contractual requirements. It includes getting the acquired safety approvals, which are a condition to start operations and necessary training/certification of the drivers. The capitalized amounts are reduced with accrued prepayments related to the mobilization. Mobilization will be amortized over the duration of the contract from the date of start of operations.

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
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Residual value are reassessed annually.

Assets costing less than DKK 13.800 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 smal-

Accounting Policies

lest 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.

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 proposed by Management for the year is disclosed as a separate equity item.

Accounting Policies

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.

Cash flow Statement

In accordance with section 86 in the Danish Financial Statements Act, the Company has not presented a cash flow statement as the cash flow statement is included in the cash flow statement of the Parent Company Keolis S.A.

Financial Highlights

Explanation of financial ratios

Gross margin

$$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$$

Profit margin

$$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$$

Return on assets

$$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$$

Accounting Policies

Solvency ratio

$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$

Return on equity

$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$