
Keolis Danmark A/S

Naverland 20, DK-2600 Glostrup

Annual Report for 1 January - 31 December 2016

CVR No 13 39 94 33

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

28 / 04 2017

Christian von Stangel
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Keolis Danmark A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

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

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


Glostrup, ²⁸₁₄ 2017


Executive Board

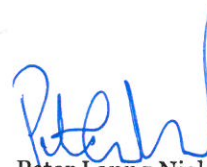

Peter Lanng Nielsen


Board of Directors


Marc Emilie Willy Renouprez
Chairman


Preben Ingemann Jensen
Staff Representative


Nicolas Daniel Luc Vandevyver


Peter Lanng Nielsen


Almir Crneta
Staff Representative

Independent Auditor's Report

To the Shareholder of Keolis Danmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Keolis Danmark A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

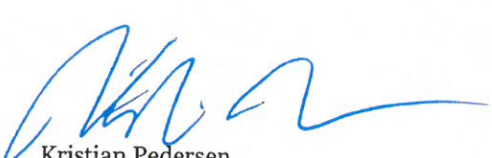
Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 28/4 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33 77 12 31


Bo Schou-Jacobsen
State Authorised Public Accountant


Kristian Pedersen
State Authorised Public Accountant

Company Information

The Company

Keolis Danmark A/S
Naverland 20
DK-2600 Glostrup

CVR No: 13 39 94 33
Financial period: 1 January - 31 December
Financial year: 27th financial year
Municipality of reg. office: Albertslund

Board of Directors

Marc Emilie Willy Renouprez, Chairman
Nicolas Daniel Luc Vandevyver
Peter Lanng Nielsen
Preben Ingemann Jensen
Almir Crneta

Executive Board

Peter Lanng Nielsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

| | 2016 TDKK | 2015 TDKK | 2014 TDKK | 2013 TDKK | 2012 TDKK |
|--|--------------|--------------|--------------|--------------|--------------|
| Key figures | | | | | |
| Profit/loss | | | | | |
| Revenue | 855.193 | 820.471 | 588.353 | 491.578 | 533.495 |
| Gross profit/loss | 120.274 | 113.245 | 78.804 | 48.749 | 42.944 |
| Profit/loss before financial income and expenses | 19.753 | 22.865 | -17.867 | 8.438 | 8.044 |
| Net profit/loss for the year | 11.341 | 22.386 | -8.017 | 6.653 | 10.883 |
| Balance sheet | | | | | |
| Balance sheet total | 982.981 | 1.095.279 | 910.861 | 403.978 | 360.227 |
| Equity | 170.538 | 159.197 | 136.811 | 149.530 | 142.877 |
| Ratios | | | | | |
| Gross margin | 14,1% | 13,8% | 13,4% | 9,9% | 8,0% |
| Profit margin | 2,3% | 2,8% | -3,0% | 1,7% | 1,5% |
| Return on assets | 1,9% | 2,1% | -2,0% | 2,1% | 2,2% |
| Solvency ratio | 17,3% | 14,5% | 15,0% | 37,0% | 39,7% |
| Return on equity | 6,9% | 15,1% | -5,6% | 4,6% | 7,9% |

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

As a consequence of the legal restructuring of the Danish group entities, figures for 2014 have been adjusted. Thus, key figures for the years 2012-2013 are from the former Keolis Bus Danmark A/S' official financial statements.

Management's Review

Main activity

The Company's main activity is passenger transport, primarily public bus transportation for the Danish public transport authorities based on licensing contracts.

Development in the year

The income statement of the Company for 2016 shows a profit of TDKK 11,341, and at 31 December 2016 the balance sheet of the Company shows equity of TDKK 170,538.

In May 2015, the Company won the first contract for operating light rail in Denmark. Preparations are well under way and service on the light rail line is expected to start according to plan in the spring of 2017. The contract is performed through the subsidiary Keolis Aarhus Letbane A/S.

In the year, the restructuring was finalized with mergers of 4 subsidiaries with Keolis Danmark A/S and merging all real estate companies into one real estate company. The completion of the restructuring has resulted in a simplified structure and clarification of internal processes.

The year has focused on consolidating activities and optimizing operations. In view of this, the result is considered satisfactory.

Expected development

The objective of Keolis is to increase its activity in the Danish market and continue to improve profitability. The Company believes it is well positioned to do so after the completion of the combination of activities.

Research and development

The Company has no special research and development activities.

Corporate social responsibility

Keolis Danmark A/S strives to conduct its business in a responsible way and do its utmost to comply with legislation in areas where activity is exercised. Keolis Danmark A/S pursues specific objectives in several relevant areas, but has not adopted an actual policy for corporate social responsibility, as defined in the Danish Financial Statements Act.

Keolis Danmark A/S's statement of corporate social responsibility therefore only mentions selected focus areas.

Management's Review

Environmental issues

Keolis Danmark A/S carries out its bus operations with the lowest possible environmental impact. The Company seeks to minimize any adverse environmental impact in connection with its activities. Buses are replaced currently with buses of the highest possible environmental standards and the Company operates one of the largest fleet of hybrid buses in Denmark.

Also in respect of the external environment, Keolis Danmark A/S works actively with substitution of substances and materials by those which involve minimum environmental impact. This especially applies when choosing cleaning materials for the cleaning of the fleet of buses.

Intellectual capital resources

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

Share of the underrepresented gender

Target figures for the Board of Directors

Keolis Danmark A/S in 2016 had a target of having representation by both genders among the four members (25%) of the Board of Directors elected by the general meeting. Due to restructuring work this has not been possible to achieve in 2016. It is a policy of Keolis Danmark A/S to reach this goal in 2017.

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

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

Subsequent events

No events have occurred which are considered to have a material effect on the assessment of the Financial Statements.

Income Statement 1 January - 31 December

| | Note | 2016 TDKK | 2015 TDKK |
|--|------|----------------------|----------------------|
| Revenue | 1 | 855.193 | 820.471 |
| Other operating income | | 13.923 | 8.687 |
| Bushoursdepending costs | | -176.906 | -187.600 |
| Driver wages etc. | 2 | -530.984 | -495.789 |
| Other external expenses | | <u>-40.952</u> | <u>-32.524</u> |
| Gross profit/loss | | 120.274 | 113.245 |
| Staff expenses | 2 | -28.428 | -30.812 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | 3 | -72.093 | -57.980 |
| Other operating expenses | | <u>0</u> | <u>-1.588</u> |
| Profit/loss before financial income and expenses | | 19.753 | 22.865 |
| Income from investments in subsidiaries | 9 | 1.901 | 3.223 |
| Financial income | 4 | 7.742 | 10.058 |
| Financial expenses | 5 | <u>-18.148</u> | <u>-15.200</u> |
| Profit/loss before tax | | 11.248 | 20.946 |
| Tax on profit/loss for the year | 6 | <u>93</u> | <u>1.440</u> |
| Net profit/loss for the year | | <u>11.341</u> | <u>22.386</u> |

Distribution of profit

| | 2016 TDKK | 2015 TDKK |
|--|----------------------|----------------------|
| Proposed distribution of profit | | |
| Retained earnings | <u>11.341</u> | <u>22.386</u> |
| | <u>11.341</u> | <u>22.386</u> |

Balance Sheet 31 December

Assets

| | Note | 2016 TDKK | 2015 TDKK |
|--|----------|-----------------------|-------------------------|
| Software licenses | | 1.383 | 1.683 |
| Driving contracts | | <u>16.970</u> | <u>20.871</u> |
| Intangible assets | 7 | <u>18.353</u> | <u>22.554</u> |
| Other fixtures and fittings, tools and equipment | | 10.586 | 11.796 |
| Buses | | 459.307 | 496.997 |
| Leasehold improvements | | <u>2.492</u> | <u>715</u> |
| Property, plant and equipment | 8 | <u>472.385</u> | <u>509.508</u> |
| Investments in subsidiaries | 9 | 36.439 | 45.524 |
| Other investments | 10 | 2.321 | 1.478 |
| Deposits | 10 | <u>484</u> | <u>498</u> |
| Financial assets | | <u>39.244</u> | <u>47.500</u> |
| Fixed assets | | <u>529.982</u> | <u>579.562</u> |
| Inventories | | <u>12.240</u> | <u>9.817</u> |
| Inventories | | <u>12.240</u> | <u>9.817</u> |
| Trade receivables | | 67.908 | 63.937 |
| Receivables from group enterprises | | 299.377 | 392.846 |
| Other receivables | | 132 | 793 |
| Deferred tax asset | 11 | 29.651 | 29.960 |
| Prepayments | 12 | <u>4.929</u> | <u>2.739</u> |
| Receivables | | <u>401.997</u> | <u>490.275</u> |
| Cash at bank and in hand | | <u>38.762</u> | <u>15.625</u> |
| Current assets | | <u>452.999</u> | <u>515.717</u> |
| Assets | | <u>982.981</u> | <u>1.095.279</u> |

Balance Sheet 31 December

Liabilities and equity

| | Note | 2016 TDKK | 2015 TDKK |
|--|------|-----------------------|-------------------------|
| Share capital | 13 | 1.800 | 1.800 |
| Retained earnings | | <u>168.738</u> | <u>157.397</u> |
| Equity | | <u>170.538</u> | <u>159.197</u> |
| Other provisions | 14 | <u>20.055</u> | <u>68.001</u> |
| Provisions | | <u>20.055</u> | <u>68.001</u> |
| Lease obligations | | 0 | 254 |
| Lease obligations to group enterprises, etc. | | 250.424 | 298.199 |
| Payables to group enterprises | | 364.584 | 336.693 |
| Other payables | | <u>0</u> | <u>0</u> |
| Long-term debt | 15 | <u>615.008</u> | <u>635.146</u> |
| Lease obligations | 15 | 0 | 121 |
| Trade payables | | 36.298 | 33.379 |
| Payables to group enterprises | 15 | 41.393 | 46.233 |
| Corporation tax | | 2.091 | 22.246 |
| Other payables | 15 | <u>97.598</u> | <u>130.956</u> |
| Short-term debt | | <u>177.380</u> | <u>232.935</u> |
| Debt | | <u>792.388</u> | <u>868.081</u> |
| Liabilities and equity | | <u>982.981</u> | <u>1.095.279</u> |
| Contingent assets, liabilities and other financial obligations | 16 | | |
| Related parties | 17 | | |
| Group information | 18 | | |
| Fee to auditors appointed at the general meeting | 19 | | |
| Subsequent events | 20 | | |

Statement of changes in Equity

| | <u>Share capital</u> TDKK | <u>Retained earnings</u> TDKK | <u>Total</u> TDKK |
|------------------------------|------------------------------|--------------------------------------|-----------------------|
| Equity at 1 January | 1.800 | 157.397 | 159.197 |
| Net profit/loss for the year | <u>0</u> | <u>11.341</u> | <u>11.341</u> |
| Equity at 31 December | <u>1.800</u> | <u>168.738</u> | <u>170.538</u> |

Notes to the Financial Statements

| | 2016 TDKK | 2015 TDKK |
|---|----------------|----------------|
| 1 Revenue | | |
| Inland revenue related to passenger transportation | 855.193 | 820.471 |
| | <u>855.193</u> | <u>820.471</u> |
| 2 Staff expenses | | |
| Wages and salaries | 474.570 | 445.946 |
| Pensions | 42.258 | 41.640 |
| Other social security expenses | 10.871 | 10.904 |
| Other staff expenses | 31.713 | 28.111 |
| | <u>559.412</u> | <u>526.601</u> |
| Average number of employees | <u>1.311</u> | <u>1.274</u> |
| Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act. | | |
| 3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | | |
| Amortisation of intangible assets | 4.245 | 3.929 |
| Depreciation of property, plant and equipment | 67.749 | 57.547 |
| Gain and loss on disposal | 99 | -3.496 |
| | <u>72.093</u> | <u>57.980</u> |
| Which is specified as follows: | | |
| Driving contracts | 3.900 | 3.900 |
| Software licenses | 345 | 29 |
| Other fixtures and fittings, tools and equipment | 4.572 | 4.068 |
| Buses | 62.976 | 53.350 |
| Leasehold improvements | 201 | 129 |
| Loss/(profit) on sale of property, plant and equipment | 99 | -3.496 |
| | <u>72.093</u> | <u>57.980</u> |

Notes to the Financial Statements

| | <u>2016</u> TDKK | <u>2015</u> TDKK | |
|--|--------------------------------------|--------------------------------------|----------------------|
| 4 Financial income | | | |
| Interest received from group enterprises | 7.697 | 10.036 | |
| Other financial income | <u>45</u> | <u>22</u> | |
| | <u>7.742</u> | <u>10.058</u> | |
| 5 Financial expenses | | | |
| Interest paid to group enterprises | 16.262 | 13.674 | |
| Other financial expenses | <u>1.886</u> | <u>1.526</u> | |
| | <u>18.148</u> | <u>15.200</u> | |
| 6 Tax on profit/loss for the year | | | |
| Current tax for the year | -1.537 | -5.773 | |
| Deferred tax for the year | -2.098 | -23.758 | |
| Tax incurred by taxable mergers 1 January 2016 | 3.628 | 28.091 | |
| Adjustment tax prior year | 441 | 0 | |
| Adjustment deferred tax prior year | <u>-527</u> | <u>0</u> | |
| | <u>-93</u> | <u>-1.440</u> | |
| 7 Intangible assets | | | |
| | <u>Software licenses</u> TDKK | <u>Driving contracts</u> TDKK | <u>Total</u> TDKK |
| Cost at 1 January | 1.712 | 25.745 | 27.457 |
| Additions for the year | <u>45</u> | <u>0</u> | <u>45</u> |
| Cost at 31 December | <u>1.757</u> | <u>25.745</u> | <u>27.502</u> |
| Amortisation at 1 January | 29 | 4.875 | 4.904 |
| Amortisation for the year | <u>345</u> | <u>3.900</u> | <u>4.245</u> |
| Amortisation at 31 December | <u>374</u> | <u>8.775</u> | <u>9.149</u> |
| Carrying amount at 31 December | <u>1.383</u> | <u>16.970</u> | <u>18.353</u> |
| Depreciated over | <u>5 years</u> | <u>4-12 years</u> | |

Notes to the Financial Statements

8 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment TDKK | Buses TDKK | Leasehold improvements TDKK | Total TDKK |
|--|--|-----------------------|-----------------------------------|-----------------------|
| Cost at 1 January | 49.663 | 627.547 | 9.426 | 686.636 |
| Adjustments | 0 | 35.453 | -100 | 35.353 |
| Effect from mergers | 1.876 | 15.636 | 203 | 17.715 |
| Additions for the year | 2.875 | 9.788 | 1.859 | 14.522 |
| Disposals for the year | <u>-7.395</u> | <u>-1.510</u> | <u>-140</u> | <u>-9.045</u> |
| Cost at 31 December | <u>47.019</u> | <u>686.914</u> | <u>11.248</u> | <u>745.181</u> |
| Depreciation at 1 January | 37.868 | 130.550 | 8.711 | 177.129 |
| Adjustments | 0 | 35.453 | -100 | 35.353 |
| Effect from merger | 1.368 | 0 | 84 | 1.452 |
| Depreciation for the year | 4.572 | 62.976 | 201 | 67.749 |
| Reversal of depreciation of sold assets | <u>-7.375</u> | <u>-1.372</u> | <u>-140</u> | <u>-8.887</u> |
| Depreciation at 31 December | <u>36.433</u> | <u>227.607</u> | <u>8.756</u> | <u>272.796</u> |
| Carrying amount at 31 December | <u>10.586</u> | <u>459.307</u> | <u>2.492</u> | <u>472.385</u> |
| Depreciated over | <u>5-12 years</u> | <u>4-12 years</u> | <u>5 years</u> | |
| Including assets under finance leases amounting to | <u>1.247</u> | <u>278.949</u> | <u>0</u> | |

Notes to the Financial Statements

9 Investments in subsidiaries

| | 2016 TDKK | 2015 TDKK |
|---|---------------|---------------|
| Cost at 1 January | 48.480 | 48.430 |
| Effects of mergers | -7.958 | 0 |
| Additions for the year | 150 | 50 |
| Cost at 31 December | 40.672 | 48.480 |
| Value adjustments at 1 January | -6.702 | -9.925 |
| Effects of mergers | -2.085 | 0 |
| Net profit/loss for the year | 1.901 | 3.223 |
| Value adjustments at 31 December | -6.886 | -6.702 |
| Equity investments with negative net asset value amortised over receivables | 2.653 | 3.746 |
| Carrying amount at 31 December | 36.439 | 45.524 |

Investments in subsidiaries are specified as follows:

| Name | Place of registered office | Share capital (TDKK) | Votes and ownership |
|---------------------------|----------------------------|----------------------|---------------------|
| Keolis Aarhus Letbane A/S | Albertslund | 500 | 100% |
| Keolis Ejendomme ApS | Albertslund | 570 | 100% |
| Keolis Projekter ApS | Albertslund | 50 | 100% |
| Keolis Leasing 2013 ApS | Albertslund | 80 | 100% |
| Keolis Leasing 2014 ApS | Albertslund | 50 | 100% |
| Keolis Leasing 2015 ApS | Albertslund | 70 | 100% |
| Keolis Leasing 2016 ApS | Albertslund | 50 | 100% |
| Keolis Leasing 2017 ApS | Albertslund | 50 | 100% |
| Keolis 1 ApS | Albertslund | 125 | 100% |
| Keolis 2 ApS | Albertslund | 125 | 100% |

Notes to the Financial Statements

10 Other financial assets

| | Other investments TDKK | Deposits TDKK |
|--------------------------------|------------------------------|------------------|
| Cost at 1 January | 249 | 498 |
| Net effect from merger | 0 | 3 |
| Additions for the year | 0 | 4 |
| Disposals for the year | 0 | -21 |
| Cost at 31 December | 249 | 484 |
| Revaluations at 1 January | 1.229 | 0 |
| Revaluations for the year | 843 | 0 |
| Revaluations at 31 December | 2.072 | 0 |
| Carrying amount at 31 December | 2.321 | 484 |

11 Deferred tax asset

Deferred tax assets primarily relates to temporary differences on property, plant and equipment, tax goodwill from merger, lease obligations, provisions as well as tax loss carry-forwards. The recognition of deferred tax asset is based on expected utilisation through future taxable profits based on a 5-year forecast period.

The Company has an un-recognised deferred tax asset of DKK 7 million (2015: DKK 9 million).

12 Prepayments

Prepayments consist of prepaid expenses including rent and insurance.

13 Equity

The share capital consists of 1,800,000 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

| | 2016 TDKK | 2015 TDKK | 2014 TDKK | 2013 TDKK | 2012 TDKK |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Share capital at 1 January | 1.800 | 1.800 | 1.700 | 1.700 | 1.700 |
| Capital increase | 0 | 0 | 100 | 0 | 0 |
| Capital decrease | 0 | 0 | 0 | 0 | 0 |
| Share capital at 31 December | 1.800 | 1.800 | 1.800 | 1.700 | 1.700 |

Notes to the Financial Statements

| | 2016 TDKK | 2015 TDKK |
|----------------------------|----------------------|----------------------|
| 14 Other provisions | | |
| Onerous contracts | 20.055 | 26.900 |
| Other provisions | <u>0</u> | <u>41.101</u> |
| | <u>20.055</u> | <u>68.001</u> |

Onerous contract provision concerns rental contract entered on above market terms. In 2016, DKK 3,1 million of the provision for onerous contracts has been released due to reassessment of the basis for the provision. In 2016, the provision regarding the GEFA case has been settled.

15 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Lease obligations

| | | |
|-----------------------|-----------------|-------------------|
| After 5 years | 0 | 0 |
| Between 1 and 5 years | <u>0</u> | <u>254</u> |
| Long-term part | 0 | 254 |
| Within 1 year | <u>0</u> | <u>121</u> |
| | <u>0</u> | <u>375</u> |

Lease obligations to group enterprises, etc.

| | | |
|-----------------------|----------------|----------------|
| After 5 years | 113.264 | 171.944 |
| Between 1 and 5 years | <u>137.160</u> | <u>126.255</u> |
| Long-term part | <u>250.424</u> | <u>298.199</u> |

| | | |
|--|-----------------------|-----------------------|
| Within 1 year | 26.557 | 30.766 |
| Other short-term debt to group enterprises | <u>14.836</u> | <u>15.467</u> |
| Short-term part | <u>41.393</u> | <u>46.233</u> |
| | <u>291.817</u> | <u>344.432</u> |

Payables to group enterprises

| | | |
|-----------------------|-----------------------|-----------------------|
| Between 1 and 5 years | <u>364.584</u> | <u>336.693</u> |
| Long-term part | 364.584 | 336.693 |
| Within 1 year | <u>0</u> | <u>0</u> |
| | <u>364.584</u> | <u>336.693</u> |

Other payables

| | | |
|---------------------------|----------------------|-----------------------|
| Within 1 year | 0 | 35.295 |
| Other short-term payables | <u>97.598</u> | <u>95.670</u> |
| Short-term part | <u>97.598</u> | <u>130.965</u> |
| | <u>97.598</u> | <u>130.965</u> |

Notes to the Financial Statements

| | 2016 TDKK | 2015 TDKK |
|--|--------------|--------------|
| 16 Contingent assets, liabilities and other financial obligations | | |

Rental agreements and leases

| | | |
|--|--------|--------|
| Lease obligations, period of non-terminability over 3 months | 68.667 | 43.000 |
|--|--------|--------|

Security

None

Contingent assets

The portion of non-recognised deferred tax asset amount to DKK 7,4 million. See also note 10.

Contingent liabilities

The Company is liable for bank guarantees totaling DKK 35,5 million provided to local Public Transport Authorities.

The Company is jointly and severally liable for VAT and Payroll TAX related to the joint registration with certain subsidiaries.

The Danish group companies are jointly and severally liable for tax related to the joint taxation income.

The Company has issued a "Letter of Financial Support" regarding certain subsidiaries' going concern, hereunder subordination in favor of the subsidiaries other creditors. The letters apply until 31 May 2018.

A leasing partner has presented a claim of DKK 7 million. The Company and its legal advisor consider the claims unjustified and do not perceive that the Company will incur any losses as a result.

Notes to the Financial Statements

17 Related parties

Basis

Controlling interest

SNCF
Keolis SA, France

Ultimate parent
Controlling shareholder

Transactions

Transactions with the Company's Parent Company, subsidiaries and the Company's Management have been effected at arm's length.

18 Group information

The Company's direct parent is Keolis S.A., France, who prepares Consolidated Financial Statements, into which the Company is incorporated as a subsidiary. The Company's ultimate parent is SNCF, France.

Consolidated Financial Statements for Keolis S.A. and SNCF may be obtained at the following addresses:

Keolis S.A.
20 rue Le Peletier
75320 PARIS CEDEX 09
France

SNCF
1-7 place aux Etoiles
93212 LA PLAINE ST DENIS CEDEX
France

19 Fee to auditors appointed at the general meeting

Fee to auditors appointed at the general meeting, has not been disclosed in accordance with section 96 (3) of the Danish Financial Statements Act.

20 Subsequent events

No events have occurred which are considered to have a material effect on the assessment of the Financial Statements.

Accounting Policies

Basis of Preparation

The Annual Report of Keolis Danmark A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Financial Statements for 2016 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Keolis SA, France, the Company has not prepared consolidated financial statements.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

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

Accounting Policies

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue comprise passenger transport, which is recognised in the income statement when delivery and transfer of risk have been made before year-end. The sale is considered effected based on the following criteria:

- driving has been made before year-end;
- a binding agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Segment information

Segment information is presented in respect of revenue distributed on business segment based on the Company's risks and returns and its internal financial reporting system. The Company has only one

Accounting Policies

geographical market as the Company only operates in Denmark.

Bushoursdepending costs

Bushoursdepending costs comprise costs for operating lease of busses, fuel, insurance and maintenance of busses, etc.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Driver wages and staff expenses

The item comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

The item comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with wholly owned Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their

Accounting Policies

taxable incomes (full allocation with credit for tax losses). The jointly taxed enterprises have adopted the on-account taxation scheme.

Balance Sheet

Intangible assets

Driving contracts are measured at cost less accumulated depreciations and less any accumulated impairment losses. Depreciation based on cost is calculated on a straight-line basis contract by contract over the remaining contract period, which are 4-12 years.

Software licenses are measured at cost less accumulated depreciations and less any accumulated impairment losses. Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

| | |
|---|------------|
| Buses | 4-12 years |
| Other fixtures and fittings, tools and equipment | 5-12 years |
| Leasehold improvements | 5 years |

Residual value are reassessed annually.

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where

Accounting Policies

a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised as an impairment of receivables from subsidiaries, if any, or in provisions.

Other financial assets

Other financial assets, which consist of other investments in unlisted shares etc, are measured at their fair values at the balance sheet date, and deposits measured at amortised cost, which substantially corresponds to nominal value.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales price.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning operating leases, insurance premiums, subscriptions and interest.

Accounting Policies

Dividend

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

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

Accounting Policies

Financial Highlights

Explanation of financial ratios

Gross margin

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

Profit margin

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

Return on assets

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

Solvency ratio

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

Return on equity

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