Keolis Letbaner A/S

Naverland 4 1.sal, DK-2600 Glostrup

Annual Report for 1 January - 31 December 2020

CVR No 18 51 80 90

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

25/6. 2021

Inge H. Bodskov

Inge Harting Bodskov
Chairman

Contents

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 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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, 25/6. 2021

Executive Board

Thomas Friis Brændstrup

Board of Directors

Peter Lanng Nielsen
Chairman

Arnaud Van Troeyen

Alice Anne Chris Coppolani

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 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January–31 December 2020 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, 25/6. 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Birgit Morville Schrøder	Majken Bech Larsen
Statsaut. Revisor	Statsaut. Revisor
Mne21337	Mne46623

Company Information

The Company	Keolis Letbaner A/S Naverland 4, 1. sal DK-2600 Glostrup CVR No: 18 51 80 90 Financial period: 1 January - 31 December Financial year: 25th financial year Municipality of reg. office: Albertslund
Board of Directors	Peter Lanng Nielsen, Chairman Arnaud Van Troeyen Alice Anne Chris Coppolani
Executive Board	Thomas Friis Brændstrup
Auditors	EY 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:

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
Key figures					
Profit/loss					
Revenue	64.726.285	61.816.205	53.694.013	38.649.450	9.433.286
Gross profit	9.413.574	9.385.291	9.642.063	10.090.239	3.976.811
Profit/loss before financial income and expenses	9.150.780	9.118.840	9.369.643	9.905.889	3.203.252
Net profit for the year	6.492.905	6.457.206	6.856.605	7.307.052	2.299.092
Balance sheet					
Balance sheet total	55.856.671	46.623.285	48.650.092	30.422.332	18.840.668
Equity	34.814.387	28.321.482	31.442.676	24.586.071	17.279.018
Ratios					
Gross margin	14,5%	15,2%	18,0%	26,1%	42,2%
Profit margin	14,1%	14,8%	17,5%	25,6%	34,0%
Return on assets	16,4%	19,6%	19,3%	32,6%	17,0%
Solvency ratio	62,3%	60,7%	64,8%	80,8%	91,7%
Return on equity	20,6%	21,6%	24,5%	34,9%	14,3%

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 operation and maintenance of light rail networks under contract with transport authorities.

Development in the year and economic situation

The income statement of the Company for 2020 shows a profit of DKK 6.492.905 and at 31 December 2020 the balance sheet of the Company shows equity of DKK 34.814.387.

The light rail operation in Aarhus is running very well and above the operational targets agreed with the customer Aarhus Letbane I/S. A total of 51 stations are served.

The mobilization of the contract in Odense continued during the year as planned, although there has been delays in the project. This has however not had impact on results and the mobilization has been re-tasked in co-operation with Odense Letbane P/S and progresses in accordance with the new timeline.

The capitalized portion of the mobilization costs amount to DKK 1.198.838 and prepaid mobilization to DKK 5.424.474. The mobilization has gained momentum in 2021 with final employment of key staff and starting to employ operational staff that will need training before operations start. It is expected that capitalized mobilization cost will rise when getting closer to operations start. This date has not been finally set yet.

The year was still under impact from the ongoing Covid 19 pandemic. We have diligently followed all the guidelines from authorities and have through it all operated according to timetables. Financially we have not been impacted adversely by the health crisis. We drive on according to fixed contracts and are not dependent on passenger numbers.

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.

Research and development

The Company has no special research and development activities.

Management's Review

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 have attracted greatest attention. In our work with CSR, Keolis Letbaner follow Keolis Group's policies on CSR, why the following statement on Corporate Social Responsibility hence elaborates on the general approach of the Group, whose context we operate in.

Environment and Climate

Material risks: Keolis has identified energy consumption, handling of waste, and water consumption as the most material environmental and climate-related risks.

Policy: In line with the issues identified through the environmental analyses, the Keolis Group environmental policy commits all subsidiaries to meeting the compliance obligations resulting from regulatory requirements and other contractual or voluntary commitments to its stakeholders, to protecting the environment by managing the environmental impacts of its activities, and to preventing pollution.

Actions and results 2020: Keolis continuously works to optimize its energy efficiency and reduce energy consumption through the transition to low-carbon energies and increasing the share of alternative energy vehicles. Operating our light rail system does not impact the environment in any significant way, but in all other aspects we continuously strive to use the most environmental solutions. We will in the future maintain light rail vehicles and infrastructure in Odense. Similarly, Keolis is on a continuous basis working to manage and reduce water consumption and increasing the rate of waste recovery through various initiatives, which has led to lower water consumption and higher waste recovery rates.

Social and employee-related matters

Material risks: The material social and employee-related risks include risks of injuries and unsafe working conditions, as well as failing to maintain the ability to attract and retain talent.

Policy: Keolis considers its employees its primary added value. Through the Group Safety policy, Keolis ensures the safety and health of its employees. The policy also covers the safety of passengers and third parties, which is a constant concern of all teams worldwide. Safety is the cornerstone of KeoLife's continuous improvement. The HR policy also fully contributes to protecting the safety and physical and mental health of employees.

Actions and results 2020: Improving the health and safety of employees is a permanent concern of all Keolis teams around the world. In 2020, the Covid-19 pandemic made it necessary to strengthen prevention actions in order to protect the health of all employees. All security players were mobilised to establish and implement prevention and protection measures for employees, which among other things worked to ensure the health and safety of the employees in Keolis Letbaner. In regard to skill and talent development, Keolis provides substantial training resources to support its employees in dealing with the changes underway in the mobility sector. In 2020, 61% of employees in the Group received training, despite challenges associated with the pandemic.

Human Rights

Material risks: Key human rights risks are related to activities in the supply chain and securing accessibility for customer passengers.
Policy: Keolis respects and promotes the international norms and declarations for human rights. In order to ensure that human rights and fundamental freedoms are upheld and promoted in its actions and value chain, Keolis has set out the following key areas: Accessibility, Diversity and Inclusion, Employee Dialogue and Labour Relations, Elimination of Forced or Compulsory Labour and Effective Abolition of Child Labour.
Actions and results 2020: Regarding accessibility, in 2020, Keolis acted on several fronts, working on: digital and telephone accessibility, consultation and co-construction with our public transport authorities and passenger customers, raising employee’s awareness, and communication. In the work with addressing human rights risks in the supply chain, in 2020, the Group launched a review of this CSR purchasing risk matrix so that all Group purchases could be considered internationally. The risk assessment method incorporates environmental, social, ethical and responsible purchasing criteria, as well as purchasing criteria that enable the integration of operational and volume risks by purchasing category.

Anticorruption

Material risks: Keolis’ entities operate in potentially risky competitive environments, and the Group is subject to a certain number of requirements, as a subsidiary of the SNCF Group and because it has public authorities as customers. Hence, incidents of corruption and bribery can potentially pose a risk to Keolis.
Policy: Keolis has for many years asserted its commitment in fair business practice and its rejection of all forms of corruption and influence peddling. It operates a “zero-tolerance” approach, which is not only an objective but an obligation for each of the Group’s employees.
Actions and results 2020: In 2020, Keolis updated the code of conduct for the prevention of corruption and influence peddling. This new version has been enhanced with new elements, such as accounting and internal controls, the representation of interests, evaluation, and the management of relations with all third parties. Awareness-raising and training activities continued in 2020, with the implementation of training courses dedicated to relations with third parties. An awareness-raising campaign targeting managers through the online training module on free and fair competition was also launched during the last quarter of 2020.

Covid-19

The roadmap for 2020 had to change very quickly, as it was directly impacted by the management of the

Management's Review

Covid-19 crisis. All security players were mobilised to establish and roll out protection and prevention measures for all people. With regard to passenger safety, the main objective of the mobilisation in each was to implement and apply the requirements of the local authorities. Various measures were thus applied to all stages and aspects of the passenger journey, such as regular cleaning, protection of drivers, and adoption of visual messages to remind people of distance gestures. We have further taken various measures to ensure the safety of our employees.

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.

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 11 men and 2 women

Subsequent events

On 1 April 2021 the head quarter of Keolis in Denmark and the administrative center for Keolis burned down to the ground. All administrative functions for Keolis Letbaner A/S are handled by the headquarter.

As all IT operations (servers etc.) are outsourced and thanks to a digital archive, then most data were intact, and the administrative functions could work almost normally.

Following this we do not expect any financial impact on the company's results and financial standing.

Income Statement 1 January - 31 December

	Note	2020 DKK	2019 DKK
Revenue	1	**64.726.285**	**61.816.205**
Operating expenses		-2.749.708	-2.678.053
Staff expenses	2	-52.563.003	-49.752.861
Profit before amortization		**9.413.574**	**9.385.291**
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	3	-262.794	-266.451
Profit before financial income and expenses		**9.150.780**	**9.118.840**
Income from investment in subsidiaries	4	-23.682	2.649
Financial income	5	157.394	32.993
Financial expenses	6	-921.024	-942.829
Profit before tax		**8.363.468**	**8.211.653**
Tax on profit for the year	7	-1.870.563	-1.754.447
Net profit for the year		**6.492.905**	**6.457.206**

Distribution of profit

	2020 DKK	2019 DKK
Proposed distribution of profit		
Retained earnings	6.492.905	6.457.206
	6.492.905	**6.457.206**

Balance Sheet 31 December

Assets

	Note	2020 DKK	2019 DKK
Mobilization Odense contract		1.198.838	1.198.838
Software licenses		144.656	172.293
Intangible assets	8	**1.343.494**	**1.371.131**
Other fixtures and fittings, tools and equipment		1.053.091	544.048
Property, plant and equipment	9	**1.053.091**	**544.048**
Investment in subsidiaries	4	944.693	968.375
Financial assets		**944.693**	**968.375**
Fixed assets		**3.341.278**	**2.883.554**
Inventories		57.210	57.210
Inventories		**57.210**	**57.210**
Trade receivables		6.536.375	9.799.645
Receivables from group enterprises		29.501.988	724.828
Other receivables		1.044.725	1.231.267
Prepayments		40.418	49.572
Deferred tax asset	10	2.876.195	3.167.775
Receivables		**39.999.701**	**14.973.087**
Cash at bank and in hand		**12.458.482**	**28.709.434**
Currents assets		**52.515.393**	**43.739.731**
Assets		**55.856.671**	**46.623.285**

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital	11	500.000	500.000
Retained earnings		34.314.387	27.821.482
Equity		**34.814.387**	**28.321.482**
Other payables, holiday pay fund	12	1.944.639	563.467
Long-term debt		**1.944.639**	**563.467**
Trade payables		2.349.354	5.793.169
Payables to group enterprises		255.732	302.163
Prepaid mobilization		5.424.474	4.750.475
Corporation tax		1.578.982	2.203.435
Other payables		9.489.103	4.689.094
Short-term debt		**19.097.645**	**17.738.336**
Debt		**21.042.284**	**18.301.803**
Liabilities and equity		**55.856.671**	**46.623.285**
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Statement of changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	500.000	27.821.482	28.321.482
Net profit for the year	0	6.492.905	6.492.905
Equity at 31 December	**500.000**	**34.314.387**	**34.814.387**

Notes to the Financial Statements

1 Revenue

	2020 DKK	2019 DKK
Domestic revenue related to passenger transportation	64.726.285	61.816.205
	64.726.285	**61.816.205**

2 Staff expenses

	2020 DKK	2019 DKK
Wages and salaries	44.298.470	42.303.772
Pensions	3.852.154	3.478.717
Other social security expenses	682.818	788.957
Other staff expenses	3.729.561	3.181.415
	52.563.003	**49.752.861**
Average number of employees	**106**	**99**

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

	2020 DKK	2019 DKK
Amortization of intangible assets	79.520	79.520
Amortization of property, plant and equipment	183.274	186.931
	262.794	**266.451**

Notes to the Financial Statements

		2020	2019
		DKK	DKK

4 Investments in subsidiaries

	2020	2019
Cost at 1 January	965.726	965.726
Additions for the year	0	0
Cost at 31 December	**965.726**	**965.726**
Value adjustment at 1 January	2.649	0
Result for the year	-23.682	2.649
Value adjustment at 31 December	**-21.033**	2.649
Carrying value 31 December	**944.693**	**968.375**

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%

5 Financial income

	2020	2019
Interest received from Group companies	157.394	32.983
	157.394	**32.983**

6 Financial expenses

	2020	2019
Bank interest	151.870	188.854
Interest financial leasing	5.052	3.979
Interest holiday pay fund	12.960	0
Guarantee fee	750.004	749.996
Other financial costs	1.138	0
	921.024	**942.829**

7 Tax on profit for the year

	2020	2019
Current tax for the year	1.578.982	2.203.441
Tax on book value adjustment contract write down	0	2.701.600
Deferred tax adjustment	291.581	-3.150.594
	1.870,563	**1.754.447**

Notes to the Financial Statements

8 Intangible assets

	Mobilization Odensen LR	Software licenses	Contract for Odense LR
	DKK	DKK	DKK
Cost at 1 January	1.198.838	1.147.451	12.280.000
Additions for the year	0	51.882	0
Cost at 31 December	1.198.838	1.199.333	12.280.000
Amortization at 1 January	0	975.158	-12.280.000
Write down according to book value method	0		0
Amortization for the year	0	79.520	0
Amortization at 31 December	0	1.054.677	-12.280.000
Carrying amount at 31 December	**1.198.838**	**144.656**	**0**
Depreciated over		5 years	

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 January	1.065.671
Additions for the year	692.317
Cost at 31 December	1.757.988
Depreciation at 1 January	521.623
Depreciations for the year	183.274
Depreciation at 31 December	704.897
Carrying amount at 31 December	**1.053.091**
Depreciated over	3-8 years
Including assets under finance leases amounting to	105.623

Notes to the Financial Statements

10 Deferred tax asset

	2020	2019
	DKK	DKK
Deferred tax		
Deferred tax 1 January	3.167.775	17.182
Adjustment of deferred tax for the year	-291.580	3.150.593
Deferred tax 31 December	**2.876.195**	**3.167.775**

	2020	2019
Deferred tax relates to		
Contract right Odense	1.929.714	2.315.657
Property plant and equipment	-26.857	67.088
Internal leasing	43.697	3.670
Mobilization expensed for tax purposes and taxable prepayments	929.641	781.360
Deferred tax 31 December	**2.876.195**	**3.167.775**

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:

	2020	2019	2018	2017	2016
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	500.000	500.000	500.000	500.000	500.000
Capital increase	0	0	0	0	0
Share capital at 31 December	**500.000**	**500.000**	**500.000**	**500.000**	**500.000**

12 Long-term debt

	2020	2019
	DKK	DKK
Between 1 and 5 years	73.746	0
After 5 years	1.870.893	563.467
Long-term debt 31 December	**1.944.639**	**563.467**

Notes to the Financial Statements

13 Contingent assets, liabilities and other financial obligations

Security

None

Contingent liabilities

A guarantee of DKK 40.000.000 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.

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.

14 Related parties

Controlling interest

SNCF	Ultimate parent
Keolis Danmark A/S	Controlling shareholder

Transactions with related parties

	2020 TDKK	2019 TDKK
Sale of services to related parties	1.394.699	1.303.639
Purchase of service from parent company	-122.924	-297.652
Purchase of service for re-invoicing to Odense Light Rail	-4.972.039	-5.813.779
Purchase of contract Odense Light Rail from parent company	0	-12.280.000
Sale of service to parent company	0	2.274
Purchase of guarantee from Keolis S.A.	-250.000	-229.163
Interest income from parent company	157.394	32.993
Interest expense parent company - leasing	-5.052	-3.979
Receivables from parent company	29.277.832	724.834
Receivables from other related parties	224.156	0
Payables to parent company	0	-61.571
Payable leasing debt to related parties	-255.732	-222.496

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

Notes to the Financial Statements

15 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

16 Subsequent events

On 1 April 2021 the head quarter of Keolis in Denmark and the administrative center for Keolis burned down to the ground. All administrative functions for Keolis Letbaner A/S are handled by the headquarter.

As all IT operations (servers etc.) are outsourced and thanks to a digital archive, then most data were intact, and the administrative functions could work almost normally.

Following this we do not expect any financial impact on the company's results and financial standing.

Accounting Policies

Basis of Preparation

The Annual Report of Keolis Letbaner A/S for 2020 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 2020 are presented in DKK.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements. The accounting policies used in the presentation of the financial statements are consistent with those of 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.

Accounting Policies

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

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;

- the sales price has been determined; and
- the 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 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.

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

Residual value are reassessed annually.

Assets costing less than DKK 14.100 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.

Accounting Policies

Financial Highlights

Explanation of financial ratios

Gross margin	Gross profit x 100 / Revenue
Profit margin	Profit before financials x 100 / Revenue
Return on assets	Profit before financials x 100 / Total assets
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity