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Eurotunnel Holding S.A.S.
**Statutory auditors' report on the "consolidated
accounting statements"**

For the year ended 31 December 2018
Eurotunnel Holding S.A.S.
3, rue La Boétie - 75008 Paris
This report contains 17 pages
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Eurotunnel Holding S.A.S.

Registered office: 3, rue La Boétie - 75008 Paris
Share capital: € 508 620 865

Statutory auditors' report on the "consolidated accounting statements"

For the year ended 31 December 2018

To the Chairman of Eurotunnel Holding S.A.S.

In our capacity as statutory auditors of Eurotunnel Holding S.A.S and in accordance with your request in connection with the Permanent Facility Agreement amended on 13 April 2018, we have audited the "consolidated accounting statements" of Eurotunnel Holding S.A.S. They include the consolidated income statement, the consolidated financial position and the consolidated cash flows statement for the year ended 31 December 2018 as explained in note A.1 to the accompanying consolidated accounting statements.

Inasmuch as your company is preparing for the first time the "consolidated accounting statements" for the period ended 31 December 2018, the comparative information in relation to the financial year 2017 was not subject to an audit.

Management is responsible for the preparation and fair presentation of the "consolidated accounting statements". Inasmuch as they were not intended for the sole shareholder, they were not subject to approval by the Chairman of the Company. Our responsibility is to express an opinion on these consolidated accounting statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France and the professional doctrine of the French national auditing body (Compagnie nationale des commissaires aux comptes) related to this engagement; these standards require that we plan and perform the audit to obtain reasonable assurance about whether the "consolidated accounting statements" are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the "accounting statements". An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the "consolidated accounting statements". We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the "consolidated accounting statements" have been prepared in all material aspects in accordance with the accounting and valuation principles described in the accompanying Explanatory note.



Eurotunnel Holding S.A.S
Statutory auditors' report on the "consolidated accounting statements"

29 March 2019

Without qualifying our opinion, we draw your attention to the paragraph "General Principles" of the Explanatory Note that explains how the "consolidated accounting statements" have been prepared and that the "consolidated accounting statements" do not constitute a complete set of financial statements prepared in accordance with the IFRS accounting principles. According to the IFRS as adopted by the European Union, only a complete set of financial statements (including a statement of financial position, statements of profit and losses, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information) can present fairly, in all material respects, the financial position of the Company and its financial performance.

Paris La Défense, on the 29 March 2019

Courbevoie, on the 29 March 2019

Fabrice Odent
Partner

Francisco Sanchez
Partner



www.getlinkgroup.com

**EUROTUNNEL HOLDING SAS
CONSOLIDATED ACCOUNTING
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018**

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EUROTUNNEL HOLDING SAS: CONSOLIDATED ACCOUNTING STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

This document has been prepared in order to meet the requirements under clause 23 of the Permanent Facility Agreement dated 20 March 2007 as amended on 13 April 2018. These accounting statements consolidate the accounts of Getlink SE's sub-group (the "Eurotunnel Group") which consists of Eurotunnel Holding SAS and its subsidiaries, including most notably The Channel Tunnel Group Limited (CTG) and France Manche SA, concessionaires of the Fixed Link and holders of the Term Loan.

These accounting statements cover the same scope of consolidation as the "Eurotunnel" segment in the Getlink Group's consolidated reporting and have been prepared on the same basis as the Getlink Group's consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union at 31 December 2018.

The Eurotunnel Group was created following the Getlink Group's internal corporate reorganisation in April 2018. For the purposes of the first-time preparation of these consolidated accounts and to ensure a meaningful and comparable set of accounts, both the 2018 and the 2017 income statements and the cash flow statement for the 2018 financial year¹ have been prepared as if this new organisation had been in place since 1 January 2017. The statement of financial position as at 31 December 2017 and the cash flow statement for the 2017 financial year are not presented.

¹ For the net cash in/outflows outside Getlink Group.

EUROTUNNEL HOLDING SAS: CONSOLIDATED ACCOUNTING STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

SUMMARY CONSOLIDATED ACCOUNTING STATEMENTS

Income statement

€'000	31 December 2018	31 December 2017
Exchange rate €/£	1.128	1.140
Revenue	955,986	912,830
Operating expenses *	(212,278)	(214,159)
Employee benefits expense	(179,083)	(174,450)
Operating margin (EBITDA)	564,625	524,221
Depreciation	(151,425)	(146,559)
Trading profit	413,200	377,662
Other operating income	917	1,063
Other operating expenses	(1,013)	(8,021)
Operating profit	413,104	370,704
Finance income	11,473	4,367
Finance costs	(291,129)	(290,170)
Net finance costs	(279,656)	(285,803)
Other financial income	6,923	29,301
Other financial charges	(4,970)	(32,999)
Pre-tax profit	135,401	81,203
Income tax expense	(9,617)	(34,609)
Net profit for the year	125,784	46,594

* Operating expenses include €5,250,000 in 2018 (2017: €954,000) invoiced by Eurotunnel to ElecLink relating to the interconnector construction project which was eliminated on consolidation in the Gellink Group accounts.

**EUROTUNNEL HOLDING SAS: CONSOLIDATED ACCOUNTING STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Statement of financial position

€'000	31 December 2018
Exchange rate €/£	1.118
ASSETS	
Intangible assets	2,055
Concession property, plant and equipment	5,928,076
Other property, plant and equipment	4
Total property, plant and equipment (tangible and intangible)	5,930,135
Deferred tax asset	485,223
Other financial assets: external	257
Other financial assets: intragroup	314,687
Total non-current assets	6,730,302
Trade receivables: external	76,211
Trade receivables: intragroup	24,134
Other receivables: external	38,026
Other receivables: intragroup	762,590
Cash and cash equivalents	205,533
Total current assets	1,106,494
Total assets	7,836,796
EQUITY AND LIABILITIES	
Issued share capital	508,621
Share premium account	894,718
Other reserves	(958,108)
Profit for the year	125,784
Cumulative translation reserve	312,740
Total equity	883,755
Retirement benefit obligations	84,811
Financial liabilities: external	4,217,049
Financial liabilities: intragroup	1,597,122
Other financial liabilities	37,322
Interest rate derivatives	748,398
Total non-current liabilities	6,684,702
Provisions	2,527
Financial liabilities	54,565
Other financial liabilities: external	7,605
Other financial liabilities: intragroup	9,564
Trade payables: external	136,374
Trade payables: intragroup	21,579
Other payables: external	36,123
Other payables: intragroup	2
Total current liabilities	268,339
Total equity and liabilities	7,836,796

Intragroup comprises fellow Getlink Group entities not part of the Eurotunnel Group.

**EUROTUNNEL HOLDING SAS: CONSOLIDATED ACCOUNTING STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Cash flow statement

€'000	31 December 2018
Exchange rate €/£	1.118
Operating margin (EBITDA)	564,625
Exchange adjustment *	(2,873)
Increase in working capital	17,271
Net cash inflow from trading	579,023
Other operating cash flows received	11
Net cash outflow from taxation	(3,635)
Net cash inflow from operating activities	575,399
Payments to acquire property, plant and equipment	(72,409)
Sale of property, plant and equipment	6
Sale of subsidiary - CIFFCO	8,693
Net cash outflow from investing activities	(63,710)
Dividend paid to Getlink SE	(111,897)
Fees paid on loans	(6,174)
SPV Noteholder ongoing fee	(911)
Interest paid on external loans (CLEF)	(165,485)
Interest paid on loans to GET pre-reorganisation	(11,620)
Interest paid on loans (Vendor Loan ETH/GET)	(10,549)
Interest received on loans (Funding Loan CTG/GET)	9,839
Interest paid and repayments on rental contracts	(1,165)
Scheduled repayment of loans	(62,352)
Movement in intercompany loans with GET	(346,804)
Interest received on cash and cash equivalents	1,574
Exceptional financial revenue - Cheriton 16	811
Net cash outflow from financing activities	(704,733)
Decrease in cash in year	(193,044)

* The adjustment relates to the restatement of elements of the income statement at the exchange rate ruling at the year end.

EUROTUNNEL HOLDING SAS: CONSOLIDATED ACCOUNTING STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Notes to the accounting statements

Eurotunnel Holding SAS (ETH) is a private simplified joint stock company (*Société par Actions Simplifiée*, SAS) registered in France on 21 December 2016 which has been a wholly-owned subsidiary of Getlink SE since April 2018. ETH is the holding company of France Manche SA (FM) and The Channel Tunnel Group Ltd (CTG) (the concessionaires of the Channel Tunnel under the Concession Agreement dated 14 March 1986) and other subsidiaries as set out in note B below. ETH's accounts are fully consolidated in the consolidated accounts of Getlink SE. References to the "Eurotunnel Group" in this document relates to the Eurotunnel Holding SAS and all its subsidiaries. References to the "Getlink Group" in this document relates to the Getlink SE and all its subsidiaries.

On 23 April 2018, the Getlink Group finalised the implementation of its corporate reorganisation. The Getlink Group's main business activity, that of the operation of the Fixed Link, is now in a distinct sub-group, separate from other of the Getlink Group's activities which are managed and financed independently from the Fixed Link activity. This reorganisation involved the transfer of the companies in Getlink SE's Fixed Link sub-group (including the Concessionaires, France Manche SA and Channel Tunnel Group Ltd) to ETH which is now the new holding company for the "Eurotunnel" sub-group. As part of this reorganisation, the shares were transferred at their net book value. Certain receivables held by Getlink SE over the Concessionaires were sold by Getlink SE to Eurotunnel Holding SAS.

The main activities of the Eurotunnel Group are the design, financing, construction and operation of the Fixed Link's infrastructure and transport system in accordance with the terms of the Concession which will expire in 2086. ETH has as its object the holding and the management of all participations and all interests in all companies and groups of French and foreign law, and more generally, all operations of any nature, legal, economic and financial, civil or commercial, related to the object indicated above.

A. Principles of preparation, main accounting policies and methods

The consolidated accounts consist of the consolidation of the accounts of Eurotunnel Holding SAS and its subsidiaries. The accounting periods of the Eurotunnel Group companies run from 1 January to 31 December.

A.1 General principles

The consolidated accounting statements (the income statement, the statement of financial position and the cash flow statement) have been prepared in accordance with the valuation and accounting principles described in the accompanying explanatory notes and the notes to the consolidated financial statements of Getlink SE for the year ending 31 December 2018². The statement of financial position as at 31 December 2017, the cash flow statement for the 2017 financial year, changes in equity and other explanatory notes are not presented.

The consolidated accounting statements are prepared in the specific context of the Amended Permanent Facility Agreement. They do not constitute a complete set of financial statements prepared in accordance with the IFRS accounting principles.

The Eurotunnel Group was created following the Getlink Group's internal corporate reorganisation in April 2018. For the purposes of the preparation of the first-time consolidated accounts and to ensure a meaningful and comparable set of accounts, both the 2018 and the 2017 income statements and the cash flow statement for the financial year 2018³ have been prepared as if this new organisation had been in place since 1 January 2017.

As the transfer of the companies in Getlink SE's Fixed Link sub-group to ETH is a transaction under common control, ETH has elected for book value accounting for the preparation of its consolidated accounting statements.

The Eurotunnel Group has control over the nature and price of the services it provides, and therefore does not meet the criteria set out in IFRIC 12 relating to concession contracts.

The consolidated accounting statements of the Eurotunnel Group as at 31 December 2018 take into account the provisions of both IFRS 9 "Financial instruments" (see note F) applicable at 1 January 2018 and IFRS 16 in consistence, for the latter, with the decision made at Getlink level of an early application of this standard for the preparation of Getlink Group consolidated financial statements using the modified retrospective transition method. As for Getlink Group, the ETH Group 2017 income statement has not been prepared in compliance with the new standards. The impacts are not significant.

The application of other texts mandatory for financial years beginning on 1 January 2018 has not had a significant impact on the Eurotunnel Group's consolidated accounts.

² Except for some accounting treatments elected in the specific case of the first time preparation of ETH consolidated accounts and the corporate reorganisation (common control transaction) and the specific context of the Amended Permanent Facility Agreement.

³ For the net cash in/outflows outside Getlink Group.

EUROTUNNEL HOLDING SAS: CONSOLIDATED ACCOUNTING STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

A.2 Basis of preparation

Conversion of foreign currency transactions

Transactions in foreign currencies are converted into the reporting currency of each individual company at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies other than those mentioned below are translated at the rate ruling at the end of the reporting period. Exchange differences are dealt with in the income statement.

Exchange rates for consolidated entities

These Eurotunnel Group consolidated accounts are prepared in euros.

The accounts of the Eurotunnel Group's British subsidiaries, and notably CTG and its subsidiaries, are prepared in sterling and are converted into euros as follows:

- Retained reserves brought forward and Concession property, plant and equipment and related depreciation, at historical rates⁴.
- All other assets and liabilities at the rate ruling at the end of the reporting period.
- Income statement items, except for the Concessionaires' depreciation, at the average rate for the year.
- Exchange differences arising from the application of the above are included in the cumulative translation reserve in the statement of financial position.
- The closing and average €/£ exchange rates for 2018 and 2017 are as follows:

€/£	2018	2017
Closing rate	1.118	1.127
Average rate	1.128	1.140

Use of estimates and judgements

The preparation of the consolidated financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the period. The valuations and estimates are periodically reviewed based on experience and various other factors considered relevant for the determination of reasonable and appropriate estimates of the assets' and liabilities' carrying value. Accordingly, the estimates underlying the preparation of these annual financial statements as at 31 December 2018 have been established in the context of the uncertainties concerning the final terms and conditions for the implementation of Brexit. Depending on the evolution of these assumptions, actual results may differ from current estimates.

The use of estimations by the Eurotunnel Group concerns mainly the valuation of intangible and tangible property, plant and equipment, the evaluation of its deferred tax situation, the valuation of the its retirement liabilities and certain elements of the valuation of financial assets and liabilities.

Brexit: the United Kingdom's exit from the European Union

Following the UK's decision to leave the European Union on 23 June 2016 and the triggering of article 50 by the British government at the end of March 2017, the official exit date of the United Kingdom from the European Union was originally 29 March 2019. This has now been extended to 12 April. A draft agreement on the terms of withdrawal and a political declaration on future relations between the two parties were endorsed by the European Commission in November 2018. Nevertheless, the rejection of this draft withdrawal agreement by the United Kingdom's Parliament in January 2019 means that the situation remains uncertain and that there is a real risk of Brexit without an agreement.

Even though the Eurotunnel Group has not noted any significant impact of this situation on its business during 2018, except for some slowdown in the cross-Channel truck market, Getlink has continued with its various actions, which began in 2016, to prepare for the different possible outcomes. In addition to monitoring the situation and consultation with the French and British authorities at all levels, the Group has been implementing an action and investment plan since mid-2018 which is designed to maintain the free flow of its traffic in the period after the UK's exit, whatever the political or regulatory situation may be.

Evaluation of deferred tax

The five years period of activation of the recoverable deficits for the estimate of deferred tax is consistent with the horizon of the business plan. The estimate of deferred taxes as at 31 December 2018 also takes into account changes in future tax rates in the UK and France.

⁴ In the specific context of the preparation of the consolidated accounting statements of ETH for the purposes of the Permanent Facility Agreement, the historical rates used are the same as those used for the preparation of the consolidated financial statements of the Getlink Group. The historical rates at the date of the transfer of the Fixed Link activity from Getlink to ETH have not been taken into account

**EUROTUNNEL HOLDING SAS: CONSOLIDATED ACCOUNTING STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

B. Scope of consolidation

B.1 Accounting policies

Global integration

The accounts of entities under the Eurotunnel Group's direct or indirect control are included in the consolidated financial statements using the full consolidation method. Control of an entity is deemed to exist when the Eurotunnel Group:

- holds power over the entity,
- is exposed to, or entitled to, variable returns due to its involvement with the entity, and
- has the ability to exercise its power over the relevant activities of the entity in order to affect the amount of returns it obtains.

All significant transactions between the consolidated subsidiaries are eliminated, as are the Eurotunnel Group's internal results (capital gains, profits on inventories, dividends).

The results of acquired subsidiaries are consolidated from the date on which control is exercised. Companies acquired or incorporated during the period are consolidated from the date of acquisition or incorporation.

In the specific case of the preparation of the Eurotunnel Group's first consolidated accounts, both the 2018 and 2017 income statements have been prepared as if the new organisation had been in place since 1 January 2017.

Business combinations

Business combinations are recorded in accordance with the acquisition accounting method as set out in the revised IFRS 3. Under this method, the assets acquired and liabilities and contingent liabilities assumed are recorded at fair value.

When a business is acquired in stages, the Group's previously held interest in the business acquired is revalued to fair value through profit or loss at the time of full acquisition. For the determination of goodwill at the date of control, the fair value of the consideration transferred (for example the price paid) is increased by the fair value of the interest previously held by the Group.

Costs directly attributable to acquisition transactions are recognised in the operating result for the year.

In the specific case of the corporate internal reorganisation within the Getlink Group that meets the definition of a common control transaction, ETH has elected for book value accounting for the preparation of its consolidated accounting statements.

B.2 List of consolidated companies

The Eurotunnel Group was created following the Getlink group's internal corporate reorganisation in April 2018.

For the purposes of this consolidation, the Eurotunnel Group comprises the following companies at 31 December 2017 and 31 December 2018:

	Country of registration or incorporation	Consolidation method	31 December 2018		31 December 2017 *	
			% Interest	% control	% Interest	% control
Eurotunnel segment						
Eurotunnel Holding SAS	France	FC	100	100	100	100
France Manche SA (FM, the French Concessionaire)	France	FC	100	100	100	100
The Channel Tunnel Group Limited (CTG, the British Concessionaire)	England	FC	100	100	100	100
Eurotunnel Financial Services Limited	England	FC	100	100	100	100
Eurotunnel SE	Belgium	FC	100	100	100	100
Eurotunnel Services GIE (ESGIE)	France	FC	100	100	100	100
Eurotunnel Services Limited (ESL)	England	FC	100	100	100	100
Gamond Insurance Company Limited (GICL)	Guernsey	FC	100	100	100	100
Companies with no significant activity during 2018						
Eurotunnel Finance Limited (EFL)	England	FC	100	100	100	100
Eurotunnel Trustees Limited (ETRL)	England	FC	100	100	100	100
EurotunnelPlus Limited	England	FC	100	100	100	100
EurotunnelPlus GmbH	Germany	FC	100	100	100	100

* In the specific case of the preparation of the first consolidated statements of the Eurotunnel Group, both the 2018 and 2017 income statements have been prepared as if the new organisation had been in place since 1 January 2017.

During 2018, CIFFCO was sold by France Manche SAS to Getlink SE for a consideration of €8,693,000 on the basis of a valuation by an independent expert. For the purposes of the consolidated accounting statements, the results and the assets and liabilities of CIFFCO are not included in the consolidated income statement, the consolidated statement of financial position and the consolidated cash flow statement, with the exception of the proceeds on disposal.

EUROTUNNEL HOLDING SAS: CONSOLIDATED ACCOUNTING STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

C. Operating data

Revenue

Sales are recognised in revenue when the service is delivered.

- For the Truck Shuttle activity, revenue is recognised when the crossing has been made.
- For the Passenger Shuttle activity:
 - when the reservation is made, the tickets are recorded in "deferred income",
 - then the revenue is recognised when the crossing has been made.
- For the Railway Network passenger and rail freight tolls, revenue is recognised when the crossing has been made. For the Railway Network's annual fixed charges and contributions to its operating and investment costs, revenue is recognised as a function of the Fixed Link's availability.

EBITDA/operating margin

EBITDA (or operating margin) as used by the Eurotunnel Group is calculated by adding back depreciation charges to the trading profit.

Other operating income and (expenses)

Distinction between the trading result and the operating result

The Eurotunnel Group considers that it is helpful to include an additional result line in the presentation of its income statement within the operating result, in order to understand better its financial performance. This line is called the "trading result", and excludes income or charges which are non-recurrent in terms of their frequency and nature and for which the amount is significant. The Eurotunnel Group therefore applies recommendation number 2013-03 of the French national authority for accounting standards, the Autorité des Normes Comptables.

Trade and other receivables

Trade and other receivables are included in the category "Financial assets measured at amortised cost".

For trade receivables, receivables with a proven risk and considered doubtful are subject to an impairment loss determined on the basis of the estimated recoverable amount.

In accordance with the provisions of IFRS 9, receivables that do not present a proven risk are subject to an impairment calculation for expected impairment losses. In accordance with the provisions of IFRS 9, the Eurotunnel Group has adopted the simplified approach for trade receivables. Impairment losses are estimated using an impairment matrix based on historical default rates of receivables over their lifetime.

Provisions

Provisions are recognised when there exists a legal or constructive obligation stemming from a past event and when the related future cash flows can be reliably estimated.

D. Personnel expenses and benefits

Retirement benefits

The Eurotunnel Group provides for its legal and contractual obligations for retirement indemnities of employees under French contracts, and for the defined benefit retirement schemes of employees under UK contracts operated by CTG and ESL. The liability for defined benefits, recorded in the statement of financial position, is the present value of the obligation under defined benefit plans at the end of the financial year less the fair value of plan assets. These liabilities are valued using the actuarial method of projected unit of credit on the basis of actuarial valuations made at the end of each financial year. The current service cost of the period and the interest on the obligation are accounted for in the "staff benefit expense" line of the consolidated income statement. Valuation of the liability for defined benefit plans in respect of (i) actuarial gains and losses, (ii) the actual return on plan assets and (iii) changes in the effect of the asset ceiling benefits are recognised in the consolidated statement of other comprehensive income.

Share-based payments

Share options are accounted for in accordance with IFRS 2. The options are valued at their fair value at the date on which they are granted (see next paragraph) and any variations in value occurring after the grant date are not taken into account. The value is charged to employee benefits expense on a straight-line basis between the date of the grant and the maturity date (the vesting period), with an equal and opposite entry directly to equity.

Measurement of fair value

The fair value of stock option plans is measured by applying the binomial Black & Scholes model and the Monte Carlo approach. The basis of calculation includes the share price on the grant date, the exercise price of the options, expected volatility of the underlying shares, expected period before exercise, expected dividends and share yield, and the expected turnover of beneficiaries. Performance conditions which are not related to the market are not included in the fair value measurement.

E. Intangible and tangible property, plant and equipment

Goodwill and intangible assets (except for common control transaction accounted for on the basis of the book value)

Goodwill represents the excess of the acquisition cost over the fair value of the acquired portion of identifiable assets, liabilities and contingent liabilities. It is measured in the functional currency of the acquired entity and is recognised in the statement of financial position.

When the share of the fair value of the acquired assets, liabilities and contingent liabilities exceeds the cost of acquisition, a negative goodwill is recognised immediately in the income statement.

The fair value of intangible assets acquired following a business combination is measured using the present value of forecast future cash flows after taxation generated by the assets concerned. The method of depreciation of these intangible assets is determined according to the nature of the assets concerned.

With effect from 1 January 2018, intangible assets includes leasing contract obligations following the application of IFRS 16.

Tangible property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment is depreciated on a systematic basis in order to write down the costs of assets over their expected useful lives as follows:

Tunnels	Concession *
Land, construction, fixtures and fittings	
Terminals and related land:	
Freehold land	not depreciated
Concession land	Concession *
Landscaping	5 to 57 years
Terminals	5 years to life of Concession *
Fixed equipment and machinery:	
Fixed equipment	5 years to life of Concession *
Fixtures and fittings	5 to 57 years
Buildings	5 to 30 years
Machinery and other equipment	5 to 30 years
Industrial equipment	
Rolling stock	
Vehicles	5 to 60 years
Parts	5 to 40 years
Office equipment:	
Office equipment	3 to 10 years
IT equipment	3 to 10 years
Software	3 to 20 years

The expected useful lives of the assets are kept under review and revised when necessary, according to experience.

Concession property, plant and equipment whose useful life is greater than the duration of the Concession, is depreciated over the life of the Concession on a straight-line basis. Depreciation on assets whose useful life is less than the duration of the Concession ("renewable assets") is calculated on a straight-line basis.

As all property, plant and equipment will be written down to €nil at the end of the Concession in 2086, depreciation of the final renewal cost of renewable assets will be based on the residual duration of the Concession.

Subsidies on capital expenditure received during the year have been allocated to the asset to which they relate.

Impairment of property, plant and equipment

In accordance with IAS 36, the carrying amounts of assets and groups of assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, an impairment test is carried out: the net book value of the asset is compared to its recoverable amount. The recoverable amount of assets is the greater of their market value and their value in use. The market value is determined by reference to studies carried out by independent experts. The value in use is calculated by discounting operating cash flows after taxation and capital expenditure incurred to replace assets as forecast in the business plan as validated by the Eurotunnel Group's management as part of its operational management. The period covered by the business plan is five years. For Concession assets, cash flows are extrapolated on the basis of an assumption of growth over the residual duration of the Concession. The discount rate retained is the WACC calculated at each year end. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

F. Financing and financial instruments

Financial instruments

Financial assets

Classification and evaluation

In accordance with IFRS 9, financial assets are classified as financial assets at amortised cost, fair value through equity or at fair value through profit or loss depending on the nature of the instrument (debt or equity), characteristics of their contractual flows and how the entity manages its financial instruments (business model).

The business model of the entity represents the way in which financial assets are managed to generate cash flow. The exercise of judgment is necessary to appreciate the business model.

A financial asset is said to be "basic" if the contractual terms of the financial asset give rise, on specified dates, to cash flows corresponding solely to repayments of principal and interest calculated on the capital remaining due. The determination of the basic character is to be carried out for each financial asset, debt instrument, when it is initially recognised.

i. Debt instruments measured at amortised cost

A debt instrument is measured at amortised cost if it satisfies both of the following conditions:

- the asset is held as part of a business model for the purpose of collecting contractual cash flows, and
- the contractual terms of the financial asset define the latter as basic (SPPI) within the meaning of the standard.

Debt instruments at amortised cost are initially measured at fair value and then at amortised cost using the effective interest rate method. For short-term receivables with no stated interest rate, the fair value is treated as the amount of the invoice unless the interest rate has a significant impact.

Income accrued or acquired on debt instruments is recorded under "Finance income" using the effective interest rate method.

These instruments are subject to the IFRS 9 requirements for impairment.

Trade receivables fall into this category.

ii. Debt instruments measured at fair value through equity

A debt instrument is measured at fair value through equity only if it meets both of the following conditions:

- the asset is held as part of a business model whose objective is both the collection of contractual cash flows and the sale of financial assets, and
- the contractual terms of the financial asset define the latter as basic (SPPI) within the meaning of the standard.

Debt instruments at fair value through equity are initially recognised at fair value plus transaction costs. At the balance sheet date, they are measured at their fair value and changes in fair value are recorded in gains and losses recognised directly in equity (recyclable in profit or loss). The assets in foreign currencies being monetary, fair value for the currency component affects the result.

Income accrued or acquired on debt instruments is recorded under "Finance income" using the effective interest rate method.

These instruments are subject to the IFRS 9 requirements for impairment.

The Eurotunnel Group does not hold debt instruments at fair value through equity.

iii. Equity instruments measured at fair value through equity

Equity instruments are recorded at fair value through profit or loss, except in the case of an irrevocable option for fair value measurement through non-recyclable equity (provided these instruments are not held for trading) without subsequent reclassification in profit or loss.

Equity instruments at fair value through equity are initially recognised at fair value plus transaction costs. Unrealised and realised impairment losses remain recognised in equity without ever affecting the result. These financial assets are not impaired. In the event of a sale, changes in fair value are not transferred to profit but directly to the consolidated reserves in equity. Only dividends affect the result if they correspond to a return on the investment. They are recorded under "Finance income". The fair value corresponds, for quoted securities, to a market price. For unlisted securities, it is determined by reference to recent transactions or by valuation techniques that incorporate reliable and observable market data.

The Eurotunnel Group does not hold equity instruments at fair value through equity.

iv. Financial assets measured at fair value through profit or loss

All other financial assets are classified at fair value through profit or loss. These financial assets include financial assets held for trading, financial assets designated at fair value through profit or loss and non-basic assets. These assets are measured at fair value with changes in value recorded in profit or loss.

This category also includes derivative financial instruments (positive fair values).

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When classified as current assets in cash equivalents, financial assets at fair value through profit or loss include, in particular, units of cash UCITS.

Impairment

Pursuant to the provisions of IFRS 9, financial instruments measured at amortised cost and debt instruments at fair value through equity are recognised, as at the date of first recognition, as a write-down for expected credit losses (Expected Credit Losses or ECL). Where the financial assets concerned have not been subject to objective indications of individual impairment losses, the depreciation for expected credit losses is evaluated on the basis of historical losses and reasonable and justifiable forecasts of future cash flows.

Financial instruments are divided into three categories according to the deterioration in credit risk observed since their initial recognition: S1 (no significant increase in credit risk), S2 (significant increase in credit risk) and S3 (credit risk proven). Each credit category has a specific credit risk assessment method: expected credit losses at 1 year for outstanding S1, credit losses expected at maturity for outstanding amounts of S2 and S3.

With regard to impairment, IFRS 9 provides for the possibility of adopting a simplified approach for trade receivables: impairment losses are determined on the basis of the expected loss at maturity and do not require monitoring of changes in the credit quality category of the receivable. The Eurotunnel Group has adopted the simplified approach for trade receivables. Impairment losses are estimated based on an impairment matrix based on historical credit default rates over the expected life of the receivables.

Financial liabilities

Financial liabilities include, in accordance with IFRS 9:

i. Borrowings

Borrowings are recognised initially at fair value less transaction costs, and subsequently at amortised cost according to the effective interest rate method.

For financial liabilities that are at a fixed interest rate, interest costs are recognised at a constant interest rate until maturity of the debt using the effective interest rate method. The effective interest rate is the rate that exactly discounts all of the contractual cash flows due on the debt until its maturity. These cash flows are calculated on the basis of the estimated cash flows due on each instrument constituting the debt. The calculation takes into account the transaction related costs and all other premiums and discounts.

For financial liabilities that are at a variable interest rate, cash flows are periodically re-estimated to reflect changes in market interest rates, thereby changing the effective interest rate.

For financial liabilities that are at a fixed interest rate indexed to inflation, cash flows are periodically re-estimated to take account of actual fluctuations in the inflation rate, thereby changing the effective interest rate.

A substantial change in the terms of all or part of an existing financial liability is accounted for as an extinguishment of the original liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, differs by at least 10% of the discounted present value of the remaining cash flows of the original financial liability. If a modification of terms is accounted for as an extinguishment, any costs or unamortised fees are recognised in the income statement on the extinguishment. The amendment to IFRS 9 of 12 October 2017 clarified the treatment under IFRS 9 of changes in liabilities recognised at amortised cost, in the event that the change does not result in derecognition: the gain or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate should be recorded in profit or loss.

ii. Interest rate hedging instruments

All the derivative instruments are designed to hedge exposure to interest rate risk. They are measured at market value and are used as cash flow hedges.

Cash flow hedges: the derivative instruments designed to hedge the floating rate element of the debt are accounted for as cash flow hedges. The portion of the gains and losses arising from changes in the fair value that is deemed to be an effective hedge is taken directly to equity until the underlying transaction is recognised in the Group's financial statements. The portion deemed ineffective is accounted for in the income statement for the period. The gains and losses included in equity are recycled to the income statement in the period when the hedged item affects the income statement. The interest rate hedging instruments meet the criteria set out in IFRS 9 and are therefore accounted for as cash flow hedges.

Net gains or net losses on each category of financial instrument

Interest income and charges recognised in profit or loss include:

- Interest on the financial assets and liabilities accounted for at amortised cost and at fair value through equity (debt instruments) using the effective interest rate method. The calculation of the effective interest rate includes all commissions and margins payable or receivable between the contracting parties which are an integral part of the effective interest rate, and all transaction costs and all other premiums and discounts. The transaction costs are the marginal costs directly attributable to the acquisition, issue or disposal of a financial asset or liability.
- Changes in the fair value of derivatives categorised as hedges (for the ineffective portion).

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Measurement of fair value

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities less than or equal to three months from date of acquisition which do not carry a significant risk of variation in value and which are used by the Group to manage short term commitments. Money market funds are evaluated at their market value at the end of the reporting period.

Financial instruments

Financial assets accounted for at their fair value are classified in accordance with the following levels of fair value:

- Level 1: fair value using quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
- Level 2: fair value using data ("inputs") other than quoted prices included in level 1, which are observable for the asset or liability, either directly (in the form of price) or indirectly (determined from the price).
- Level 3: fair value from valuation techniques which rely completely or in part on non-observable data such as prices on an inactive market or the valuation on a multiples basis for non-quoted securities.

Derivative instruments

The fair value of hedging instruments is measured by discounting contractual future cash flows and integrating the credit risk (CVA) or the counterparty risk (DVA).

G. Income tax expense

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Additional tax payable on the distribution of dividends is accounted for when the dividends are recognised as a liability.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities, for financial reporting purposes and the amounts used for taxation purposes, except as provided by IAS 12 "Income Taxes".

The tax rates used are those in effect at the end of the reporting period.

Net deferred tax is determined at the level of each tax group.

Deferred tax assets in respect of temporary differences are recognised only to the extent that it is probable that sufficient future taxable profits will be available against which the differences can be used, at the level of the tax entity.

Deferred tax assets in respect of tax losses are recognised according to the likelihood of their recoverability assessed on the basis of the Group's budget and medium-term plans. The assumptions in these plans used are the same as those used for testing the value of assets.

