

SYSTRA SA

**Statement by the statutory auditors of Systra SA
on the consolidated financial statements
translated into English as at December 31, 2023**



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Général Manager
SYSTRA S.A.
72-76 rue Henry Farman
75015 PARIS

In our capacity as statutory auditors of Groupe SYSTRA SA and in accordance with your request, we have prepared this statement relating to the information contained in the attached document (the "Appendix") for the year ended December 31, 2023 and prepared for the needs of potential invitation to tenders.

The information was prepared under SYSTRA's management's responsibility and based on the accounting records used for the preparation of the consolidated financial statements of the Company established in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended December 31, 2023.

It is our responsibility to report on:

- The concordance of the data presented in the Appendix compared to that contained in the consolidated financial statements we have audited as at and for the year ended December 31, 2023;
- The consistency of the translation into English of the items appearing in the Appendix with the consolidated financial statements of the Company established in French as required by the French Commercial code.

In the context of our role as statutory Group auditor, we have audited the consolidated financial statements of the Company as at and for the year ended December 31, 2023. Our audit was conducted in accordance with professional standards applicable in France, and was planned and performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole and not on any individual component of the accounts used to determine the information. Accordingly, our audit tests and samples were not carried out with this objective and we do not express any opinion on any components of the accounts taken individually.

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Furthermore, we have not performed any procedures to identify events that may have occurred after the date of our report on the consolidated financial statements of the Company which was issued on April 5, 2024.

We have not audited any interim accounts of the Company as of any date or for any period subsequent to December 31, 2023, and accordingly we do not express an opinion thereon.

Our engagement, which constitutes neither an audit nor a review, was performed in accordance with the professional standards applicable in France. For the purpose of this statement, our work consisted in:

- Verifying the reconciliation of the data presented in the attached document with that contained in the consolidated financial statements of SYSTRA SA we have audited as at and for the year ended December 31, 2023;
- Checking that the translation into English of the consolidated financial statements in the Appendix is consistent with the original French version of the consolidated financial statements of the Company as required by the French Commercial code.

On the basis of our work, we have nothing to report on the information contained in the attached document.

We draw attention to the fact that the income statement and the balance sheet translated into English are not presented in accordance with and do not include all the information required to be disclosed by the International Financial Reporting Standards as adopted by the European Union. Accordingly, the income statement and balance sheet presented in the Appendix are not intended to present fairly, in all material respects, the financial position of SYSTRA SA as of December 31, 2023, or the results of its operations or its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

This statement has been prepared solely for your attention within the context described above and may not be used, distributed or referred to for any other purpose.

Our work should not be taken to supplant any additional inquiries or procedures that should be undertaken by a third party recipient of this statement and we make no representations regarding the sufficiency of the procedures we performed for the purpose of third parties.

In our capacity as statutory group auditor of SYSTRA SA, our responsibility towards SYSTRA SA and the Shareholders is defined by French law and we do not accept any extension of our responsibility beyond that set out in French law. We do not owe or accept any duty of care to any third party including the financial institutions to which we are not party. In no event shall PricewaterhouseCoopers Audit be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentation or wilful misconduct on the part of the Directors, employees or agents SYSTRA.

This statement is governed by French law. The French courts have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this statement. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an illegitimate court or to claim that those Courts do not have jurisdiction.

Neuilly-sur-Seine, May 14, 2024

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Christophe Drieu

PricewaterhouseCoopers Audit
M. Christophe Drieu
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
France

Paris, May 13th, 2024

Dear Sir,

In order to run its international operations, including the participation in international bids, could you please see attached the following information of Systra:

Please refer to appendix 1 "Systra Group Financial Statements and notes to the Financial Statements for the year ended 31 December 2023"

The information was prepared under our responsibility and based on the accounting records used for the preparation of the consolidated financial statements of the Company established in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended December 31, 2023.

Would you be kind enough to confirm this information.

We thank you in advance.

Looking forward to reading from you soon, we remain yours, faithfully.



Olivier Dezorme
Group Chief Finance Officer

PJ : appendix 1

SYSTRA GROUP CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023



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CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (in € thousands)		2023	2022
Revenue	4.2	1,071,562	901,752
Purchases and external charges	4.3.1	(348,671)	(261,535)
Payroll costs	4.3.2	(614,809)	(550,482)
Taxes other than on income	4.3.3	(8,525)	(8,164)
Other income and expenses	4.3.4	(1,250)	(5,331)
Operating margin		98,307	76,239
Depreciation and amortisation expense	4.3.5	(38,418)	(32,935)
Net movements in provisions	4.3.6	(7,715)	1,278
Other operating income and expenses	4.3.7	(666)	(4,895)
Operating profit		51,508	39,687
Financial income		25,639	18,030
Financial expenses		(36,197)	(26,656)
Net financial expense	4.4	(10,558)	(8,626)
Share of profit (loss) of associates		285	(110)
Income tax expense	4.5	(27,845)	(16,817)
Profit for the year		13,390	14,133
Attributable to non-controlling interests		(152)	223
Attributable to owners of the parent		13,542	13,910

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (in € thousands)	2023	2022
Profit for the year	13,390	14,133
Other comprehensive income (expense):		
Currency translation differences	1,584	(1,803)
Change in fair value of cash flow hedges	(784)	1,255
Tax relating to change in fair value of cash flow hedges	203	(324)
Actuarial gains and losses (*)	(8,822)	29,645
Tax relating to actuarial gains and losses	1,931	(7,485)
Total other comprehensive income (expense)	(5,889)	21,288
Total comprehensive income	7,501	35,421
Attributable to owners of the parent	7,660	35,185
Attributable to non-controlling interests	(159)	236

(*) Actuarial gains and losses corresponded to actuarial losses in 2023 and mainly related to Systra Ltd (€5.0 million), Systra SA (€1.3 million) and Systra France (€2.4 million) versus actuarial gains of €21.3 million, €2.5 million and €5.8 million respectively in 2022.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED ASSETS (in € thousands)		31 Dec. 2023	31 Dec. 2022
Goodwill	5.1	225,653	113,810
Intangible assets	5.2.1	53,644	53,179
Property, plant and equipment	5.2.2	127,745	105,602
Non-current financial assets	5.3	19,504	18,182
Deferred tax assets	5.11	16,431	13,552
Non-current assets		442,977	304,326
Inventories and work-in-progress		18	20
Operating receivables	5.4	622,897	568,376
Current financial assets	5.5	989	460
Cash and cash equivalents	5.6	81,462	76,034
Current assets		705,367	644,890
TOTAL ASSETS		1,148,344	949,216

CONSOLIDATED EQUITY AND LIABILITIES (in € thousands)		31 Dec. 2023	31 Dec. 2022
Share capital		33,302	33,302
Additional paid-in capital		142,296	142,296
Consolidated reserves		61,326	62,592
Profit attributable to owners of the parent		13,542	13,910
Equity attributable to owners of the parent		250,466	252,100
Non-controlling interests		379	508
Total equity	5.7	250,845	252,608
Employee benefit obligations	5.8	29,122	19,753
Long-term provisions	5.9	4,644	5,115
Non-current financial liabilities	5.10	218,329	119,070
Deferred tax liabilities	5.11	8,647	2,393
Non-current liabilities		260,742	146,332
Short-term provisions	5.9	13,086	8,084
Operating payables	5.12	525,336	425,653
Current financial liabilities	5.10	98,333	116,539
Current liabilities		636,756	550,276
TOTAL EQUITY AND LIABILITIES		1,148,344	949,216

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS (in € thousands)	2023	2022
Profit for the year	13,390	14,133
Share of (profit) loss of associates	(285)	110
Deferred tax expense/income	(804)	(1,260)
Depreciation, amortisation and provisions	26,032	6,740
Depreciation and provisions for right-of-use assets	22,782	25,127
Fair value gains/losses	(1,656)	2,170
Gains/losses on asset disposals and retirements	1,649	5,890
Cash flow from operations after cost of debt and income tax	61,109	52,909
Income tax (excluding deferred taxes)	28,649	18,077
Net interest recognised	8,458	3,177
Net interest recognised on lease liabilities	2,857	1,987
Income tax paid	(24,191)	(11,638)
Impact of change in working capital requirement	42,474	1,948
1. Cash flow from operating activities	119,357	66,461
Impact of changes in the scope of consolidation	(112,987)	0
Purchases of property, plant and equipment and intangible assets	(28,056)	(18,341)
Change in loans	(643)	(11)
Change in cash assets	0	(212)
Proceeds from disposals of property, plant and equipment and intangible assets	34	55
Proceeds from disposals of financial assets	17	75
2. Cash flow used in investing activities	(141,635)	(18,435)
Proceeds from new borrowings	108,929	24,991
Repayments of borrowings	(46,109)	(36,784)
Repayments of lease liabilities	(18,960)	(21,668)
Net interest paid	(8,159)	(4,003)
Net interest paid on lease liabilities	(2,749)	(1,883)
Dividends paid to shareholders	(6,953)	0
Change in cash liabilities	(602)	0
3. Cash flow used in financing activities	25,395	(39,346)
4. Impact of fluctuations in exchange rates	1,699	(4,794)
5. Impact of changes in accounting principles	0	0
NET CHANGE IN CASH AND CASH EQUIVALENTS (1+2+3+4+5)	4,815	3,886
Cash and cash equivalents at beginning of the year	71,196	67,309
Cash and cash equivalents at year-end	76,011	71,196
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,815	3,887

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (in € thousands)	Share capital and additional paid-in capital	Currency translation reserve	Retained earnings and profit for the year	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 1 January 2022	193,085	(9,829)	32,644	215,900	748	216,648
Carryforward clearance	(17,487)		17,487	0		0
Profit for the year			13,910	13,910	223	14,133
Total other comprehensive income		(1,816)	23,091	21,275	13	21,288
Other movements			1,014	1,014	(475)	539
At 31 December 2022	175,598	(11,645)	88,146	252,100	508	252,608
Dividends paid			(6,953)	(6,953)		(6,953)
Profit for the year			13,542	13,542	(152)	13,390
Total other comprehensive income (expense)		1,590	(7,472)	(5,883)	(6)	(5,889)
IFRS 16 deferred taxes (amendment to IAS 12)			(627)	(627)		(627)
Other movements			(1,713)	(1,713)	29	(1,683)
At 31 December 2023	175,598	(10,055)	84,923	250,466	379	250,845



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Systra Group sells engineering services, primarily in the urban and rail transport sectors, and operates mainly through an international network of subsidiaries, branches and joint arrangements.

The Group's parent company, Systra SA, is a joint stock company (*société anonyme*) registered and domiciled in France. Its head office is located at 72 rue Henry Farman, 75015 Paris, France.

1 SIGNIFICANT EVENTS OF THE YEAR AND CHANGES IN SCOPE OF CONSOLIDATION

1.1 Significant events of the year

The Group is currently in the process of seeking financial investors to support its profitable development alongside its historical industrial shareholders. Work was carried out during the year on this project and negotiations are expected to be completed in 2024. The project required the use of various external advisers to help the Group prepare the documentation sent to the investors concerned and also to help negotiate a new corporate financing structure.

1.2 Changes in scope of consolidation

In March 2023, the Group strengthened its presence in Australia and its expertise in tunnels, with the acquisition of Bamser, an Australian engineering company based in Brisbane and renowned for its excellence in underground engineering. This transaction resulted in the recognition of €9.7 million in provisional goodwill.

In April 2023, the Spanish tunnel engineering company Subterra joined the Group, consolidating Systra's global expertise in the design of tunnels and underground structures and extending the Group's presence in Spain and Latin America. This transaction resulted in the recognition of €3.4 million in provisional goodwill.

In August 2023, the Group integrated into its scope of consolidation the Swedish, Danish and Norwegian engineering businesses of Atkins – part of the SNC-Lavalin Group – which specialise in infrastructure design and project management consultancy, as well as its rail verification services in Denmark. This transaction resulted in the recognition of €98.5 million in provisional goodwill.

2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basic principles

The consolidated financial statements are presented in euros and have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union at 31 December 2023.

The accounting policies and measurement methods used in these consolidated financial statements have been applied consistently to all the years presented.

2.2 New standards, amendments and interpretations whose application was mandatory for the first time as from 1 January 2023

The new standards, amendments and interpretations whose application was mandatory for the first time as from 1 January 2023 did not have a significant impact on Systra's consolidated financial statements for the year ended 31 December 2023.

2.3 New standards, amendments and interpretations that were not yet mandatory at 1 January 2023 and that were not early adopted by the Group

The Group did not early adopt any new standards, amendments, or interpretations at 1 January 2023.

In 2021, the OECD adopted a reform of international tax rules proposing, among other things, the introduction of a global minimum level of taxation (15%) on profits made by multinational groups meeting certain criteria. In

December 2022, the Council of the European Union formally adopted the "Pillar Two" Directive, which sets a common framework for Member States to transpose into their national laws the Model Rules on the Pillar Two Global Minimum Tax. The Directive had to be transposed into Member States' national laws by 31 December 2023 with gradual application of its measures as from 1 January 2024. The Directive's rules were transposed into French law under France's Finance Act for 2024.

In the first half of 2023, the IASB issued an amendment to IAS 12 entitled "International Tax Reform – Pillar Two Model Rules", for immediate application, which came into effect following the European Union's adoption of this amendment on 8 November 2023.

On the basis of its work carried out to date, the Group does not expect this amendment to have a significant impact on its income tax as from 1 January 2024.

2.4 Use of estimates

The preparation of financial statements under IFRS requires estimates to be used and assumptions to be made that affect the amounts shown in those financial statements.

The estimates are made by Group Management on the basis of information available when the financial statements are prepared. They may be adjusted in the event of changes in the circumstances on which they were based or if new information becomes available.

The estimates and assumptions used by the Group mainly concern:

Determining the stage of completion of contracts

For revenue and margins on construction and service contracts, the Group applies general revenue recognition rules based on the percentage of the contract that has been fulfilled. The percentage of completion is determined using estimates based on project monitoring. Adjustments may therefore be made to these estimates throughout the life of the contract.

Determining goodwill

In business combinations, the Group estimates the fair value of the assets acquired and liabilities assumed. Goodwill corresponds to the excess of the total consideration transferred over the acquisition-date fair value of the identifiable net assets acquired.

Values used in impairment tests

The assumptions made and estimates used to determine the recoverable amount of goodwill relate in particular to the market prospects required to estimate future cash flows and the discount rates used.

Recognising deferred tax assets

Deferred tax assets – particularly those related to tax loss carryforwards – are recognised when it is probable that future taxable profit will be available against which unused tax losses and credits can be utilised. The recognition of these assets therefore requires estimates of future taxable profit.

Pension and other post-employment benefit obligations

Group obligations with respect to defined benefit retirement plans are measured using actuarial assumptions based on financial and demographic assumptions such as discount rates, inflation rates, future salary increases and mortality rates.

Provisions for onerous contracts

Estimating provisions for onerous contracts can be complex due to the nature of Systra's business, the international context and the fact that the Group's contracts are long-term. The estimates therefore require detailed analyses and specific knowledge as well as the use of judgement.

Probability of recovering operating receivables

The Group records impairment losses on its trade receivables and contract assets for an amount equal to the lifetime expected credit loss using a provision matrix that includes the age of the receivables and the estimated counterparty risk.

Measurement of leases

The assumptions made and estimates used to measure right-of-use assets and the corresponding lease liabilities relate in particular to the determination of the discount rates used, which are based on certain assumptions.

3 CONSOLIDATION PRINCIPLES**3.1 Basis of consolidation**

The financial statements of subsidiaries, associates and joint arrangements are restated, where required, to comply with Group accounting policies.

All material intra-Group transactions, including gains and losses, are eliminated in consolidation.

Companies that are not material and/or are dormant, and whose consolidation would not have a significant impact on the fair presentation of the net assets, financial position and/or results of the Group, are not consolidated.

Subsidiaries

Subsidiaries are all entities over which the Group exercises exclusive control.

The Group controls an entity when it is exposed to, or holds rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

Any non-controlling interests are recognised based on the non-controlling interest's proportionate share of the subsidiary's net assets.

Joint arrangements

There are two types of joint arrangements:

(i) Joint operations

A joint operation is a joint arrangement whereby the Group has direct rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its share of the assets, liabilities, revenue and expenses of the joint operation. A joint operation may or may not be structured via a separate vehicle.

(ii) Joint ventures

A joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement. Interests in joint ventures are accounted for by the equity method.

Associates

Associates are all entities over which the Group has significant influence but not control, or over which it exercises joint control.

Investments in associates are accounted for by the equity method.

3.2 Business combinations

Business combinations are accounted for using the acquisition method. In accordance with this method, the purchase price of the subsidiary (i.e., the consideration transferred) represents the aggregate amount of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed. The purchase price of the subsidiary also includes any contingent consideration (earn-out payments), which is measured at fair value on the acquisition date.

The Group recognises any non-controlling interests in acquirees on an acquisition-by-acquisition basis, either:

- at the acquisition-date fair value, resulting in the recognition of goodwill on the non-controlling interests ("full goodwill" method);
- or based on the share of net identifiable assets of the acquired entity measured at fair value, in which case goodwill is only recognised on the portion attributable to owners of the parent ("partial goodwill" method).

Non-controlling interests in the acquiree are measured based on their proportionate share of the net fair values of the recognised assets, liabilities and contingent liabilities.

Costs directly attributable to the acquisition are expensed in the period in which they were incurred.

The measurement of the purchase price and the fair values of the assets acquired, and liabilities assumed is carried out within 12 months of the subsidiary's acquisition date. During this 12-month measurement period, any adjustments to fair values are recognised by retrospectively adjusting the amount of goodwill. Any adjustments made after the measurement period are recognised immediately in the income statement.

Contingent consideration is initially recognised at fair value, with subsequent changes in fair value that occur after the 12-month measurement period systematically recognised in the income statement.

3.3 Put options written over non-controlling interests

Put options written by the Group over non-controlling interests (NCI puts) are recognised in financial liabilities as follows:

- When the NCI put is set up, the present value of the exercise price is recognised as a financial liability with a corresponding reduction in non-controlling interests. If the non-controlling interests are reduced to zero, any excess is recognised as an adjusting entry to equity attributable to owners of the parent.
- At each reporting date the amount of the financial liability is remeasured, with a corresponding adjustment to equity attributable to owners of the parent.

The financial liability recognised for an NCI put with a variable exercise price (based on fair value or a contractual formula) is updated at each reporting date to reflect current estimates of the exercise price, by reference to the applicable contractual terms and conditions.

4 NOTES TO THE CONSOLIDATED INCOME STATEMENT

4.1 Income statement

Operating margin corresponds to revenue and other income less expenses directly attributable to operations. These expenses primarily include purchases, outsourcing, other external services, payroll costs, taxes other than on income and other miscellaneous items.

In addition to operating margin, **recurring operating profit** includes most items that do not have a cash impact, such as depreciation, amortisation and provisions.

Operating profit includes transactions of an unusual nature, either in terms of their occurrence or amount (net gains or losses on asset disposals or derecognitions, impairment losses, share of profit of jointly-controlled operations, etc.), which are presented separately beneath recurring operating profit in order to provide readers of the consolidated financial statements with the truest possible view of the Group's recurring performance.

Profit attributable to owners of the parent is then calculated by adding/deducting the following items:

- net financial income (expense) which comprises net finance costs and other financial income and expenses;
- share of profit (loss) of associates;
- current and deferred tax expense;
- profit (loss) attributable to non-controlling interests.

4.2 Revenue

Consolidated revenue on construction and service contracts is recognised in accordance with IFRS 15. Under the standard, all contracts must be identified, as well as the various performance obligations contained therein.

Under IFRS 15, the recognition of revenue from contracts with customers must reflect:

- the rate at which performance obligations are satisfied, corresponding to the transfer to a customer of control of a good or service;
- the amount to which the seller expects to be entitled in exchange for the work performed.

In view of the Group's main activities, the majority of its contracts include only one performance obligation, which is satisfied as and when the contract is fulfilled.

Where a contract includes several separate performance obligations, the Group allocates the overall price of the contract to each performance obligation in accordance with IFRS 15. The price corresponds to the amount of consideration to which it expects to be entitled. Where the price includes variable consideration, the Group only recognises that consideration from the moment its receipt is regarded as highly probable.

To measure the percentage of completion of a contract, the Group uses the cost-to-cost method (all costs incurred for the work performed to date divided by the estimated total contract costs).

Contract modifications are recognised when they are approved by the customer. Where modifications relate to new goods or services that are regarded as distinct under IFRS 15, and where the contract price increases by an amount of consideration that reflects "stand-alone selling prices" of the additional goods or services, those modifications are recognised as a separate contract.

Where a third party (such as a sub-contractor) is involved in the provision of a distinct good or service, the Group determines whether it obtains control of that good or service before it is transferred to the customer. Where control is obtained before transfer to the customer, the Group recognises revenue corresponding to the gross amount of consideration to which it expects to be entitled in exchange for the good or service transferred. Where control is not obtained, the Group takes the view that it is not the principal in the transaction and only recognises revenue for the amount corresponding to its remuneration as an intermediary.

The Group's revenue breaks down as follows by geographic segment:

(in € thousands)	2023	2022
United Kingdom - UK	299,040	254,192
France	228,284	215,254
Saudi Arabia	78,112	49,249
Italy	51,600	35,215
India	47,915	50,906
Asia	42,772	48,384
Australia/New Zealand	42,555	25,925
United States of America - USA	42,061	47,056
Canada	40,303	34,822
Northern Europe	35,025	31,046
International West	30,387	28,325
Egypt	24,547	19,045
Brazil	23,831	20,861
International East	21,678	18,020
Denmark (formerly Atkins)	16,922	
Norway (formerly Atkins)	13,635	
Sweden (formerly Atkins)	11,930	
Bridges	11,392	7,455
Design & Build	9,260	14,961
Other	313	1,036
Total	1,071,562	901,752

At 31 December 2023, the Group's backlog (as defined in IFRS 15) amounted to €1.4 billion (i.e., the equivalent of 16 months of business based on 2023 consolidated revenue), which represents the volume of work still to be performed under existing contracts.

4.3 Operating expenses

4.3.1 Purchases and external charges

Breakdown of purchases and external charges:

(in € thousands)	2023	2022
Purchases and sub-contracting	(216,571)	(160,123)
Running costs of business operations	(89,634)	(74,024)
Rental fees and charges	(15,333)	(14,189)
Other expenses	(27,133)	(13,200)
Total purchases and external charges	(348,671)	(261,535)

4.3.2 Payroll costs

Breakdown of payroll costs:

(in € thousands)	2023	2022
Wages, salaries and payroll taxes	(617,049)	(541,581)
Pension benefit expense	2,240	(8,902)
Total payroll costs	(614,809)	(550,482)

4.3.3 Taxes other than on income

This item includes all taxes other than income tax, and in 2023 it corresponded to an €8.5 million net expense.

4.3.4 Other income and expenses

Items of income and expenses which, by their nature, are not recorded in the preceding items of the consolidated income statement, for example because they are not sufficiently predictable, or because they are unusual or infrequent, are included in "Other income and expenses". In 2023 this item amounted to a net expense of €1.3 million.

4.3.5 Depreciation and amortisation expense

Breakdown of depreciation and amortisation expense:

(in € thousands)	2023	2022
Amortisation expense	(9,214)	(5,939)
Depreciation expense	(29,204)	(26,996)
Total depreciation and amortisation expense	(38,418)	(32,935)

4.3.6 Net movements in provisions

Year-on-year movements in provisions concern impairment of trade receivables and contract assets as well as various provisions relating to the Group's business. In 2023 this item corresponded to a net expense of €7.7 million.

4.3.7 Other operating income and expenses

Other operating income and expenses include gains or losses on asset disposals or derecognitions as well as impairment losses. In 2023 this item corresponded to a net expense of €0.6 million.

4.4 Net financial expense

Breakdown of net financial expense:

(in € thousands)	2023	2022
Net finance costs	(7,565)	(3,684)
Net foreign exchange gains (losses)	715	(2,091)
Other financial income (expenses)	(3,708)	(2,851)
Net financial expense	(10,558)	(8,626)

4.5 Income tax expense

The Group calculates its income tax in accordance with the tax laws in force in the countries where its profit is taxable. The income tax expense for the year includes current taxes, corresponding to taxable income and expenses for the year, as well as deferred taxes arising from temporary differences between the carrying amount and tax base of assets and liabilities.

Income tax expense breaks down as follows:

(in € thousands)	2023	2022
Current tax	(21,557)	(16,502)
Withholding tax	(7,092)	(1,576)
Deferred tax	804	1,260
Total income tax expense	(27,845)	(16,817)

The following table reconciles the Group's actual income tax expense with the theoretical income tax expense based on the standard tax rate applicable in France:

(in € thousands)	2023	2022
Profit for the year	13,105	14,243
Income tax expense	(27,845)	(16,817)
Profit for the year before tax	40,950	31,060
Standard tax rate	25.83%	25.83%
Theoretical income tax	(10,577)	(8,023)
Impact of differences between the French standard tax rate and foreign entities' tax rates	5,973	(3,066)
Withholding tax	(7,092)	(1,576)
Impact of permanent differences	(14,607)	4,847
Tax losses for which no deferred tax asset was recognised	(2,144)	(7,996)
Other impacts	603	(1,003)
Actual income tax expense	(27,845)	(16,817)

The Group's permanent establishments (in particular Systra SA's foreign permanent establishments) are taxed in their country of tax residence and their tax base is deducted from that of the principal establishment.

4.6 Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to owners of the parent by the number of ordinary shares outstanding at the year-end.

(in € thousands)	2023	2022
Profit for the period attributable to owners of the parent (in € thousands)	13,542	13,910
Number of ordinary shares outstanding	33,302,018	33,302,018
Basic earnings per share (in €)	0.41	0.42

5 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

5.1 Goodwill

Goodwill arises on business combinations and corresponds to the excess of the total value of the consideration transferred over the acquisition-date fair value of the identifiable net assets acquired.

The Group uses the partial goodwill method to determine goodwill. Consequently, the amount recognised represents only the goodwill associated with the net assets actually acquired by the Group.

Goodwill is measured in the functional currency of the acquiree and recognised under assets in the consolidated statement of financial position, within "Goodwill".

Goodwill is not amortised but instead is tested for impairment at least once a year or whenever there is an indication that it may be impaired. If the recoverable amount of an asset or cash-generating unit (CGU) is less than its carrying amount, an impairment loss is recognised immediately through profit in order to write it down to its recoverable amount.

5.1.1 Movements in goodwill

Breakdown of movements in goodwill:

(in € thousands)	2023	2022
Net goodwill at 1 January	113,810	116,688
Business combinations	109,180	(3,078)
Impairment losses	0	0
Currency translation differences	2,662	200
Net goodwill at 31 December	225,653	113,810

Other than the impact of exchange rates, the increase in goodwill in 2023 reflects the Group's acquisitions during the year of Subterra and Bamser, and the three Atkins entities in Sweden, Denmark and Norway. The purchase price for these entities will be allocated during 2024 (within 12 months of the acquisition date). At 31 December 2023, only the purchase price for Bamser had been allocated, and further adjustments may be made in 2024.

5.1.2 Impairment of goodwill

In accordance with IAS 36 "Impairment of Assets", the Systra Group tests its goodwill and other intangible assets with indefinite useful lives for impairment once a year or whenever there is an indication of impairment (these assets are not amortised).

The impairment tests consist of comparing the asset's carrying amount with its recoverable amount, which is the higher of the asset's value in use and its fair value less costs to sell.

A cash-generating unit (CGU) is defined as a group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. When a CGU to which goodwill is allocated is tested for impairment, any impairment loss is allocated first to reduce the carrying amount of the goodwill. The remaining loss (if any) is then allocated to other assets of the CGU pro rata to the carrying amount of each asset in the CGU. The impairment loss allocation for a group of CGUs follows the same process as for a single CGU.

Impairment losses recognised against goodwill may not be reversed. Impairment losses recognised against assets other than goodwill may be reversed during subsequent periods, with the reversals recognised immediately in the income statement.

The Group's goodwill cannot be allocated to individual CGUs on a non-arbitrary basis for the purpose of impairment testing. As a result of its organisational and management structure, there are numerous cash flows between entities within the same geographic region, which means that free cash flow can only be relevantly analysed at the level of each of the Group's geographic regions. Consequently, the impairment tests are performed at the level of the geographic regions defined in the Group's internal reporting.

The recoverable amount calculations used for impairment testing are primarily based on the cash flow projections in the Group's five-year business plan, drawn up in line with macro-economic forecasts for the Group's business sectors and geographic regions of operations, as approved by Management, and determined by extrapolation using a growth rate to perpetuity. The figure resulting from this extrapolation is called the terminal value, which is then discounted to

present value. The recoverable amount corresponds to the sum of the present value of the cash flows in the business plan plus the present value of the terminal value. The discount rate used for these cash flows is determined based on the Group's weighted average cost of capital (WACC).

Breakdown of goodwill:

(in € thousands)	2023	2022
Asia	285	285
Australia/New Zealand	15,931	6,437
Brazil	9,521	9,054
Bridges	13,062	13,533
Denmark (formerly Atkins)	50,012	0
Norway (formerly Atkins)	6,962	0
Northern Europe	2,005	1,999
France	28,926	28,926
India	1,377	1,435
International West	3,380	0
Italy	10,303	10,303
United Kingdom	23,581	23,106
Sweden (formerly Atkins)	41,575	0
Systra SA	18,733	18,733
Total goodwill	225,653	113,810

All of the Group's goodwill was tested for impairment in 2023 and the results of these impairment tests did not lead to the recognition of any impairment losses at the year-end.

In addition, the sensitivity of the impairment tests to a 50 basis-point rise in the discount rate and a 50 basis-point decrease in the growth rate to perpetuity was analysed, taken in isolation, as the Group considers that these changes are reasonably possible.

The results of these sensitivity analyses showed that (i) neither of these changes in assumptions taken in isolation would require the recognition of any impairment losses, and (ii) there were no probable scenarios that would result in the CGUs' recoverable amounts falling below their carrying amounts.

5.2 Intangible assets and property, plant and equipment

5.2.1 Intangible assets

Intangible assets with indefinite useful lives are not amortised. Instead, in accordance with IAS 36 they are tested for impairment at least once a year and whenever there is an indication that they may be impaired.

The useful lives of intangible assets are re-examined at each period-end in order to determine whether events and circumstances continue to exist that justify classifying them as indefinite.

Software is initially measured at cost and is amortised on a straight-line basis over its estimated useful life:

Computer software	3 to 15 years
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Development costs are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- its ability to reliably measure the expenditure attributable to the intangible asset during its development;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

Development costs are amortised over their useful lives and are tested for impairment annually.

The purchase price allocation process enables intangible assets acquired in business combinations to be valued whenever the assets concerned are separable or arise from contractual or other legal rights. The intangible assets recognised are amortised over their estimated useful lives.

Breakdown of intangible assets:

(in € thousands)	Open customer orders and customer relationships	Software	Other intangible assets	Intangible assets in progress	Software licenses	Total
At 1 January 2022	7,379	20,894	3,388	9,425	6,076	47,162
Currency translation differences	(216)	(92)	219	(10)	0	(99)
Acquisitions of intangible assets	0	6,585	1,167	1,480	0	9,232
Disposals of intangible assets	0	(278)	0	0	0	(278)
Amortisation expense	(2,449)	(3,102)	(280)	0	(1,092)	(6,923)
Changes in scope of consolidation	4,246	0	0	0	0	4,246
Other movements	221	3,435	(1,133)	(2,684)	0	(161)
At 31 December 2022	9,181	27,442	3,361	8,211	4,984	53,179
Currency translation differences	(13)	4	20	12	0	22
Acquisitions of intangible assets	0	3,265	1,221	2,886	0	7,372
Disposals of intangible assets	0	(12)	(28)	0	0	(40)
Amortisation expense	(3,889)	(5,132)	(330)	0	(4,431)	(13,782)
Changes in scope of consolidation	6,044	82	0	0	0	6,126
Other movements	0	2,782	(3)	(1,990)	(23)	766
At 31 December 2023	11,324	28,430	4,241	9,119	530	53,644

(in € thousands)	Open customer orders and customer relationships	Software	Other intangible assets	Intangible assets in progress	Software licenses	Total
Gross amount	48,023	44,056	6,417	8,211	25,668	132,375
Accumulated amortisation	(38,842)	(16,614)	(3,056)		(20,684)	(79,196)
At 31 December 2022	9,181	27,441	3,361	8,211	4,984	53,179
Gross amount	54,220	49,657	7,553	9,119	25,668	146,218
Accumulated amortisation	(42,897)	(21,227)	(3,312)		(25,138)	(92,574)
At 31 December 2023	11,324	28,430	4,241	9,119	530	53,644

The purchase price allocation process for Bamser, which the Group acquired in March 2023, resulted in the recognition of an intangible asset (open customer orders and customer relationships) amounting to €6.0 million (adjustments may still be made in 2024).

5.2.2 Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and any accumulated impairment losses. The gain or loss on the disposal of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

Depreciation is calculated using the straight-line method over the following estimated useful lives:

Office furniture:	5 to 18 years
IT equipment:	5 to 10 years

Right-of-use assets under leases are depreciated on a straight-line basis over the lease term and are adjusted whenever the lease liability is remeasured.

Breakdown of property, plant and equipment:

(in € thousands)	Office and IT equipment	Other PPE	PPE under construction	Right-of-use assets – Buildings	Right-of-use assets – IT equipment	Right-of-use assets – Other PPE	Total
At 1 January 2022	4,444	14,920	1,691	63,606	225	6,440	91,327
Currency translation differences	(80)	(115)	0	(161)	1	(3)	(357)
Acquisitions of property, plant and equipment	4,809	4,081	219	32,604	0	885	42,599
Disposals of property, plant and equipment	(65)	(4,944)	0	47	0	0	(4,962)
Depreciation expense	(2,441)	(2,734)	0	(17,765)	0	(2,678)	(25,619)
Changes in scope of consolidation	0	0	0	0	0	0	0
Other movements	8	87	72	2,430	(226)	244	2,614
At 31 December 2022	6,675	11,295	1,982	80,762	0	4,888	105,602
Currency translation differences	(53)	(36)	0	(113)	0	1	(201)
Acquisitions of property, plant and equipment	6,038	13,651	995	23,226	0	1,422	45,331
Disposals of property, plant and equipment	(333)	(266)	0	537	0	(41)	(103)
Depreciation expense	(3,176)	(3,091)	0	(16,595)	0	(1,829)	(24,692)
Changes in scope of consolidation	239	790	0	0	0	0	1,029
Other movements	6	2,040	(2,835)	1,545	0	23	779
At 31 December 2023	9,397	24,383	142	89,361	0	4,463	127,745

(in € thousands)	Office and IT equipment	Other PPE	PPE under construction	Right-of-use assets – Buildings	Right-of-use assets – IT equipment	Right-of-use assets – Other PPE	Total
Gross amount	20,885	25,449	1,982	108,549	0	17,318	174,183
Accumulated depreciation	(14,210)	(14,153)		(27,787)	0	(12,430)	(68,581)
At 31 December 2022	6,675	11,295	1,982	80,762	0	4,888	105,602
Gross amount	25,948	44,552	142	128,681	0	18,180	217,503
Accumulated depreciation	(16,552)	(20,169)		(39,320)	0	(13,717)	(89,758)
At 31 December 2023	9,397	24,383	142	89,361	0	4,463	127,745

Acquisitions of property, plant and equipment in 2023 mainly correspond to capital expenditure related to the refurbishment works that are currently being carried out at the Company's head office.

The increase in right-of-use assets in 2023 is primarily due to amendments to a lease agreement for office premises in France. The new terms and conditions of the lease include an extension of the lease term and a rent-free period.

5.3 Non-current financial assets

The Group's investments in certain non-consolidated companies are recognised and measured at cost as they are not quoted and their fair values cannot be measured reliably due to restricted and delayed access to financial information. Their fair values are calculated by taking into account the Group's equity in their underlying net assets and, where applicable, their earnings outlook. An impairment loss is recognised when the Group's equity in the underlying net assets of the company concerned is lower than the cost value of the investment.

As part of its day-to-day operations, the Group grants holdbacks to its customers to cover reserves made upon receipt of services performed by the Group as well as any reserves made during the warranty period. The holdbacks generally correspond to a portion of the invoiced amount that is retained by the customer and returned after a milestone or phase of the project has been reached or the warranty period expires.

Breakdown of non-current financial assets:

(in € thousands)	31 Dec. 2023	31 Dec. 2022
Holdbacks and long-term receivables	18,335	17,229
Investments in non-consolidated companies measured at cost	754	892
Investments in associates	415	61
Total non-current financial assets	19,504	18,182

5.4 Operating receivables

The Group's trade receivables represent the unconditional right to receive consideration ("payment") when the services or goods promised to the customer in the contract have been provided.

The Group uses the simplified approach as defined in IFRS 9. It therefore records impairment on its trade receivables for an amount equal to the lifetime expected credit loss using a provision matrix that includes the age of the receivables and the estimated counterparty risk.

Breakdown of operating receivables:

(in € thousands)	31 Dec. 2023	31 Dec. 2022
Trade receivables	529,962	469,784
Provisions for doubtful trade receivables	(36,385)	(32,921)
Prepaid and recoverable payroll taxes	2,815	3,821
Other prepaid and recoverable taxes	72,002	68,526
Prepayments to suppliers	4,832	7,002
Other receivables (gross)	32,305	39,369
Prepaid expenses	17,365	12,795
Total operating receivables	622,897	568,376

During bid processes, the Group carries out credit risk analyses to set up insurance coverage, where required, for major projects. It also has systems in place for closely monitoring customer payments.

Age of operating receivables

The payment period for the Group's trade receivables is sometimes relatively long as the majority of its customers are government agencies and public-sector entities.

5.5 Current financial assets

Breakdown of current financial assets:

(in € thousands)	31 Dec. 2023	31 Dec. 2022
Short-term loans and deposits	438	461
Derivatives	551	(1)
Total current financial assets	989	460

5.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand bank deposits and other short-term investments that are readily convertible to cash.

In order for marketable securities to be classified as cash equivalents they must be highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. Bank overdrafts are included in current liabilities in the statement of financial position and are deducted from cash and cash equivalents in the statement of cash flows.

Breakdown of cash and cash equivalents:

(in € thousands)	31 Dec. 2023	31 Dec. 2022
Cash in hand	80,273	74,965
Cash held in current bank accounts	1,153	1,030
Short-term investment securities	36	40
Total cash and cash equivalents	81,462	76,034

The cash and cash equivalents figure presented in the statement of cash flows corresponds to gross cash and cash equivalents less bank overdrafts that meet the criteria in IAS 7.

The amount of cash and cash equivalents presented in the statement of financial position and the amount of cash and cash equivalents at the year-end presented in the statement of cash flows can be reconciled as follows:

(in € thousands)	31 Dec. 2023	31 Dec. 2022
Cash and cash equivalents	81,462	76,034
Bank overdrafts and short-term bank loans	(5,451)	(4,839)
Cash of entities held for sale		
Cash and cash equivalents at year-end in the statement of cash flows	76,011	71,196

5.7 Equity and share-based payments

5.7.1 Information relating to equity

Share capital

Systra SA's share capital is divided into 33,302,018 shares with a par value of €1 each, all issued and fully paid up.

As of 31 December 2023, the two main shareholders (RATP and SNCF) each own 43.38% of Systra SA's capital and consolidate the Systra Group by the equity method in their respective financial statements. The remaining capital is held by various financial institutions as well as the Group's employees.

There were no movements in the Company's share capital during 2023.

Dividends

Breakdown of dividends paid in the past three years:

(in € thousands)	2022	2021	2020
Dividends paid for the year	6,954	0	0

Treasury shares

Treasury shares are recognised as a deduction from consolidated equity based on their purchase price. Any gains or losses on sales of treasury shares are also recognised directly in equity and therefore do not affect profit for the year.

At 31 December 2023 the Group held 313,839 of its own shares.

Non-controlling interests

In 2023, no transaction had a significant impact on the share of equity attributable to non-controlling interests.

5.7.2 Employee share ownership plans

Employee share ownership plans are in place in France via an "FCPE" (corporate mutual fund), as well as in India and in the United Kingdom. At 31 December 2023, a total of 281,525 shares were held through these plans by current or former employees of the Group, i.e., 0.84% of the share capital (compared with 0.66% at 31 December 2022).

5.7.3 Free share plans (performance share plans)

Systra SA may put in place performance share plans. The Company has undertaken to buy back shares under these plans from any employees who wish to sell their vested shares, as there are no other means by which the employees can sell the shares concerned. This employee benefit is recognised as an expense in the income statement with a corresponding liability recorded in the statement of financial position.

The expense corresponds to the fair value as measured based on the last known share value at the grant-date less the expected dividend payout rate during the vesting period. As the Company's shares are not listed, the value of the shares is determined by an independent expert. The share-based payment expense is recognised on a straight-line basis over the vesting period of the performance shares.

Breakdown of performance share plans:

Grant of performance shares	2022
Grant date	16 Dec. 2022
Duration of the vesting period	3 years
Minimum lock-up period	-
Number of shares originally granted	114,000
Number of performance shares granted	
Number of performance shares outstanding at 1 January 2022	0
Number of shares granted during the year	114,000
Number of shares cancelled during the year	0
Number of shares that vested during the year	0
Number of performance shares outstanding at 1 January 2023	114,000
Number of shares granted during the year	0
Number of shares cancelled during the year	(4,000)
Number of shares that vested during the year	0
Number of performance shares outstanding at 31 December 2023	110,000

2022 Plan

On 16 December 2022, the Executive Board granted performance shares to certain employees and corporate officers of Systra SA or Systra Group companies. These shares will only vest if the underlying performance criteria are met, and if the beneficiaries are still with the Group on the vesting date ("continuous service" condition).

Concerning the performance criteria, 50% of the performance shares will vest if a pre-defined revenue target is achieved by 2025 and 50% will vest based on the achievement of a pre-defined EBIT target by 2025. The minimum achievement rate (the “trigger”) for the shares to partially vest is 85% and the maximum achievement rate (the “cap”) is 110%, with the actual number of shares that will vest determined on a straight-line basis between the trigger and the cap.

The fair value of the performance shares is based on the assumption that the achievement rate will be 100%. This fair value will be remeasured on the basis of the actual achievement rate.

Impact of incentive instruments

The following table shows the expense recognised in the income statement for incentive instruments:

(in € thousands)	2023	2022
Performance share plans	(805)	0
Expense related to incentive instruments	(805)	0

5.8 Employee benefit obligations

The Group provides its employees with pensions and statutory retirement bonuses, in accordance with the laws and practices of each country in which it operates.

5.8.1 Defined contribution plans

For defined contribution plans, contributions paid during the year are recorded as expenses, as are future contributions when they fall due.

Systra SA and Systra France meet their obligations to finance pension benefits for their employees in France by paying salary-based social security contributions to the organisations that manage statutory pension schemes.

These contributions are allocated to an individual account for each employee, and when the employee retires the amount of his or her supplementary pension will depend on the amount in their individual account. The obligations of the two companies are limited to the payment of their contributions to the plans – which are expensed in the year in which they are paid – irrespective of the annuity to which the employee is entitled. Neither of the companies have any legal or constructive obligation to pay further contributions.

5.8.2 Defined benefit plans

For defined benefit plans, the present value of the Group’s obligation and the cost of the related employee benefits are determined separately for each plan using the projected unit credit method.

The actuarial assumptions used to determine the obligations vary according to the economic conditions of the country in which the plan is in force. Each plan is accounted for separately.

Actuarial gains and losses are recognised in equity.

The projected benefit obligation calculated at the year-end corresponds to the sum of:

- the projected benefit obligation at the start of the year;
- interest expense for the year;
- current service cost;
- actuarial gains and losses;
- any past service cost;
- the impact of any business combinations;
- curtailments and settlements, less any benefits paid during the year.

Description of the pension plans

The Group’s employee benefit obligations mainly comprise the benefit obligations in France and the United Kingdom.

French law provides that eligible employees are entitled to a lump-sum statutory retirement bonus which is calculated based on the employee’s seniority and salary at the time of retirement. Employees are only eligible for this bonus if they are employed by the Group at retirement age. This system of statutory retirement bonuses is accounted for in the same way as a defined benefit plan.

A provision is recorded for statutory benefits and benefits payable under the applicable collective bargaining agreements to active employees of the Group's French companies. The amount of this provision is determined based on the employees' estimated seniority at their retirement date.

In the United Kingdom, certain current and former employees of Systra Ltd are beneficiaries of a defined benefit plan. The plan is closed for "unprotected" employees but remains active for a small group of "protected" employees. At 31 December 2023, the number of beneficiaries of this plan was 544, including 167 retired employees.

The investment strategy for managing the plan assets is defined by a Trustee representing the pension fund. The timing of contributions and the level of funding for the plan are determined between the employer and the Trustee on the basis of triennial actuarial valuations. The timing is intended to cover the costs of the services to be rendered in future years and, where appropriate, to recover any deficit relating to rights vested in the past.

Year-on-year change in the projected benefit obligation

The year-on-year change in the Group's provisions for pensions and other post-employment benefit obligations can be analysed as follows:

(in € thousands)	2023	2022
Projected benefit obligation at 1 January	19,753	47,085
Cost for the year	2,323	3,684
o/w current service cost	2,132	3,236
o/w interest expense	626	692
o/w benefits paid	(435)	(244)
Impact on income and expenses recognised in equity	7,377	(30,701)
of which actuarial gains and losses	8,786	(29,614)
of which employer contribution	(1,408)	(1,087)
Other	(332)	(314)
of which currency translation differences	(15)	(314)
of which changes in scope of consolidation		
of which plan amendments	(317)	
Projected benefit obligation at 31 December	29,122	19,753

The increase in the projected benefit obligation in 2023 is mainly due to changes in the actuarial assumptions used to measure present values for the Group's various pension plans.

The pension reform adopted in France during the year, which has resulted in longer working lives, did not have a significant impact on the amount of provisions for retirement benefit obligations.

Main assumptions

The actuarial assumptions used are determined by country:

In %	2023		2022	
	France	United Kingdom	France	United Kingdom
Discount rate	[3.20; 3.10]	4.60	[3.80; 3.60]	4.85
Inflation rate	2.20	3.00	2.20	3.20
Revaluation rate (salary/pension)	3.50	2.50	3.50	2.70

5.9 Long-term and short-term provisions

A provision is recorded if the following three criteria are fulfilled:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Where no reliable estimate of the amount of the obligation can be made, no provision is recognised and information on the obligation is disclosed in the notes to the financial statements.

Provisions for liabilities and charges are intended to cover risks that are known at the year-end. They mainly comprise provisions related to contracts (for onerous contracts, legal disputes, etc.) but also include provisions for employee litigation and tax disputes.

Provisions are set aside for contracts that cover several periods if they become onerous, i.e., if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected under it. The amount of each provision is determined (i) taking into account the length of time elapsed since the contract was signed and (ii) based on the amount of unavoidable costs. The unavoidable costs under a contract reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. If the Group expects to record a loss upon contract completion, a provision is set aside to cover the full amount of that loss.

Provisions are classified as:

- a non-current liability when the Group expects to settle the liability more than one year after the reporting date;
- a current liability when the Group expects to settle the liability within one year of the reporting date.

Breakdown of short-term and long-term provisions:

(in € thousands)	2023	2022
At 1 January	13,199	7,565
Currency translation differences	27	100
Additions – Reversals	844	5,535
Changes in scope of consolidation	4,736	0
Other movements	(1,076)	(1)
At 31 December	17,730	13,199

At 31 December 2023, long-term provisions (€4.6 million) and short-term provisions (€13.1 million) mainly related to project and contract risks as well as risks arising from legal disputes and/or employee litigation.

5.10 Financial liabilities

Breakdown of financial liabilities:

(in € thousands)	31 Dec. 2023	31 Dec. 2022
Borrowings and debt	222,950	150,149
Lease liabilities	93,711	85,460
Total financial liabilities	316,662	235,609

5.10.1 Borrowings and debt

Borrowings and debt are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. They are classified as non-current liabilities when they mature more than one year after the reporting date, and as current liabilities when they mature within one year of the reporting date.

The carrying amount of current financial liabilities measured at amortised cost approximates their fair value.

Put options written over non-controlling interests are recognised as financial liabilities in the consolidated financial statements.

They include the guarantee given to the corporate mutual fund in connection with the employee share ownership plan.

Breakdown of borrowings and debt:

(in € thousands)	At 1 January 2023	Currency translation differences	Increase/(decrease)	Changes in scope of consolidation	Other movements	At 31 December 2023
Bank borrowings	62,172	12	36,143	977	0	99,305
Other borrowings	84,168	(2,227)	31,860	1,562	0	115,362
Put options written over non-controlling interests	2,886	(114)	2,265	3,247	0	8,284
Derivatives	923	0	0	0	(923)	0
Total borrowings and debt	150,149	(2,329)	70,268	5,785	(923)	222,950

The Group has a club-deal financing arrangement in place with its five main banking partners, enabling it to secure its financing and have access to the financial resources it needs in order to implement its strategic plan. In line with the Group's goal of enhancing its focus on sustainability, this financing includes ESG/CSR criteria, which trigger improved financial conditions if they are met.

The Group may also set up current accounts with certain shareholders in order to finance specific transactions. At 31 December 2023, advances under these current accounts amounted to €50 million, excluding interest.

The Group has also set up a trade receivables factoring programme with selected banks in order to reduce its exposure to those receivables. The Group nevertheless retains the risk of default of payment after the receivables have been factored and it continues to manage the trade receivables accounts concerned. It is required to pay to the factoring banks the customer payments it receives in relation to the factored receivables. The factored receivables continue to be recognised under assets in the Group's consolidated statement of financial position, and the liabilities to the factoring banks are recognised in "Other borrowings".

At 31 December 2023, the carrying amount of the factored receivables totalled €42.4 million. They mainly correspond to receivables owed by French public companies and, to a lesser extent, receivables due under contracts in the Middle East.

Breakdown of borrowings and debt by maturity:

(in € thousands)	Total	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years
Bank borrowings	99,305	22,317	76,988	0
Other borrowings	115,362	57,783	57,579	0
Put options written over non-controlling interests	8,284	0	8,284	0
Derivatives	0	0	0	0
Total borrowings and debt	222,950	80,099	142,851	0

5.10.2 Financial covenants

Certain Group financing agreements include early repayment clauses in the event of failure to comply with specified financial ratios. These ratios were respected at 31 December 2023.

5.10.3 Lease liabilities

In accordance with IFRS 16, at the commencement date of a lease, the liability is measured at the present value of the remaining lease payments due to the lessor, i.e., mainly:

- fixed lease payments, less any lease incentives received from the lessor;
- variable lease payments that depend on an index or a rate, it being specified that future payments are determined based on the level of said index or rate at the lease inception date.

The lease liability may be remeasured when there is a change (i) in the lease term, or (ii) in the rates or indices on which the lease payments are based when the amount of the rent is adjusted.

Breakdown of lease liabilities:

(in € thousands)	2023	2022
At 1 January	85,460	84,728
Currency translation differences	(103)	(138)
Increase/(decrease)	1,750	664
Changes in scope of consolidation	5,117	(1)
Other movements	1,488	207
At 31 December	93,711	85,460

Breakdown of lease liabilities by maturity:

(in € thousands)	Total	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years
Non-current lease liabilities	76,201		44,162	32,039
Current lease liabilities	17,510	17,510		
Lease liabilities	93,711	17,510	44,162	32,039

5.11 Deferred taxes

Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets are only recognised when it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax is determined using the liability method, based on tax rates that have been enacted by the year-end and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

In accordance with IFRIC 23, a tax asset or liability is recognised when the tax treatment is uncertain. If the Group deems it probable that the tax authorities will not accept the uncertain tax treatment, it recognises a tax liability. If the Group deems it probable that the tax authorities will refund a tax already paid, it recognises a tax asset. Tax assets and liabilities relating to uncertain tax treatment are presented under deferred taxes.

Deferred tax assets and liabilities are offset when:

- Systra's subsidiaries have a legally enforceable right to offset current tax assets against current tax liabilities; and
- the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Breakdown of deferred taxes:

(in € thousands)	31 Dec. 2023	31 Dec. 2022
Deferred tax assets	16,431	13,552
Deferred tax liabilities	(8,647)	(2,393)
Net deferred tax assets	7,785	11,159

(in € thousands)	31 Dec. 2023	31 Dec. 2022
Tax loss carryforwards	10,320	6,287
Net temporary differences	(2,536)	4,872
Net deferred tax assets	7,785	11,159

5.12 Operating payables

Breakdown of operating payables:

(in € thousands)	31 Dec. 2023	31 Dec. 2022
Trade payables	121,634	98,062
Accrued taxes and payroll costs	187,538	162,509
Customer advances and downpayments	30,925	18,613
Other payables	34,152	36,083
Deferred income	151,087	110,386
Total operating payables	525,336	425,653

5.13 Contract assets and contract liabilities

Contract assets represent a conditional right to receive consideration (“payment”) in exchange for goods or services that have been transferred to the customer (accrued receivables). Contract assets are reclassified to trade receivables as soon as the right to consideration becomes unconditional.

Contract liabilities represent the amounts relating to any Group obligation to transfer goods or services for which it has already received payment or for which payment is due (deferred income and advances and downpayments received).

Breakdown of contract assets and contract liabilities:

(in € thousands)	31 Dec. 2022	Business-related movements	Changes in scope of consolidation	Other movements	31 Dec. 2023
Contract assets	270,579	18,982	12,911	(1,750)	300,722
Contract liabilities	128,999	51,822	158	1,033	182,012
Net contract assets	141,580	(32,840)	12,753	(2,784)	118,709

Contract assets correspond to the portion of performance obligations already satisfied by the Group. They are reclassified as receivables as and when work is delivered to the customer. Contract assets therefore represent a portion of future payments receivable by the Group under contracts in progress.

Contract liabilities correspond mainly to the amount of performance obligations still to be satisfied and for which payment has already been received from the customer. Only the satisfaction of performance obligations in excess of contract liabilities will affect the Group’s future cash flows.

5.14 Financial instruments and financial risk management

5.14.1 Financial instruments presented in the financial statements

The Group’s main financial liabilities include borrowings as well as operating payables (trade payables, accrued taxes and payroll costs).

The Group’s main financial assets include operating receivables (trade receivables, prepaid and recoverable taxes) as well as cash and cash equivalents.

The main measurement methods used are the following:

- Unhedged borrowings are measured at amortised cost using the effective interest rate method.
- The fair value of cash, cash equivalents, operating receivables and operating payables is considered to be the same as their carrying amount due to their short maturity.
- The fair value of hedging instruments is calculated on the basis of the spot and forward exchange rates at the reporting date, or alternatively on the basis of an interest rate curve per currency.

Value of the Group's financial instruments

At 31 December 2023, the value of the Group's financial instruments was a positive €0.6 million, compared with a negative €0.9 million one year earlier. Changes in the value of derivatives during the year amounted to a positive €1.5 million, of which:

- a negative €0.8 million recorded in reserves, corresponding to the change in the intrinsic value of forward sales of foreign currencies related to open customer orders and commercial bids;
- a positive €2.3 million recorded in the income statement, corresponding to the change in the intrinsic value of forward sales of foreign currencies related to trade receivables and the recognition of contango/backwardation.

5.14.2 Foreign exchange risk management

In the ordinary course of its business, the Group is exposed to foreign exchange risks when it submits bids or signs contracts in currencies other than the functional currencies of its entities. The Group therefore endeavours to minimise this foreign exchange risk.

For the foreign exchange risk generated from bids submitted in foreign currencies, depending on the probability of winning the contract, as well as on the contractual framework and market conditions, the Group may in rare cases hedge part of the bids by using options.

For the exchange rate risk generated from operations, the Group always favours natural hedging (costs denominated in the same currency as sales) or contractual hedging (indexing the bid to fluctuations in exchange rates). In all other cases, revenues and costs denominated in a foreign currency are hedged mainly through foreign exchange transactions and the use of options.

5.14.3 Interest rate risk management

In order to finance its general business needs the Group takes out long-term debt at either variable or fixed rates, depending on the level of interest rates at the time the financing is put in place. Interest rate swaps can be set up when the financing is put in place for the purpose of creating synthetic variable- or fixed-rate borrowing. The Group may also set up interest rate swaps on an *ad hoc* basis in order to alter the borrowings' interest-rate structure.

5.14.4 Liquidity risk management

The Group manages its cash position in line with its principal objectives of maintaining a satisfactory level of liquidity and minimising the cost of borrowing, based on an overnight benchmark rate.

5.14.5 Counterparty risk management

As part of its foreign exchange and interest rate risk management policies described above, the Group may enter into hedging contracts with leading financial institutions. The counterparty risk arising from these contracts is not deemed to be significant.

5.14.6 Credit risk management

Credit risk is the risk of financial loss resulting from the failure by a third party to fulfil its obligation to honour a liability. The Group is exposed to credit risk mainly as a result of its operating activities (principally through trade receivables and contract assets).

The financial assets that fall within the scope of IFRS 9 for the treatment of customer credit risk mainly correspond to trade receivables (which are short-term) and contract assets under IFRS 15 (which potentially have a longer maturity).



6 OTHER INFORMATION

6.1 Off-balance sheet commitments

Breakdown of off-balance sheet commitments:

(in € thousands)	31 Dec. 2023	31 Dec. 2022
Commitments received	0	0
Commitments given in relation to contracts	221,683	198,536
Other commitments given	6,020	3,445

6.2 Related-party transactions

Transactions with related parties (SNCF and RATP shareholders) are carried out at market prices.

The total amount of related-party transactions recorded in the Group's financial statements breaks down as follows:

(in € thousands)	2023	2022
Sales to related parties	91,692	94,515
Purchases from related parties	17,105	23,051
Dividends paid to related parties	6,104	
Related-party receivables	33,119	27,040
Related-party payables	51,131	(32)

6.3 Headcount

Headcount by geographic region at the year-end was as follows:

Headcount by geographic region	2023	2022
France	2,327	2,242
Outside France	8,362	6,655
Headcount at the year-end	10,689	8,897

6.4 Management compensation

During 2023, the members of the Executive Board received total gross compensation of €1,974,000 for the performance of their duties or offices. Only the independent members of the Supervisory Board received attendance fees during the year, representing a total amount of €120,000.

6.5 Analysis of certain joint arrangements

A legal analysis, based on the terms and conditions of the Group's control of certain entities, concluded that the Group exercises joint control over those entities with the other parties to the joint arrangement, even when it only holds a low percentage interest. These entities are therefore classified as joint operations.

A certain number of these entities are not included in the Group's scope of consolidation but are considered as directly affiliated to the Group entity to which they report.

Entity	Percentage interest (%)	Entity	Percentage interest (%)
SEP SEA SGC	44	SAS Mesea	30
SEP SEA SGST	50	SEP SEA SG Ambares	1.12
SEP SEA SGS	28.7	SAS Cosea	1
SEP SEA SGE	13	GIE Cosea	1

The impact of these entities on Systra's consolidated financial statements can be analysed as follows:

(in € thousands)	2023	2022
Total non-current liabilities	3,309	4,868
Total current liabilities	5,629	4,930
Total non-current assets	5,672	6,609
Total current assets	6,710	6,437
Revenue	13,075	12,603
Profit attributable to owners of the parent	1,223	1,276

7 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There were no significant events that took place after the reporting date.

8 OTHER ACCOUNTING PRINCIPLES AND METHODS

8.1 Foreign currency translation

The consolidated financial statements are presented in euros, which is the Group's presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Translation of the financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries whose functional currency is not the euro are translated into euros as follows:

- balance sheet items are translated at the year-end exchange rate;
- income statement items are translated at the average rate for the year, for the purpose of simplicity.

Translation differences are recognised as part of other comprehensive income under "Currency translation reserve" in the consolidated statement of changes in equity for the portion attributable to the Group and under "Non-controlling interests" for the portion attributable to non-controlling interests.

When a foreign operation is divested, any related currency differences that were recorded in other comprehensive income are recognised in the income statement as part of the disposal gain or loss.

Translation of foreign currency transactions

Transactions denominated in foreign currencies are translated into the entity's functional currency at the exchange rate prevailing on the transaction date.

At each reporting sheet date:

- non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date;
- monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate and the resulting exchange differences are recognised in the income statement, or as a separate component of equity if they form part of the Group's net investment in a foreign operation or if they qualify as hedging instruments in a cash flow hedge.

Exchange rates of the Group's main foreign currencies

The exchange rates used to translate the financial statements of the Group's main subsidiaries into euros were as follows:

Currency	Closing rate		Average rate	
	2023	2022	2023	2022
AUD	1.63	1.57	1.63	1.52
BRL	5.36	5.64	5.40	5.44
CAD	1.46	1.44	1.46	1.37
CNY	7.85	7.36	7.66	7.08
GBP	0.87	0.89	0.87	0.85
HKD	8.63	8.32	8.47	8.25
INR	91.91	88.17	89.27	82.69
KRW	1,433.70	1,344.10	1,412.87	1,358.08
MXN	18.72	20.86	19.18	21.19
SAR	4.15	4.02	4.06	3.95
USD	1.11	1.07	1.08	1.05

8.2 Scope of consolidation

Systra SA is the parent company of a group of entities that together are called the "Systra Group". The following list shows the Systra Group's scope of consolidation at the year-end.

Entity	Country	Consolidation method	% ownership interest
Systra SA	France	Parent company	N/A
Systra France	France	Full consolidation	100
Systra Foncier	France	Full consolidation	100
SWS Engineering France Sarl	France	Full consolidation	100
Nako Systra Pty Ltd	South Africa	Equity method	49
Systra Algerie Sarl	Algeria	Full consolidation	99.67
JV RWPM Company	Saudi Arabia	Joint operation	43.5
SNSR JV	Saudi Arabia	Joint operation	43.5
Systra Arabia for Engineering Consultancy	Saudi Arabia	Full consolidation	100
Systra KBR JV – SM Airport	Australia	Joint operation	40
Systra KBR JV	Australia	Joint operation	42
RailCert	Australia	Joint operation	50
InCerQ	Australia	Joint operation	54.4
Systra ANZ Holdings Pty Ltd	Australia	Full consolidation	100
Systra ANZ Pty Ltd	Australia	Full consolidation	100
Systra ANZ 2 Pty Ltd	Australia	Full consolidation	100
Systra Bamser Pty Ltd	Australia	Full consolidation	100
Bamser Holdings Pty Ltd	Australia	Full consolidation	100
Systra Engenharia E Consultoria Ltda	Brazil	Full consolidation	100
Systra Canada Inc	Canada	Full consolidation	100
IBT Canada Inc	Canada	Full consolidation	100
SWS Canada Consultants Ltd	Canada	Full consolidation	100
Subterra Chile Ingenieria Ltd	Chile	Full consolidation	100
MVA Transport Consultants (Shenzhen) Co Ltd	China	Full consolidation	100
Systra (Shanghai) Consulting Co Ltd	China	Full consolidation	100
Subterra Colombia Ingenieria SAS	Colombia	Full consolidation	100
Systra Korea Co Ltd	Korea	Full consolidation	100
Systra Danmark AS	Denmark	Full consolidation	100
Scandinavia Rail & Verification Aps	Denmark	Full consolidation	100
IBT Middle East DMCC	UAE	Full consolidation	100
Systra Iberica Consultoria e Ingenieria SL	Spain	Full consolidation	100
Subterra Ingenieria SL	Spain	Full consolidation	100
Systra USA Inc	USA	Full consolidation	100
Systra Consulting and Engineering Inc	USA	Full consolidation	100
IBT Inc	USA	Full consolidation	100
SWS Engineering USA Inc	USA	Full consolidation	100
Systra Canada Guinee SASU	Guinea	Full consolidation	100
Systra Asia Pacific Ltd	Hong Kong	Full consolidation	95
MVA Hong Kong Ltd	Hong Kong	Full consolidation	100
Systra MVA Consulting (India) Pvt Ltd	India	Full consolidation	100
SAI Consulting Engineers Pvt Ltd	India	Full consolidation	100
Tecne - Systra SWS Advanced Tunneling SRL	Italy	Equity method	50
Systra Sotecni SpA	Italy	Full consolidation	100
SWS Engineering SpA	Italy	Full consolidation	100
Systra Maroc	Morocco	Full consolidation	100
Mexistra SA de CV	Mexico	Full consolidation	100
Systra Norge AS	Norway	Full consolidation	100
Subterra Peru Ingenieria SAC	Peru	Full consolidation	100
Systra Philippines Inc	Philippines	Full consolidation	65.93
OOCs BBVS JV (UK)	United Kingdom	Joint operation	16.5
Systra Ltd	United Kingdom	Full consolidation	100
Systra Scott Lister UK Ltd	United Kingdom	Full consolidation	100
Systra Senegal SUARL	Senegal	Full consolidation	100
Systra MVA Singapore Pte Ltd	Singapore	Full consolidation	100
Systra Scott Lister Pte Ltd	Singapore	Full consolidation	100
Systra AB	Sweden	Full consolidation	100
Systra Sverige AB	Sweden	Full consolidation	100
Systra MVA (Thailand) Ltd	Thailand	Full consolidation	99.98
SWS Global MUH TAAH SA	Turkey	Full consolidation	100