Keolis Danmark A/S

Naverland 20, DK-2600 Glostrup

Annual Report for 1 January - 31 December 2017

CVR No 13 39 94 33

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 29/5 2018

Peter Lanng Nielsen
Chairman

Contents

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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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, 29/5 2018

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Board of Directors

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Independent Auditor's Report

To the Shareholder of Keolis Danmark A/S

Opinion

We have audited the financial statements of Keolis Danmark A/S for the financial year 1 January   31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

Independent Auditor's Report

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Independent Auditor's Report

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 29/5 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Michael Groth Hansen
statsaut. revisor
MNE-nr. mne33228

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: 28th 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	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 DK-2000 Frederiksberg

Financial Highlights

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

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Key figures					
Profit/loss					
Revenue	873.308	855.193	820.471	588.353	491.578
Gross profit	119.035	120.274	113.245	78.804	48.749
Profit/loss before financial income and expenses	16.527	19.753	22.865	-17.867	8.438
Net profit for the year	16.372	11.341	22.386	-8.017	6.653
Balance sheet					
Balance sheet total	1.078.947	982.981	1.095.279	910.861	403.978
Equity	186.910	170.538	159.197	136.811	149.530
Ratios					
Gross margin	13,6%	14,1%	13,8%	13,4%	9,9%
Profit margin	1,9%	2.3%	2,8%	-3,0%	1,7%
Return on assets	1,6%	1,9%	2,1%	-2,0%	2,1%
Solvency ratio	17,3%	17,3%	14,5%	15,0%	37,0%
Return on equity	9,2%	6,9%	15,1%	-5,6%	4,6%

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 year 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 2017 shows a profit of TDKK 16,372, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 186,910.

There were many tender activities during the year in both bus and Light Rail, however not resulting in any new significant contracts being won. The operations on existing contracts went well resulting in a good result in line with last year. Normal operation of the Light Rail in Aarhus started December 2017 marking an important milestone in our Light Rail operations. The contract is performed through the subsidiary Keolis Aarhus Letbane A/S.

The year has focused on optimizing processes and 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.

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. We therefore do not have specific policies on climate and human rights.

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

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. We operate according to the environmental standard ISO 14001 and strive to have the best standards in this area. In 2017 we initiated plans to replace 10 busses with newer and more environmental friendly busses. They have all been delivered in 2018.

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. Our employees have been on 50.000 hours of training, of which 32.000 were for upgrading competences.

Share of the underrepresented gender

Target figures for the Board of Directors

Keolis Danmark A/S in 2017 had a target of having representation by both genders among the four members (25%) of the Board of Directors elected by the general meeting. As of now all are men. It has not been possible to achieve in 2017 due to not finding the right candidates. It is a policy of Keolis Danmark A/S to reach the goal in 2018.

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. In beginning of 2018 this policy was partly achieved by employing a new female CFO. There will be focus on this policy going forward and it is expected that further 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	2017 TDKK	2016 TDKK
Revenue	1	**873.308**	**855.193**
Other operating income		14.179	13.923
Bushoursdepending costs		-188.593	-176.906
Driver wages etc.	2	-531.607	-530.984
Other external expenses		-48.252	-40.952
Gross profit		**119.035**	**120.274**
Staff expenses	2	-30.256	-28.428
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	3	-72.252	-72.093
Profit before financial income and expenses		**16.527**	**19.753**
Income from investments in subsidiaries	4	8.980	1.901
Financial income	5	4.852	7.742
Financial expenses	6	-13.775	-18.148
Profit before tax		**16.584**	**11.248**
Tax on profit for the year	7	-212	93
Net profit for the year		**16.372**	**11.341**

Distribution of profit

	2017 TDKK	2016 TDKK
Proposed distribution of profit		
Retained earnings	16.372	11.341
	16.372	**11.341**

Balance Sheet 31 December

Assets

	Note	2017	2016
		TDKK	TDKK
Software licenses		2.535	1.383
Driving contracts		13.070	16.970
Intangible assets	8	**15.605**	**18.353**
Other fixtures and fittings, tools and equipment		7.799	10.586
Buses		409.305	459.307
Leasehold improvements		2.107	2.492
Property, plant and equipment	9	**419.211**	**472.385**
Investments in subsidiaries	4	62.304	36.439
Other investments	10	3.178	2.321
Deposits	10	460	484
Financial assets		**65.942**	**39.244**
Fixed assets		**500.758**	**529.982**
Inventories		14.017	12.240
Inventories		**14.017**	**12.240**
Trade receivables		68.525	67.908
Receivables from group enterprises		205.777	299.377
Other receivables		132	132
Deferred tax asset	11	25.722	29.651
Prepayments	12	5.346	4.929
Receivables		**305.502**	**401.997**
Cash at bank and in hand		**258.670**	**38.762**
Currents assets		**578.189**	**452.999**
Assets		**1.078.947**	**982.981**

Balance Sheet 31 December

Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital	13	1.800	1.800
Retained earnings		185.110	168.738
Equity		**186.910**	**170.538**
Other provisions	14	17.187	20.055
Provisions		**17.187**	**20.055**
Bank loans	15	200.000	0
Lease obligations to group enterprises, etc.	15	172.993	250.424
Loan payables to group enterprises	15	144.606	364.584
Long-term debt		**517.599**	**615.008**
Trade payables		34.075	36.298
Lease obligations to group enterprises etc.	15	33.132	41.393
Loan payables to group enterprises	15	200.000	0
Corporation tax		1.597	2.091
Other payables	15	88.447	97.598
Short-term debt		**357.251**	**177.380**
Debt		**874.850**	**792.388**
Liabilities and equity		**1.078.947**	**982.981**
Contingent assets, liabilities and other financial obligations	16		
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Group information	18		
Fee to auditors appointed at the general meeting	19		
Subsequent events	20		

Statement of changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	1.800	168.738	170.538
Net profit for the year	0	16.372	16.372
Equity at 31 December	**1.800**	**185.110**	**186.910**

Notes to the Financial Statements

		2017	2016
		TDKK	TDKK

1 Revenue

	2017 TDKK	2016 TDKK
Domestic revenue related to passenger transportation	873.308	855.193
	873.308	**855.193**

2 Staff expenses

	2017 TDKK	2016 TDKK
Wages and salaries	476.334	474.570
Pensions	41.689	42.258
Other social security expenses	10.670	10.871
Other staff expenses	33.170	31.713
	561.863	**559.412**
Average number of employees	**1.316**	**1.311**

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Depreciation, amortization and impairment of intangible assets and property, plant and equipment

	2017 TDKK	2016 TDKK
Amortization of intangible assets	4.443	4.245
Depreciation of property, plant and equipment	68.313	67.749
Gain and loss on disposal	-504	99
	72.252	**72.093**
Which is specified as follows:		
Driving contracts	3.900	3.900
Software licenses	543	345
Other fixtures and fittings, tools and equipment	3.995	4.572
Buses	63.951	62.976
Leasehold improvements	367	201
Loss/(profit) on sale of property, plant and equipment	-504	99
	72.252	**72.093**

Notes to the Financial Statements

	2017	2016
	TDKK	TDKK
4 Investments in subsidiaries		
Cost at 1 January	40.672	48.480
Effects of mergers	-80	-7.958
Additions for the year	20.000	150
Cost at 31 December	60.592	40.672
Value adjustments at 1 January	-6.886	-6.702
Effects of mergers	-600	-2.085
Net profit/loss for the year	8.980	1.901
Value adjustments at 31 December	1.494	-6.886
Equity investments with negative net asset value amortized over receivables	218	2.653
Carrying amount at 31 December	**62.304**	**36.439**

The additions for the year are increases of equity by conversion of debt in Keolis Leasing 2014 Aps and Keolis Leasing 2015 ApS with TDKK 10.000 in each.

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 2014 ApS	Albertslund	150	100%
Keolis Leasing 2015 ApS	Albertslund	170	100%
Keolis Leasing 2016 ApS	Albertslund	50	100%
Keolils Leasing 2017 ApS	Albertslund	50	100%
Keolis 1 ApS	Albertslund	125	100%
Keolis 2 ApS	Albertslund	125	100%

Notes to the Financial Statements

		2017	2016
		TDKK	TDKK

5 Financial income

	2017 TDKK	2016 TDKK
Interest received from group enterprises	4.828	7.697
Other financial income	24	45
	4.852	**7.742**

6 Financial expenses

	2017 TDKK	2016 TDKK
Interest paid to group enterprises	12.473	13.674
Other financial expenses	1.302	1.526
	13.775	**15.200**

7 Tax on profit for the year

	2017 TDKK	2016 TDKK
Current tax for the year	-1.743	-1.537
Deferred tax for the year	588	-2.098
Tax incurred by taxable mergers 1 January	1.124	3.628
Adjustment tax prior year	183	441
Adjustment deferred tax prior year	60	-527
	212	**-93**

8 Intangible assets

	Software licenses TDKK	Driving contracts TDKK	Total TDKK
Cost at 1 January	1.757	25.745	27.502
Additions for the year	1.695	0	1.695
Cost at 31 December	3.452	25.745	29.197
Amortization at 1 January	374	8.775	9.149
Amortization for the year	543	3.900	4.443
Amortization at 31 December	917	12.675	13.592
Carrying amount at 31 December	**2.535**	**13.070**	**15.605**
Depreciated over	5 years	4-12 years	

Notes to the Financial Statements

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Buses	Leasehold improvements	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	47.019	686.914	11.248	745.181
Adjustments carrying values	-10.802	-70	-4.842	-15.714
Additions for the year	1.789	15.590	77	16.456
Disposals for the year	-3.409	-4.318	0	-7.727
Cost at 31 December	34.597	698.116	6.483	739.196
Depreciation at 1 January	36.433	227.607	8.756	272.796
Adjustments carrying values	-10.507	-70	-4.747	-15.324
Depreciation for the year	3.979	63.951	367	68.297
Reversal of depreciation of sold assets	-3.107	-2.677	0	-5.784
Depreciation at 31 December	26.798	288.811	4.376	319.985
Carrying amount at 31 December	**7.799**	**409.305**	**2.107**	**419.211**
Depreciated over	5-12 years	4-12 years	5 years	
Including assets under finance leases amounting to	912	195.351	0	

10 Other financial assets

	Other investments	Deposits
	TDKK	TDKK
Cost at 1 January	249	484
Disposals for the year	0	-24
Cost at 31 December	249	460
Revaluations at 1 January	2.072	0
Revaluations for the year	857	0
Revaluations at 31 December	2.929	0
Carrying amount at 31 December	**3.178**	**460**

Notes to the Financial Statements

11 Deferred tax asset

	2017 TDKK	2016 TDKK
Deferred tax		
Deferred tax 1 January	29.651	29.960
Adjustment of deferred tax for the year	-3.929	-309
Deferred tax 31 December	**25.722**	**29.651**
The deferred tax relates to		
Goodwill	13.598	17.006
Driving contracts	-2.875	-3.734
Intangible assets	-397	-217
Property plant and equipment	-64.554	-80.552
Financial assets	-501	-312
Provisions	3.781	5.093
Internal leasing	43.169	62.543
Value of carried forward losses	33.501	29.824
Deferred tax 31 December	25.722	29.651

The recognition of deferred tax asset is based on expected utilization through future taxable profits based on a 6-year forecast period. The Company has an un-recognized deferred tax asset of DKK 5,1 million (2016: DKK 7,3 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:

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Share capital at 1 January	1.800	1.800	1.800	1.700	1.700
Capital increase	0	0	0	100	0
Share capital at 31 December	**1.800**	**1.800**	**1.800**	**1.800**	**1.700**

Notes to the Financial Statements

	2017 TDKK	2016 TDKK

14 Other provisions

	2017 TDKK	2016 TDKK
Onerous contracts	17.187	20.055
	17.187	**20.055**

Onerous contract provision concerns rental contract entered on above market terms. In addition to normal amortization then in 2016, DKK 3,1 million of the provision for onerous contracts has been released due to reassessment of the basis for the provision.

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:

	2017 TDKK	2016 TDKK
Bank loans		
Long-term part	200.000	0
	200.000	**0**
Lease obligations to group enterprises, etc.		
Lease obligations After 5 years	91.392	113.264
Lease obligations between 1 and 5 years	81.601	137.160
Long-term part	172.993	250.424
Lease obligations within 1 year	19.854	26.557
Other short-term debt to group enterprises within 1 year	13.278	14.836
Short-term part	33.132	41.393
	206,125	**291.817**
Payables to group enterprises		
Between 1 and 5 years	144.606	364.584
Long-term part	144.606	364.584
Within 1 year	200.000	0
	344.606	**364.584**
Other payables		
Other short-term payables	88.447	97.598
Short-term part	88.447	97.598
	88.447	**97.598**

Notes to the Financial Statements

		2017	2016
		TDKK	TDKK
16	**Contingent assets, liabilities and other financial obligations**		
	Rental agreements and leases		
	Lease obligations, period of non-terminability over 3 months	42.218	68.667

Security

None

Contingent assets

The portion of non-recognised deferred tax asset amount to DKK 5,1 million. See also note 11.

Contingent liabilities

The Company is liable for bank guarantees totaling DKK 36,6 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 2019.

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

Controlling interest

SNCF	Ultimate parent
Keolis SA, France	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

	2017 TDKK	2016 TDKK
Statutory audit and audit of Reporting Package	670	984
Other assurance services	19	18
Other advisory service (tax and VAT)	0	124
	689	**1.126**

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

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 2017 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 2017 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.

Bus hours depending costs

Bus hours depending 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 depriciations 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 depriciations 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 13,200 are expensed in the year of acquisition.

Impairment of fixed assets

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

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

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the 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 prop0sed 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 cast 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	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$