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Eurotunnel Holding S.A.S.

Statutory auditors' report on the "consolidated accounting statements"

For the year ended December 31, 2024

Forvis Mazars SA
Société anonyme d'expertise comptable et de commissariat aux comptes à directoire et conseil de surveillance
Capital de 8 320 000 euros - RCS Nanterre 784 824 153

KPMG SA
Société anonyme d'expertise comptable et de commissariat aux comptes
Capital de 5 497 100 euros – RCS Nanterre 775 726 417

Eurotunnel Holding S.A.S.
Société par actions simplifiée
RCS Paris 824 607 790

Statutory auditors' report on the "consolidated accounting statements"

For the year ended December 31, 2024

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

As statutory auditors of Eurotunnel Holding S.A.S. and in response to your request in connection with the Permanent Facility Agreement amended on 4 May 2022, we have performed an audit of its accompanying "consolidated accounting statements" for the year ended December 31, 2024. They include the consolidated income statement, the consolidated financial position and the consolidated cash flows statement for the year ended December 31, 2024 as explained in note C.1 to the accompanying consolidated accounting statements.

These "consolidated accounting statements" have been prepared under the responsibility of management and, as they are not intended to be sent to the shareholders, have not been approved by the Chairman of the Company. Our role is to express an opinion on these "consolidated accounting statements", based on our audit.

We have conducted our audit in accordance with professional standards applicable in France and the guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes). Those standards require that we plan and perform the audit to obtain reasonable assurance that the "consolidated accounting statements" are free of material misstatements. An audit includes verifying, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the "consolidated accounting statements". An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall "consolidated accounting statement" presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors' rules applicable to us, for the period from 1st January 2024 to the date of our report.

In our opinion, the "consolidated accounting statements" were prepared, in all material respects, in accordance with the valuation and accounting principles described in the accompanying explanatory notes.

Without qualifying the above opinion, we draw your attention to the paragraph "General Principles" of the Explanatory Note to the accounting statements which specifies that the "consolidated accounting statements" were prepared in the context of the Amended Permanent Facility Agreement and, accordingly, do not constitute full financial statements prepared in accordance with international financial reporting standards (IFRS), as adopted by the European Union. Under these standards, only full sets of financial statements including a balance sheet, an income statement with comparative figures, a statement of changes in shareholders equity, a cash flow statement and notes to the financial statements can provide a true and fair view of the assets and liabilities and of the financial position of the entity, and of the results of its operations.

The statutory auditors

Paris La Défense, April 16, 2025

Forvis Mazars SA

Signé par :
Eddy BERTELLI
BC5405D916544D9...

Eddy BERTELLI
Partner

KPMG S.A.

Signé par :
Philippe CHERQUI
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Philippe CHERQUI
Partner

www.getlinkgroup.com

EUROTUNNEL HOLDING SAS
CONSOLIDATED ACCOUNTING STATEMENTS
FOR THE
YEAR ENDED 31 DECEMBER 2024

CONTENTS

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 2024.

SUMMARY CONSOLIDATED ACCOUNTING STATEMENTS

Income statement

€'000	31 December 2024	31 December 2023
Exchange rate €/£	1.184	1.153
Revenue	1,156,545	1,120,268
Operating expenses	(290,881)	(315,143)
Employee benefits expense	(207,598)	(195,816)
Operating margin (EBITDA)	**658,066**	**609,309**
Depreciation	(168,565)	(177,455)
Trading profit	**489,501**	**431,854**
Other operating income	605	5,442
Other operating expenses	(5,200)	(13,634)
Operating profit	**484,906**	**423,662**
Finance income	69,183	51,821
Finance costs	(342,016)	(387,288)
Net finance costs	(272,833)	(335,467)
Other financial income	5,053	6,622
Other financial charges	(34,608)	(20,422)
Pre-tax profit	**182,518**	**74,395**
Income tax income/(expense)	4,674	(20,645)
Net profit for the year	**187,192**	**53,750**

Statement of financial position

€'000	31 December 2024	31 December 2023
Exchange rate €/£	1.206	1.151
ASSETS		
Intangible assets	20,890	13,627
Concession property, plant and equipment	5,552,507	5,579,382
Other property, plant and equipment	3	3
Total property, plant and equipment (tangible and intangible)	**5,573,400**	**5,593,012**
Deferred tax asset	477,947	460,623
Other financial assets: external	7,197	9,748
Other financial assets: intragroup	324,059	318,192
Total non-current assets	**6,382,603**	**6,381,575**
Inventories	8	4
Trade receivables: external	84,765	75,518
Trade receivables: intragroup	13,654	15,094
Other receivables: external	60,143	47,743
Other receivables: intragroup	662,128	652,621
Other financial assets	99,463	11,933
Cash and cash equivalents	645,950	490,355
Total current assets	**1,566,111**	**1,293,268**
Total assets	**7,948,714**	**7,674,843**
EQUITY AND LIABILITIES		
Issued share capital	508,621	508,621
Share premium account	894,718	894,718
Other reserves	(301,052)	(451,573)
Profit/(loss) for the period	187,192	53,750
Cumulative translation reserve	153,362	255,307
Total equity	**1,442,841**	**1,260,823**
Retirement benefit obligations	3,148	2,500
Financial liabilities: external	4,470,181	4,383,086
Financial liabilities: intragroup	1,248,834	1,244,623
Other financial liabilities	28,998	29,354
Interest rate derivatives	342,464	366,482
Total non-current liabilities	**6,093,625**	**6,026,045**
Provisions	3,906	4,068
Financial liabilities	93,047	84,332
Other financial liabilities: external	4,095	3,363
Other financial liabilities: intragroup	19,451	9,103
Trade payables: external	210,556	195,184
Trade payables: intragroup	2,296	9,167
Other payables: external	78,517	82,401
Other payables: intragroup	380	357
Total current liabilities	**412,248**	**387,975**
Total equity and liabilities	**7,948,714**	**7,674,843**

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

Cash flow statement

€'000	**31 December 2024**	**31 December 2023**
Exchange rate €/£	1.206	1.151
Operating margin (EBITDA)	658,066	609,309
Exchange adjustment *	7,887	(823)
Increase/(Decrease) in working capital	(35,299)	12,805
Net cash inflow from trading	630,654	621,291
Other operating cash flows (paid) / received	4,203	(2,753)
Net cash (outflow)/inflow from taxation	(6,516)	–
Net cash inflow from operating activities	**628,341**	**618,538**
Payments to acquire property, plant and equipment	(141,226)	(138,575)
Change in cash management financial assets	(86,955)	–
Net cash outflow from investing activities	**(228,181)**	**(138,575)**
Financial transactions:		
Financial transactions (net)	–	1,825
External debt service cost:		
Interest paid on external loans (CLEF)	(179,627)	(176,539)
Scheduled repayment of external loans	(82,501)	(74,311)
Fees paid on loans	(1,711)	(1,659)
SPV Noteholder ongoing fee	(1,150)	(1,095)
Repayments on leasing contracts	(2,372)	(1,613)
Interest paid on leasing contracts	(188)	(95)
Interest received on cash and cash equivalents	26,455	16,124
External debt service cost:		
Interest paid on intercompany loans	(54,572)	(55,199)
Interest received on intercompany loans	40,514	35,321
Movement in intercompany loans with Getlink	–	–
Net cash outflow from financing activities	**(255,152)**	**(257,241)**
Increase/(decrease) in cash in year	**145,008**	**222,722**

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

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.

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

These 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 2024[1].

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 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.

A.1.1 Texts adopted by the European Union whose application is compulsory

The following texts, concerning accounting rules and methods specifically applied by the Group, have been approved by the European Union:

- amendments to IAS 1 – classification of liabilities as current or non-current (including the latest amendments published on 31 October 2022);
- amendments to IFRS 16 – lease liabilities under sale leaseback transactions (published by the IASB on 22 September 2022); and
- amendments to IAS 7 and IFRS 7 – supplier finance arrangements (published by the IASB on 25 May 2023).

These amendments and interpretations have no material impact on the Group's consolidated financial statements.

A.1.2 Texts adopted by the European Union but not yet compulsory

The following texts concerning accounting rules and methods specifically applied by the Group, has been approved by the European Union but whose application is not yet mandatory:

- amendments to IAS 21 – Absence of convertibility (published by the IASB on 15 August 2023).

A.1.3 Texts and amendments published by the IASB but not approved by the European Union

The following texts concerning accounting rules and methods specifically applied by the Group have not yet been approved by the European Union:

- amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments (published by the IASB on 30 May 2024);
- annual improvements –IFRS1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 (published by the IASB on 18 July 2024);
- IFRS 18 – Presentation and Disclosure in Financial Statements (published by the IASB on 9 April 2024); and
- IFRS 19 – Disclosure by Subsidiaries without a requirement to disclose publicly (published by the IASB on 9 May 2024).

The potential impact of these texts will be assessed by the Group in subsequent years.

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[1] *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.*

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

The 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 rates[2].
- 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 2024 and 2023 are as follows:

€/£	2024	2023
Closing rate	1.206	1.151
Average rate	1.184	1.153

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. In addition, the estimates underlying the preparation of these annual financial statements as at 31 December 2024 have been established in the current economic and geopolitical context. 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 its retirement liabilities and certain elements of the valuation of its financial assets and liabilities.

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

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.

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[2] *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.*

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 elected for book value accounting in 2018 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 2023 and 31 December 2024:

	Country of registration or incorporation	Consolidation method	31 December 2024		31 December 2023	
			% 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	99	99	99	99
Eurotunnel Services Limited (ESL)	England	FC	100	100	100	100
Gamond Insurance Company Limited *	Guernsey	FC	–	–	100	100
Companies with no significant activity during 2024						
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

* *Gamond Insurance Company Limited was dissolved on 12 August 2024 and EurotunnelPlus Limited on 21 May 2024.*

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. The contributions of the Railway Companies to the Railway Network's operating and renewal investment costs are recognised as revenue in proportion to the capacity of the Fixed Link allocated to them.
- During 2021, Eurotunnel concluded a contract with Colt Technologies for the installation and commercial operation of fibre optic cables in the Tunnel. Revenues from this contract are accounted for in accordance with IFRS 15 based on the separate services identified.

EBITDA/operating margin

Current EBITDA as used by the Eurotunnel Group is a non-GAAP indicator. It 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

The methods for measuring and accounting for share award and performance share plans are defined by IFRS 2 "Share-based payment". The allocation of performance shares represents a benefit granted to their beneficiaries and as such constitutes additional remuneration borne by the Group. As these transactions do not give rise to monetary transactions for the Group, the benefits thus granted are recognised as expenses on a straight-line basis over the vesting period, with a corresponding increase in shareholders' equity. They are measured at the fair value of the equity instruments granted at the grant date (see paragraph below). Changes in value subsequent to the grant date have no impact on the initial valuation.

Where the shares vest immediately and no conditions have to be met, the expense is recognised immediately and offset against shareholders' equity. When definitive vesting is subject to the fulfilment of certain vesting conditions, the expense is recognised as an offset to equity as the services are rendered by the beneficiaries of the plan during the vesting period.

Measurement of fair value

The fair value of share-based payments 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, expected volatility of the underlying shares, expected period before exercise, expected dividends the risk free interest rate 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 difference between the purchase price of an entity and the Group's share, and as necessary the minority interests' share, of the fair value of the identifiable assets and liabilities (including contingent liabilities) of the acquired entity at the date of acquisition. It is carried at cost less any accumulated impairment losses. It is measured in the functional currency of the acquired entity and is recognised in the statement of financial position.

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.

Other intangible assets are carried at cost less accumulated amortisation and any impairment losses and investment grants. The estimated useful lives of intangible assets are reviewed and, if necessary, modified in the light of experience. Intangible assets with a finite useful life are depreciated over 3 to 10 years, depending on their useful life.

Right of use assets (IFRS 16)

Leases that give the lessee control over the use of an identified asset for a given period in exchange for consideration fall within the scope of IFRS 16. The Eurotunnel Group's lessee companies recognise all leases, whether operating or finance leases, as assets in the statement of financial position in the form of a right of use in exchange for a lease liability.

The lease liability is initially determined on the basis of the present value of the outstanding lease payments at that date, discounted at the interest rate implicit in the lease contract if this rate is readily available, or at the marginal borrowing rate specific to the country, conditions and currency of the contract. Lease payments include fixed payments, variable payments based on an index or rate and payments arising from options that are reasonably certain to be exercised.

After the initial measurement, the lease liability is reduced by the payments made and increased by the interest expense. It is remeasured to reflect any change in future lease payments in the event of new negotiations with the lessor, a change in an index or a rate, or the re-measurement of options. When the lease liability is re-measured, the corresponding adjustment is reflected in the right of use, or in profit or loss if the right of use has already been reduced to zero in the case of a reduction in the rental scope.

The right of use determined at inception comprises the initial lease liability, initial direct costs and any obligations to renovate the asset, less any benefits granted by the lessor.

Rights of use are amortised over the term of the lease. In the income statement, depreciation charges are recognised in operating profit and interest charges in net financial expense. The tax impact of this consolidation restatement is taken into account by recognising deferred tax.

The term of leases corresponds to the non-cancellable contractual period plus, where applicable, renewal options whose exercise is deemed reasonably certain (renewal options in the course of exercise during the period or for which the Eurotunnel Group has a statistical history of practice).

The Eurotunnel Group applies the exemptions permitted by IFRS 16 relating to contracts with a term of 12 months or less or where the underlying asset is of low value (less than €5,000). Expenses relating to these contracts are not material.

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
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

* *The Concession expires in 2086.*

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

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses and investment grants.

Non-renewable Concession assets are depreciated on a straight-line basis over the life of the Concession.

Renewable assets are depreciated on a straight-line basis. Given the specific nature of the Fixed Link Concession, which expires in 2086, the final renewal will be depreciated over the residual duration of the Concession.

Subsidies on capital expenditure are accounted as a reduction of the asset to which they relate.

Impairment of property, plant and equipment, intangible assets and goodwill

Cash-generating units (CGUs) are homogeneous groups of assets whose continuing use generates independent cash flows. Impairment tests are performed at the level of each CGU.

Goodwill is systematically tested for impairment at least once a year during the year-end closing process, or whenever there is an indication that it may be impaired.

In some cases, the CGU may comprise one or more operating legal entities. Where there is an indication of impairment, the Eurotunnel Group performs impairment tests on its assets: intangible assets with finite useful lives and property, plant and equipment. All intangible assets, including goodwill, and property, plant and equipment have been allocated to CGUs.

- An annual impairment test of unamortised goodwill and other intangible assets is performed by comparing the net book value of the assets with their value in use at the level of the cash-generating unit (CGU) concerned.
- If any indication of impairment exists, an impairment test is carried out on assets with finite useful lives: the net book value of the assets or the CGU is compared to its recoverable amount. The recoverable amount of assets is the greater of their fair value net of disposal costs and their value in use. The fair value is determined by reference to studies carried out by independent experts.
- Assets and liabilities held for sale are measured at the lower of fair value less costs to sell and their carrying amount.

The value in use of CGUs is calculated by discounting operating cash flows after taxation and capital expenditure incurred to replace assets as forecast in each of the CGU's business plans as validated by the 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 (Weighted Average Cost of Capital) calculated per CGU at each year end.

Testing the value of cash-generating units (CGUs)

If the annual impairment test reveals that the recoverable amount is less than the carrying amount, an impairment loss is recognised.

Impairment losses recognised on goodwill are never reversed through the income statement. In the case of other assets, previously recognised impairment losses are reversed if there is sustained evidence that the impairment losses initially recognised have decreased or no longer exist.

The determination of whether events have occurred that require a valuation test to be performed is subject to the judgement of the Eurotunnel Group's senior management, based on a number of criteria. Indications of impairment correspond mainly to the following changes and variations:

- geopolitical, economic and regulatory environment and market conditions;
- significant changes in interest rates or in the parameters used to calculate the discount rate;
- obsolescence and performance of assets.

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. 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).

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 present value of the original cash flows and the present value of the modified cash flows, using the effective interest rate as the discount rate, must be recorded in the income statement.

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 Eurotunnel 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 other components of comprehensive income (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).

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 Eurotunnel 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 comprises current and deferred tax. The tax charge is recognised in the income statement, except to the extent that it relates to a business acquisition or to items recognised directly in equity or in other comprehensive income.

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.